

**MINUTES OF REGULAR MEETING
BOARD OF WATER WORKS
January 9, 2001**

The regular meeting of the Board of Water Works was held on January 9, 2001 in the Board Room of the Louisville Water Company, 550 S. Third Street, Louisville, Kentucky, convening at 1:00 p.m.

Board Members Present:

Mr. Stephen C. Gault
Mr. Jack Segell
Ms. Wendy Welsh
Mr. Owen Hammons
Mr. Phillip Bond

Board Members Absent:

The Hon. David L. Armstrong, Mayor
Mr. Stewart Conner

Others Present:

Mr. John Huber, President
Mr. Robert Miller, V. P. – Treasurer
Mr. Gregory Heitzman, V. P. – Chief Engineer
Ms. Laura Douglas, V. P. General Counsel & Secretary
Ms. Karla Teasley
Mr. Steve Hubbs
Ms. Jane Driskell
Mr. Matt Neunier, Mendel Scott
Ms. Barbara Crow
Mr. Tim Ball, JWAHMB
Mr. Scott Potter
Mr. Bret Russell
Mr. Jim Smith
Mr. Jack Wang
Mr. Ralph McCord
Mr. Roy Flynn, Gresham Smith
Mr. Joe Eigel, Gresham Smith
Mr. Don McKay
Ms. Ellen Mackin
Ms. Rhonda Brown

Mr. Huber called the meeting to order and announced that Mr. Conner is out of the hospital and doing well.

Project No.	Project Name	Total Project Cost	Net LWC Cost
Developer Installed Refunding Main Extension Projects			
00-067	Summit at Louisville	\$197,965.00	
00-099	Park Duvalle Phase 3 A Section 1B	\$ 54,540.00	
00-110	Spring Meadow Patio Homes Section 3	\$ 21,975.00	
00-111	Center of Bluegrass	\$ 38,700.00	
Surcharge/LWC Tapping Fee Water Main Extension Contracts			
99-214	Concord Hill Road	\$ 24,800.00	
Customer/LWC Tapping Fee Water Main Extension Projects			
01-201	Cartledge Avenue	\$ 22,105.00	
Metropolitan Sewer District Relocation Projects			
01-473	Beulah Church Road Drainage Improvement	\$ 16,200.00	
01-474	Oregon Avenue Drainage Improvement Project	\$ 25,550.00	
01-1409M	Penway/Linwood Avenue Drainage Improvement	\$ 3,700.00	
Kentucky Transportation Cabinet			
01-479	Ninth Street Extension	\$198,000.00	
AWARDS OF CONTRACTS LESS THAN \$50,000			
00-59	Meter Keys	\$ 27,818.00	
CERT. OF EMER.	Zorn Pump #3 Discharge Valve RPM, INC.	\$ 33,711.00	
CERT. OF EMER.	Allmond Av. Garage Heaters ACCO INC.	\$ 20,985.00	

A motion was made to approve the consent agenda:

- Approve minutes of previous meetings
- Approve claims paid during the previous month.
- Approve petitions and applications for water main extensions (when in full compliance with Service Rules and Regulations).

Consent agenda approved.

Administrative Report

Mr. Huber reported that the average CSI for 2000 was 807. This meets one of the corporate goals.

Financial Report

Mr. Miller reported that complete financial information for December 2000 was not yet available. Total sale of water, \$83,857,644 is \$2,049,844 or 2.5% more than budgeted and \$443,318 or 0.5% less than the same period in 1999. Projected total operating revenue of \$88,323,133 is \$3,278,833 or 3.9% more than budgeted and \$604,593 or 0.7% more than 1999. The winter snow and low temperature during December 2000 resulted in an additional \$390,000 in operations cost. However, this amount is within the \$500,000 that was budgeted. Audited financials will be presented at the February Board meeting.

Operations and Engineering Report

Mr. Heitzman presented the Operations and Engineering Report to the Board.

Water Production and Pumpage – Water pumpage for December 2000 was 119.2 MGD, an increase of 4 percent over December 1999 pumpage. The 2000 daily pumping average was 126.8 MGD. This rate was 6 percent less than the record pumpage rate of 134.1 MGD in 1999, but 10 percent above the five-year average of 114.9 MGD.

Distribution Operations – The colder air and colder water temperatures in December increased main break activity in the Distribution System. There were 191 main breaks repaired in December, compared to 118 in December 1999. This brings total main breaks for 2000 to 717 breaks, down from the record number of breaks of 959 recorded in 1999. This is the ninth worst year for main breaks recorded since 1963. A winter operations summary is provided as a separate report.

Developer Extensions and Service Installations – Through December 2000 a total of 39.9 miles of developer extension contracts were executed compared to 44.9 miles in 1999. Through December 2000, a total of 4,312 services were installed compared to 4,354 in 1999. Of these 4,312 services in 2000, 512 were irrigation retrofits, bringing the adjusted new services to 3,800. The Company's service area experienced a record year for new development in 1999, and the corresponding 11 percent decline in water main extensions and 13 percent decline in new services indicates a slowdown in development

Transmission Main Leak – On December 29, a joint leak was discovered on the 60-inch reinforced concrete main in Hazelwood at Arline. This main was installed in 1930 with leaded joints that often leak with sudden change in temperature or change in soil moisture. The Company executed an emergency contract with Hall Contracting to excavate the pipe and weld the joint over the New Year holiday weekend. The main was taken out of service to stop the leakage and facilitate the repair. Since placing the main back in service additional leaks have been discovered, and Miller Pipeline has been brought in under emergency contract to install up to 20 internal joint seals inside the 60-inch main. Total repair of the 60-inch main is estimated at \$65,000.

Litigation Report

After proper motion and second, the Board adjourned into closed session for the purpose of discussing litigation and acquisition of property. The Board reconvened into open session without taking any action.

Special Issues

MRRP – 2001 Main Replacement and Rehabilitation

Mr. Greg Heitzman and Mr. Bret Russell presented an update to the Board on the 2001 Main Replacement and Rehabilitation Program.

The 2001 Capital Budget includes funding in the amount of \$10,000,000 for main replacement and rehabilitation. Of these funds, \$4,370,000 is reserved for replacement, \$5,130,000 is designated for rehabilitation work and \$500,000 for lead service line renewals. This one-year program includes replacement of 10.5 miles, rehabilitation of 25.2 miles of water main, renewal of approximately 723 lead service lines from main to the property connection and replacement of approximately 285 fire hydrants. This one-year program also includes 9.1 miles of alternate replacement projects totaling \$4,447,000 and 18.8 miles of other areas of capital construction program, the alternate projects would be advanced into the 2001 program. Cost allocation is summarized as follows

	<u>2001</u>	<u>2001</u>
	<u>Primary</u>	<u>Alternate</u>
Replacement	\$4,370,000	\$4,447,000
Rehabilitation	\$5,130,000	\$3,807,000
Service Line Renewal	\$ 500,000	
Grid Connection		\$ 250,000
Total MRRP	<u>\$10,000,000</u>	<u>\$8,504,000</u>

After proper motion and second, the Board authorized staff to proceed with engineering design and advertisement for bid, specified that all bids exceeding \$50,000 will be returned to the Board for authorization to proceed with construction and that savings be used for the proposed alternate projects as outlined in the MRRP manual.

Renewal of 2000 Clean and Cement Mortar Line Contract

Approval of 2001 Clean and Cement Mortar Line Program

Mr. Heitzman reported that in December 1999 the Louisville Water Company entered into a contract with Southern Pipeline Construction Company for cleaning and cement mortar lining of cast iron water mains in the LWC distribution system during 2000. The contract provides for an annual extension of the agreement provided certain performance measurements are satisfied. The performance criteria include customer survey results, turn-around time for temporary bypass lines, Contractor Performance Evaluation, and monthly production rates. Exhibit A, attached to this letter, provides an explanation of the measurement criteria and the performance results for 2000.

Based on the original agreement, annual adjustments to the contract unit prices will be based on the percent change in the Consumer Price Index.

Based on the estimated footage for the project areas and the adjusted contract unit prices, a contract cost and a total cost have been calculated for each proposed area. The estimated contract cost for the primary areas is \$3,847,500.

After proper motion and second, the Board authorized staff to award a one year renewal of the Clean and Line contract with Southern Pipeline Construction Company for the 2001 Annual Clean and Line project scope, at an estimated contract cost of \$3,847,500. Further, staff

recommends the use of this contract for additional Clean and Line work identified as Alternate Projects under the 2001 Annual Main Replacement and Rehabilitation program.

00-56/Ductile Iron Pipe and Fittings

Mr. Heitzman reported that on December 20, 2000, bids were opened to award a one-year contract, renewable for up to four (4) additional years at the sole discretion of the Louisville Water Company, for ductile iron pipe and fittings. Pipe and fittings are used in the installation and maintenance of our distribution and transmission systems.

A total of six bids were submitted with the lowest, most responsive bids as follows:

US Pipe & Foundry	Pipe and Standard Fittings	\$1,884,839.57
Hughes Supply	Non-Standard Fittings	\$ 188,267.13
Griffin Pipe	Non-Standard Fittings	\$ 4,311.00

TOTAL **\$2,077,417.70**

After proper motion and second, the Board authorized staff to award a one-year contract, renewable for up to four (4) additional years, for an estimated amount of **\$2,077,418** to the bidders listed above. Based on estimated quantities, this bid represents a 19.8% decrease in unit prices from the previous bid. All renewals will utilize the Producers Price Index as a cost adjustment factor.

RFP#1 – Bullitt County Extension Program – KT District #1/ RFP#2 – Bullitt County Extension Program – KT District #2

Mr. Heitzman reported that staff issued two Request-for-Proposals (RFP) for professional engineering services for the Bullitt County Extension Program. The scope of work includes 51.1 miles of main in the former Kentucky Turnpike Water District No. 1 (KTWD No.1) service area and 64.2 miles in the former Kentucky Turnpike Water District No. 2 (KTWD No.2) service area. The 115.3 miles of water main are identified in the merger agreement between Louisville Water Company (LWC) and the KTWD and must be completed by 2010.

Five qualified consulting firms submitted proposals on December 6, 2000. The selection process included an evaluation using the following criteria: qualifications and experience (50%); disadvantaged business utilization (15%); interview responses (10%); and cost (25%). The results of the evaluation for RFP#1 and #2 are provided in Table 1 and Table 2, respectively.

From the evaluation, Quest Engineers, Inc. has the highest score for the RFP#1 scope of work and Central Associated Engineers, Inc. has the highest score for the RFP#2 scope of work. It is noted that the detailed cost proposal from Gresham Smith and Partners was submitted on December 6, 2000. This supplemental information is considered non-responsive and was not opened or considered in the cost evaluation.

After proper motion and second, the Board authorized the Chief Engineer to award two professional service contracts for the design of BCEP water facilities to Quest Engineers, Inc. for RFP#1 and to Central Associated Engineers, Inc. for RFP#2. These contracts are hourly rate contracts with a not-to-exceed price of \$894,610.00 for the RFP #1 scope of work and \$734,780.90 for RFP #2 scope of work. The hourly unit prices will be reviewed and adjusted annually using the CPI as a guideline for adjustments.

Project No. 00-80/Rotary Pump Control Valves

Mr. Heitzman reported that on December 6, 2000, bids were opened to award a contract for three 20" and one 24" rotary pump control valves for pump check service complete with hydraulic operators.

A total of two bids were received, with the lowest, most responsive bid from **GA Industries** for **\$154,621**.

After proper motion and second, the Board authorized staff to award a contract to **GA Industries** for an amount of **\$154,621**.

Project No. 00-84/Flowable Backfill

Mr. Miller reported that on December 13, 2000, bids were opened to award a three-year contract for flowable backfill. Flowable backfill is a compaction material which will fill all voids and is easily excavated.

A total of two bids were submitted with the lowest, most responsive bid from **Preston Highway Metered Concrete** for an estimated total of **\$710,250**.

After proper motion and second, the Board authorized staff to award a three-year contract totaling an estimated **\$710,250** to **Preston Highway Metered Concrete**. This bid represents a .009% increase in unit prices from the previous bid, three years ago.

Project No. 00-85/Seed and Sod Turf Repairs

Mr. Miller reported that on December 13, 2000, bids were opened to award a three-year contract for turf repairs. This contract includes providing seed, sod and fill materials as well as performing turf repairs at various work site locations.

A total of five bids were submitted with the lowest, most responsive bid from **Bluegrass Lawnscape** for an estimated three-year total of **\$102,412**.

After proper motion and second, the Board authorized staff to award a three-year contract totaling an estimated **\$102,412** to **Bluegrass Lawnscape**. This bid represents a 36% decrease in unit prices from the previous bid (three years ago).

Project No. 00-512 Seventh Street Main Replacement

Mr. Heitzman reported that bids were received and opened Wednesday, December 20, 2000 to install 2,650 linear feet of 12-inch water main along Seventh Street Road, and 310 linear feet of 6-inch in Leroy Avenue. Included with the project are the installation/renewal of 3 fire hydrants and the transfer, renewal, or relocation of 28 customer services. The project includes two bores beneath Seventh Street Road.

Award of this project was based an evaluation of bids submitted with consideration for bid price, completion time, and the utilization of MBE/WBE subcontractors.

A total of six bids were received and opened from pre-qualified contractors. T&C Contracting, Inc submitted the lowest responsive bid in the amount of **\$220,874** resulting in a total project cost of **\$303,474**. A tabulation of the bids is attached and the project financial summary is provided as follows:

	<u>Budget Estimate of Record</u>	<u>Budget After Bids</u>
Contract Cost	\$ 210,000	\$ 220,874
Total Project Cost	\$ 292,600	\$ 303,474

After proper motion and second, the Board authorized the Chief Engineer to award a contract in the amount of \$220,874 to T&C Contracting, Inc to install the water facilities associated with this project.

Communications

Emerging Contaminants in Drinking Water

Jack Wang and Steve Hubbs led a discussion regarding emerging contaminants. With the advancement in analytical technologies, more and more contaminants are discovered in drinking water sources. Recent examples include the discovery of MTBE, perchlorate and some pharmaceutically active chemicals in source waters. Some of the contaminants may pose health risks to human beings, and thus have raised consumers' concerns.

Contaminants in drinking water can be classified into two categories: microbial contaminants and chemical contaminants including radioactive materials. Many of the contaminants have been identified and regulated by the USEPA. However, more and more contaminants are being discovered in drinking water sources as the analytical technology advances.

Emerging Microbial Contaminants

The concern for emerging microbial contaminants in drinking water is infectious diseases caused by these contaminants.

Emerging Viruses

Emerging Viruses in drinking water include *Enteroviruses*, *Calicivirus* and *Norwalk virus*, and *Hepatitis viruses*. Human enteroviruses cause a variety of clinical illnesses ranging from paralytic poliomyelitis, heart infection, and diabetes to common cold.

Conventional water treatment processes (physical removal and chlorine disinfection) are very effective in removing/inactivating *Enteroviruses* and *Hepatitis* viruses. However, little is known about removing/inactivating *Calicivirus*.

Cryptosporidium

Most microbes are susceptible to chlorine as a disinfectant and filtration for mechanical removal. Cryptosporidium, however, has proven resistant to chlorination and capable of passing through filtration when filters are not operated optimally. An outbreak of Cryptosporidium in Milwaukee is credited with making hundreds of thousands sick and killing over 100 with weakened immune systems.

Other Emerging Protozoa

Other emerging protozoa include *Cyclospora*, *Microsporidia*, and *Toxoplasma*. Evidence strongly suggests that cyclospora is transmitted by water. The illness associated with cyclospora is characterized by watery diarrhea, abdominal cramping, and low fever for several weeks. The role of microsporidia in waterborne disease is yet to be determined. Toxoplasma is a frequent opportunistic infection in AIDS patients.

Emerging Chemical Contaminants

The major concern for emerging chemical contaminants is the health risks associated with long-term, low dose exposure to these contaminants. The health risks include cancer development and endocrine system disruption such as birth defects.

Cancer-causing Contaminants

The newly discovered contaminants include MTBE, perchlorate, and NDMA. MTBE is a gasoline additive. It is water-soluble and has caused many groundwater contamination incidents

due to the leakage of underground storage tanks. Perchlorate contamination is associated with rocket fuel. NDMA is a compound that can be produced during the water treatment processes. Studies have shown that all of the three contaminants could cause cancers.

The risk of MTBE and perchlorate contamination in LWC water is very low as MTBE is mostly associated with groundwater contamination and perchlorate is associated with rocket launching activities.

It is unknown at this time if LWC water contains NDMA. The water quality laboratory currently is not capable of monitoring this compound. To develop in-house monitoring capacity, a major equipment upgrade is needed. Currently, we plan to use outside research laboratories to conduct assessment monitoring for this compound. Further treatment actions may be needed if the monitoring results indicate that the NDMA level in our water is above 20 parts per trillion.

Water Treatment Options

As most of the emerging microbial contaminants may be resistant to chlorine disinfection, improvement in disinfection facility is needed in addition to increasing physical removal by optimizing filtration process or implementing riverbank filtration. Studies have shown that UV disinfection may be the future of primary disinfection.

For emerging chemical contaminants, physical-chemical or biological treatment will be needed. Currently, information on treatment effectiveness for removing endocrine disruptors and PhAcS from water has been limited. More research is needed in this field.

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265 Johnson Farm Road: Johnson Road to End

Mr. Heitzman reported that an Apportionment Warrant public hearing was held for Johnson Farm Road: Johnson Road to End. The public hearing was held in response to receipt of a majority petition for this private road project. The public hearing was structured to provide a brief background on the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains will be extended using Apportionment Warrants as prescribed in KRS 96.265.

The private road Apportionment Warrant project is summarized as follows:

Johnson Farm Road: Johnson Road to End

- Public Hearing – December 9, 1999 – Eastwood Fire Protection District, Station #1
- 3,100 lineal feet of 6-inch water main
- \$75,000 estimated cost
- 10 eligible properties
- 9 affirmative petitioners
- 90% of eligible properties
- \$7,500 not-to-exceed “equal share” per property cost

After proper motion and second, the Board adopted a motion referring this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design, and advertisement for bid on this project.

Rebuild South Coagulation Mixers at the Crescent Hill Filter Plant

Mr. Jim Smith reported that on August 8, 2000 the Board of Water Works authorized the Chief Engineer to execute an emergency contract with Vesco Engineering for design and construction services to repair coagulation mixing unit number 5 at the Crescent Hill Filter Plant. At that time, it was noted that only one of the four south coagulation mixing units was fully operational - one had completely failed and was out of service, and the remaining two, had partially failed and were in limited service. As a consequence, it was recommended to the Board that an emergency change order be executed with Vesco if another coagulation mixing unit failed and repair was necessary to maintain a reliable treatment capacity of 180 MGD at the Crescent Hill Filter Plant to meet peak summer production demands. Effective coagulation mixing is essential for producing a safe, high quality drinking water that meets regulatory requirements for turbidity removal and disinfection.

In order to meet 180 MGD capacity requirements for peak, summer production demands, an additional coagulation mixing unit needs to be repaired by June, 2001.

Preliminary estimates provided by Vesco to repair one of the remaining partially failed mixing units are \$218,445. The remaining two south coagulation mixing units will be rebuilt by our standard advertise-design-bid-construct procurement process.

After proper motion and second, the Board authorized staff to execute an emergency change order with Vesco Engineering to repair coagulation mixing unit number 8 at the Crescent Hill Filter Plant by June 1, 2001 in an amount, not exceed \$220,000.

Project No. 00-74 Rest Cottage Lane Tapping Fee Extension Service to 117 to 123 Rest Cottage Lane

Mr. Heitzman led a discussion regarding this project. Approval is requested for a Tapping Fee main extension that will extend the existing 8-inch water main approximately 1330 l.f. to serve five (5) unserved properties along this private roadway in Oldham County. Of the existing five property owners, one has an existing home, one property owner is currently building a single family home (Cecil) and another is planning to build a home (Murphy). The other two lots are vacant. The estimated cost of the extension is \$39,000 or an equal share of \$7,800. The final tapping fee will be adjusted to actual cost. The two property owners that are building homes have signed a petition requesting this extension. They have jointly signed a petition to split the cost of a third assessment thereby satisfying a 3 of 5 majority petition (60%).

After proper motion and second, the Board authorized staff to proceed with this tapping fee water main extension. The fourth assessment collected by the Company will be returned to the original two property owners.

New Business

Healthcare, Dental, Disability and Life Insurance Plans

Don McKay and Ellen Mackin reported on the Benefits Team's work and proposal. The total cost for LWC employee benefits during calendar year 2001 will increase by 15.6%. (Last year (2000) LWC's costs escalated by 4%.)

After proper motion and second, the Board authorized staff to award the following contracts for healthcare services:

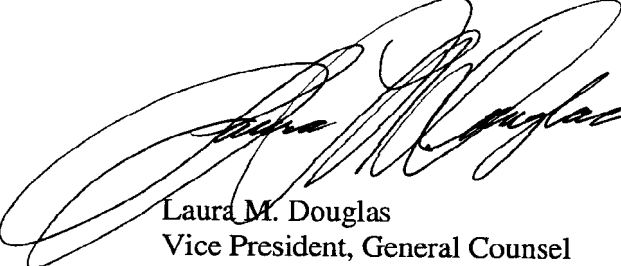
- 1) **Humana** in the amount of \$2,150,919;
- 2) **Delta Dental** in the amount of \$202,032;
- 3) Disability Insurance in the amount of \$83,476 with **CIGNA**;
- 4) Life insurance in the amount of \$154,883 with **Monumental Life**.

The meeting adjourned at 2:45 P.M.

CERTIFICATION

This is to certify that the following *Johnson Farm Road: Johnson Road to End*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on January 9, 2001, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style with large loops and flourishes.

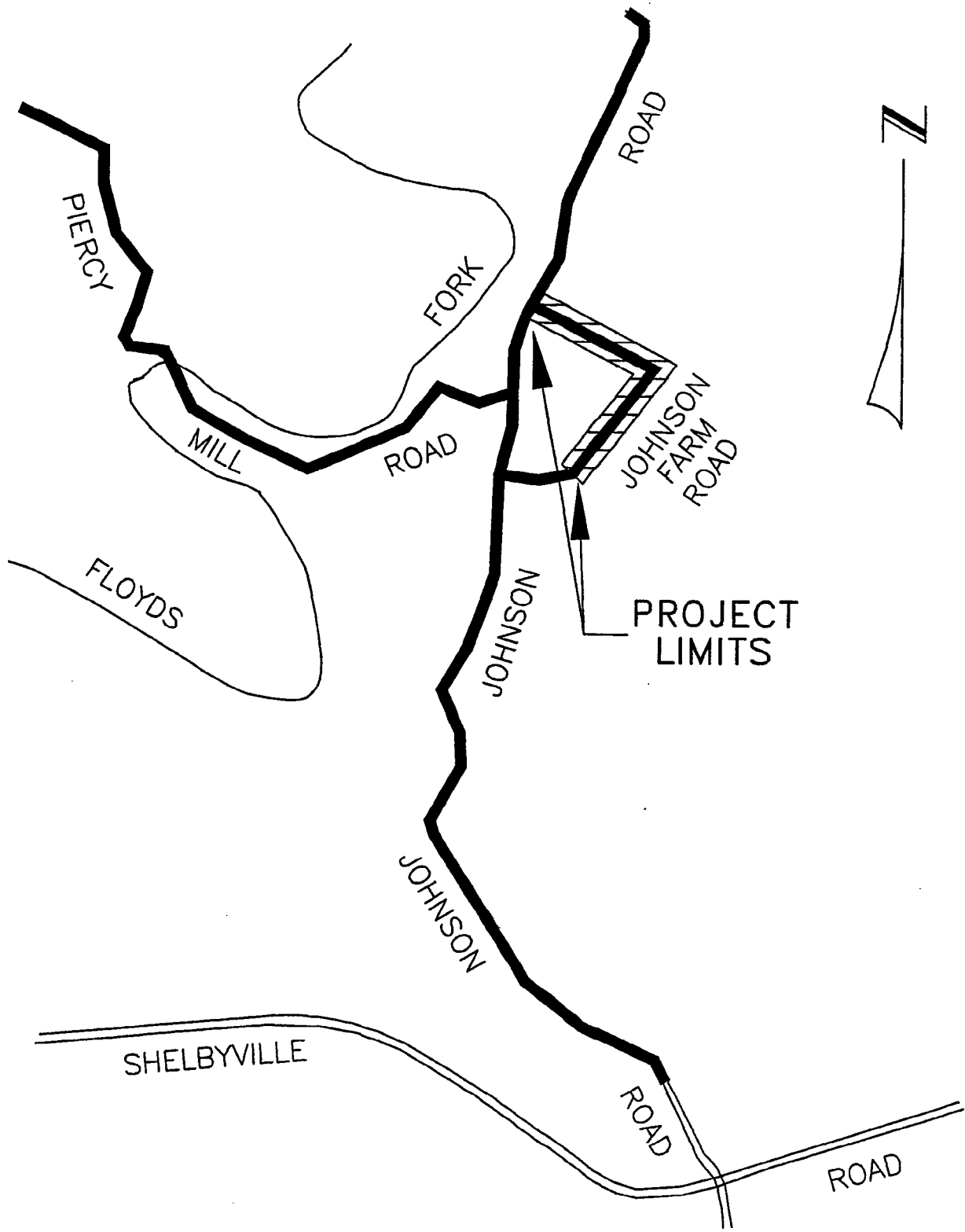
Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
January 9, 2001

**Board of Water Works
Resolution**

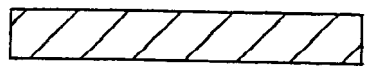
January 9, 2000

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Johnson Farm Road: Johnson Road to End**, a private way in Jefferson County, and acting thereon convened a public hearing on November 9, 1999, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Chief Engineer of the Company has recommended the extension of such water along **Johnson Farm Road: Johnson Road to End**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Johnson Farm Road: Johnson Road to End**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



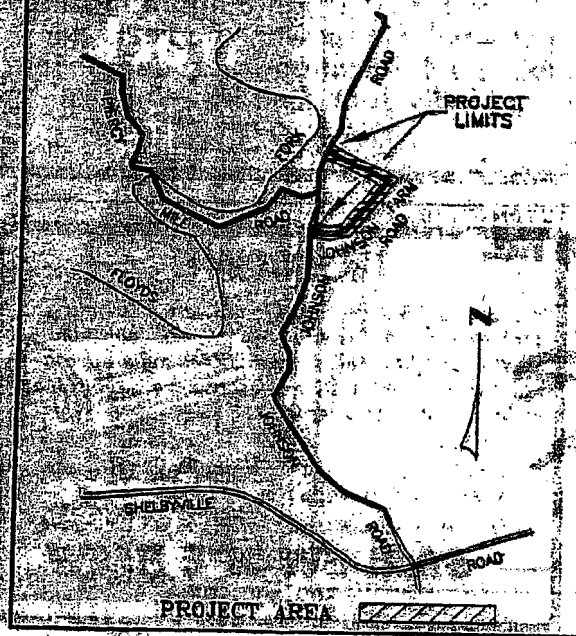
FILE NAME: JOHNSON FARM RD.

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 99.265, the Louisville Water Company will hold a public hearing for the property owners along Johnson Road to Johnson Road (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Johnson Farm Road.

This public hearing will be held on Thursday, December 9, 1999 at 6:00 pm at the Eastwood Fire Protection District, Station #1, 16010 Shelbyville Road.

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.



**MINUTES OF REGULAR MEETING
BOARD OF WATER WORKS
February 13, 2001**

The regular meeting of the Board of Water Works was held on February 13, 2001 in the Board Room of the Louisville Water Company, 550 S. Third Street, Louisville, Kentucky, convening at 1:00 p.m.

Board Members Present:

Mr. Stephen C. Gault
Mr. Jack Segell
Ms. Wendy Welsh
Mr. Owen Hammons
Mr. Phillip Bond

Board Members Absent:

The Hon. David L. Armstrong, Mayor
Mr. Stewart Conner

Others Present:

Mr. John Huber, President
Mr. Robert Miller, V. P. – Treasurer
Mr. Gregory Heitzman, V. P. – Chief Engineer
Ms. Laura Douglas, V. P. General Counsel & Secretary
Mr. Jerry Anderson, CH2MHill
Mr. Rick Delaney, Morgan Keegan
Ms. Karla Teasley
Ms. Kay Ball
Mr. James Wehrle
Mr. Steve Hubbs
Ms. Jane Driskell
Ms. Amber Halloran
Mr. Spencer Harper
Ms. Barbara Crow

Mr. Huber called the meeting to order. He introduced Mr. James Wehrle, the new Vice President of Human Resources and Organizational Development. Mr. Huber also introduced Mr. Rick Delaney of Morgan Keegan. Mr. Huber and Mr. Segell also stated that Mr. Conner continues to do well.

Project No.	Project Name	Total Project Cost	Net LWC Cost
Developer Installed Refunding Main Extension Projects			
01-001	Woods of Landis Lakes Section 1	\$ 28,940.00	
01-004	Pleasure Ridge Point Section 2	\$ 63,730.00	
Surcharge Water Main Extension Projects			
01-200	Acme Way	\$ 10,210.00	
Apportionment Warrant KRS 96.265 Petition			
KRS 96.265	Back Run Road	\$494,000.00	
KRS 96.265	Scotts Gap Road	\$290,520.00	
KRS 96.265	Wolf Run Road; Keys Ferry Road	\$ 54,400.00	
KRS 96.265	Goff Lane	\$540,200.00	
Metropolitan Sewer District Relocation Projects			
00-618	Helck Avenue Drainage Improvement Project	\$ 10,200.00	
Oldham County			
00-602	Old LaGrange Road Water Facilities Relocation	\$ 24,675.00	
Developer Relocation Projects			
01-483	Dairy Queen 4026 Taylorsville Road Water Facilities Relocation	\$ 9,000.00	
01-1409D	Stanley Gault Parkway Water Facilities Relocation	\$ 4,700.00	
01-483	The Gardens at Hurstbourne Water Facilities Relocation and Extension	\$ 39,500.00	

Item D: Authorization for design and bid of projects (estimated to cost less than \$200,000)

Project No.	Project Name	Total Project Cost	Net LWC Cost
01-729	Allmond Avenue Radiant Heat System	\$ 95,000.00	

Item E: Bid tabulations (award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid.).

Project No.	Project Name	Total Project Cost	Net WC Cost
Item F: Award of contracts less than \$50,000			
Project No.	Project Name	Total Project Cost	Net WC Cost
00-76	Employee Assistance Program-Comp. Neg. 3 years, VALUE OPTIONS	\$ 40,500.00	
01-03	Water Bill Forms – 2 years	\$ 37,832.00	
01-06	Cisco Maintenance Update CS BUSINESS SYSTEMS (CMBE)	\$ 17,680.00	

A motion was made to approve the consent agenda:

- Approve minutes of previous meetings
- Approve claims paid during the previous month.
- Approve petitions and applications for water main extensions (when in full compliance with Service Rules and Regulations).

Consent agenda approved.

Administrative Report

Mr. Huber reported that currently LWC is evaluating consulting engineers to assist with the facilities plan. The Board will receive more information on this matter in March.

Financial Report

Mr. Miller presented the Treasurer's report. Total operating revenue of \$88,098,700 is \$3,054,300 or 3.59% more than budgeted and \$380,200 or 0.43% more than the same period in 1999. We sold 5.28% less water in 2000 than the same period in 1999. Water delivered to the mains was 5.45% less than 1999. Net income of \$28,799.00 (line 26) is \$2,957,200 or 11.44% more than budgeted and \$164,700 or 0.57% less than 1999. Mr. Miller stated that the year's dividend is projected at \$28,800.00.

Operations and Engineering Report

Production and Water Quality – Due to the cold winter period in January and associated main break activity, the water pumpage was up by 5 percent over January 2000. In response to higher occurrence of positive coliform samples collected in 2000, staff has modified the water distribution sampling program and increased the water sample size from 245 to 453 samples collected per month. These additional samples will improve our ability to monitor distribution water quality. The revised sample plan was approved by the Kentucky Division of Water.

Distribution System – Through January, 158 main breaks have been repaired, compared to 109 in January 2000. From December 1, 2000 through January 31, 2001 a total of 349 breaks were repaired. The weather has moderated over the last several weeks, and main break rates have reduced to less than 3 breaks per day. Finished water temperature has also risen from a low of 33 degrees on January 2 to 37 degrees on January 31. With the warming weather trends, distribution crews will be completing emergency break repair restoration and moving to normal preventative maintenance work in the coming weeks.

Call Center – Call volumes continued at high levels in January due to customer inquiries on estimated bills and winter-related emergencies, such as water main breaks. The abandonment rate was 25.6 percent for the month. Fifteen percent of the bills were estimated during January, due to the impact of winter ice and snow conditions on meter reading operations.

Cardinal Hill Transmission Main Repair - Over the course of the last month, staff has initiated repair on four leaks on critical 60-inch transmission mains. An emergency material order was placed with Miller Pipeline Corporation to begin fabrication of "Weko" internal joint seals. Southern Pipeline Construction has been retained under our annual contingency contract to make these two repairs. This internal joint repair will begin upon fabrication of replacement gears for an inoperable gate valve necessary to isolate the main. Consequently, all repair activities are

awaiting the return of that valve to service.

Mr. Heitzman also reported that on 2/12/01, a leak in a primary transmission line required LWC to shut down the B. E. Payne plant. One large industrial customer supplied through the Payne plant was notified.

Kentucky Infrastructure Authority (KIA) – The KIA has received \$50 million in funding from the state to provide water service to unserved and underserved areas throughout Kentucky. The service area of the Louisville Water Company in Jefferson, Oldham, and Bullitt Counties fall under the KIPDA Regional Council. KIPDA is currently soliciting projects from water providers in the area for consideration of funding by the KIA and other funding agencies. Staff is compiling the remaining unserved areas of Jefferson, Oldham and Bullitt Counties for submittal to KIPDA. The Bullitt County Extension Program has the greatest potential to qualify for grant and low interest loan funding from KIA, the Community Development Block Grant (HUD) program, and the Economic Development Agency (EDA).

Mr. Huber indicated that the Litigation Report would be held until after presentation of the Special Issues Item IV. The Board proceeded to a consideration of Item III, the Audit Committee report.

Audit Committee Meeting

Mr. Bond presented the Audit Committee report for the January meeting. Mr. Bond reported that the committee met with Don Whitehouse, the internal auditor. The committee reviewed the 2001 Audit Plan and an ethics questionnaire distributed to all staff. The committee reviewed the Annual Physical Inventory Report and the Fuel Transportation Audit. Mr. Bond also reported on GASB-34, which requires the company to present new financial information including the following information, where applicable:

1. Management Discussion and Analysis (MD&A)
2. Statement of Net Assets or Balance Sheet
3. Statement of Revenue, Expenses and Changes in Fund Net Assets;
4. Statement of Cash Flows (Direct Method);
5. Notes to the Financial Statements, and
6. Required Supplemental Information (RSI) other than MD&A

Implementation is required by December 31, 2003. Mr. Bond also gave a summary of the February 11, 2001 audit committee meeting. He discussed the qualified opinion given by Crowe Chizek of the E-CIS. Notwithstanding, the qualified opinion of the E-CIS system, there will be no adverse impact on LWC's financial systems.

Special Issues

Series 1992 Bond Refinancing

Mr. Miller introduced Mr. Spencer Harper, special bond counsel, and Mr. Rick Delaney, Financial Adviser, Morgan Keegan. Mr. Miller stated that Louisville Water Company issued the Series 1992 Bonds in August 1992 in the amount of \$74,835,000 for the purpose of a current refunding of the Series 1986A and 1986B Bonds and the Kentucky Retirement Systems past service liability note to provide a small amount of new funding. Since that time, as a result of principal included in the bond service payments, the outstanding amount for the Series 1992 Bonds has been reduced to \$60,245,000.

The Series 1992 Bonds reached their first call date on November 15, 2000 at 102. Since that time, interest rates have fallen to a point at which it is appropriate to consider refinancing the bonds to achieve significant debt service savings. Staff has evaluated a refunding analysis that indicates that the most advantageous point in time to refinance the bonds would be at the May 15th interest payment date. An analysis performed in mid-January indicated a potential gross debt service savings of \$5.1 million and a present value savings of \$3.8 million.

After proper motion and second, the Board voted to select Morgan Keegan as Financial Advisor for the 1992 Bond Refinancing, retain Spencer Harper of Harper, Ferguson and Davis as Bond Counsel, National City Bank as Trustee, Hawkins, Delafield and Wood as Underwriter's Counsel and adopt a Board resolution authorizing the refinancing.

2001 System Development Charge

Mr. Miller reported that Louisville Water Company adopted a System Development Charge in 1992 to be applied to all services connecting to mains installed after January 1, 1992. The System Development Charge (SDC) is based on capital expenditures for existing and planned growth-related transmission, booster pumping and storage facilities. Collections are designated to finance growth-related expansion to the system. This charge was set at \$700, based on studies contracted with CH2M Hill and later reviewed by Thomson Environment Network, Inc. Each year, the model is updated by staff, following preparation of the Capital Expenditures Program, in an effort to review the adequacy of the SDC. After proper motion and second, the Board voted that the System Development charge remain unchanged at \$700.00 for 2001.

Litigation Report

After proper motion and second, the Board voted to go into closed session for the purpose of discussing litigation and acquisition of property. The Board reconvened into open session without taking any action.

Bid Tabulations

99-54/Resilient Seat Gate Valves – PPI Renewal

Mr. Miller reported that on February 15, 2000, the Board of Water Works approved the recommendation to award a contract for resilient seat gate valves to U.S. Pipe and Foundry. This contract contained a provision that allowed it to be renewed over a four-year period at the sole discretion of the Louisville Water Company. All renewals would utilize the Producers Price Index, Commodity Code 3491-1/Gate, Global and Check Valves, as a cost adjustment factor. Resilient seat gate valves are used for installations, repairs and maintenance within our Distribution and Transmission systems.

After proper motion and second, the Board voted to renew the contract for the purchase of resilient seat gate valves with **U.S. Pipe and Foundry** for an estimated amount of **\$1,057,465**. This renewal represents a 2% increase in unit prices from the previous year.

98-60-Locating Services (Joint Utility Negotiation) – CPI Renewal

Mr. Miller reported that on January 19, 1999, the Board of Water Works approved the recommendation to award a contract for locating services to STS, Inc. This contract contained a provision that allowed it to be renewed over a three-year period at the sole discretion of the

Louisville Water Company. All renewals would utilize the Consumers Price Index as a cost ceiling for any price adjustments to the original bid unit prices.

After proper motion and second, the Board voted to renew the contract with **STS, Inc.** for an estimated amount of **\$350,079**. Based on the Consumer Price Index, this contract represents a 3.4% increase in unit prices from last year's unit prices.

01-02/Fleet Vehicles

Mr. Miller reported that on January 31, 2001, bids were opened to award a contract for fleet vehicles used by LWC crews. A total of fourteen (14) bids were submitted with the lowest, most responsive bids listed below:

7	Medium Duty Trucks	Uebelhor & Sons	\$261,793.00
2	Intermediate Passenger Cars	Countryside Ford	\$ 30,796.00
1	1 ½ Ton Cab and Chassis	Pearce Motors	\$ 27,569.00
2	Rubber Tire Backhoe/loader	Americon	<u>\$ 91,088.00</u>
		Total Costs	\$411,246.00

After proper motion and second, the Board voted to award contracts totaling **\$411,246** to the bidders listed above.

Communications

Old Business

Issuance of Apportionment Warrants per KRS 96.265

Derbyshire Estates: Winding View Trail, Rolling Hills Trail, Running Brook Trail, Persimmon Wood Trail and Deer Crossing Trail

Mr. Heitzman reported that a public hearing was held February 25, 1999 for the extension of water service throughout the Derbyshire Estates Subdivision: Winding View Trail, Running Brook Trail, Persimmon Wood Trail, Rolling Hills Trail, Wildflower Trail and Deer Crossing Trail. The Board of Water Works adopted a resolution for Derbyshire Estates on March 16, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 13, Series 1999 on April 27, 1999 (a copy of which is attached) for the Derbyshire Estates project. The construction contract was awarded to Reynolds, Inc. in December, 1999.

After proper motion and second, the Board voted to adopt a resolution for the issuance of Apportionment Warrants and liens against 65 benefited properties throughout the Derbyshire Estates Subdivision: Winding View Trail, Rolling Hills Trail, Running Brook Trail, Persimmon Wood Trail and Deer Crossing Trail in accordance with KRS. 96.265, as described.

Issuance of Apportionment Warrants per KRS 96.265

HWY 148, Old Clark Station Road & Eastwood-Fisherville Road – Phase 1 (98-711-A): along HWY 148 from Eastwood-Fisherville Road to the County Line and along Old Clark Station Road from HWY 148 to the County Line

Mr. Heitzman reported that a public hearing was held February 11, 1999 for the extension of water service along HWY 148 from the Eastwood Fire Station #2 to the County Line, Old Clark

Station Road from HWY 148 to the County Line and Eastwood-Fisherville Road from HWY 148 to the Eastwood Cut-off. The Board of Water Works adopted a resolution for HWY 148, Old Clark Station Road & Eastwood-Fisherville Road on March 16, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 10, Series 1999 on April 27, 1999 (a copy of which is attached) for the HWY 148, Old Clark Station Road & Eastwood-Fisherville Road project.

After proper motion and second, the Board voted to issue Apportionment Warrants and liens against 40 benefited properties on this portion of the project extension along HWY 148 from Eastwood-Fisherville Road to the County Line and along Old Clark Station Road from HWY 148 to the County Line in accordance with KRS. 96.265, as described.

Issuance of Apportionment Warrants per KRS 96.265
HWY 148, Old Clark Station Road & Eastwood-Fisherville Road – Phase 2 (98-711-B): along Eastwood-Fisherville Road from Fisherville Woods Drive to Eastwood Cut-off

Mr. Heitzman reported that a public hearing was held February 11, 1999 for the extension of water service along HWY 148 from the Eastwood Fire Station #2 to the County Line, Old Clark Station Road from HWY 148 to the County Line and Eastwood-Fisherville Road from HWY 148 to the Eastwood Cut-off. The Board of Water Works adopted a resolution for HWY 148, Old Clark Station Road and Eastwood-Fisherville Road on March 16, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 10, Series 1999 on April 27, 1999 (a copy of which is attached) for the HWY 148, Old Clark Station Road & Eastwood-Fisherville Road project.

After proper motion and second, the Board voted to adopt a resolution for the issuance of Apportionment Warrants and liens against 51 benefited properties along along Eastwood-Fisherville Road from Fisherville Woods Drive to Eastwood cut-off in accordance with KRS. 96.265, as described.

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265 Brush Run Road: Echo Trail to Dawson Hill Road Dawson Hill Road: Brush Run Road to Back Run Road

Mr. Heitzman reported that an Apportionment Warrant public hearing was held for Brush Run Road: Echo Trail to Dawson Hill Road and Dawson Hill Road: Brush Run Road to Back Run Road. The public hearing was held in response to receipt of a majority petition for this public road project. The public hearing was structured to provide a brief background on the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains will be extended using Apportionment Warrants as prescribed in KRS 96.265.

Questions were asked about the location of the water main and how the preservation of trees and landscaping were handled with the water line installation. Staff responded that the proposed location of the water main would be generally in private easements and that contractors would work with the property owners to preserve the landscaping and trees. One property owners was in favor of the project, but opposed the methods used to petition and assess property owners for the water line. Nine attending property owners advised they were in favor of extension of water

service along Brush Run Road: Echo Trail to Dawson Hill Road and Dawson Hill Road: Brush Run Road to Back Run Road as proposed at the hearing. No attending property owners were opposed to the extension of water service

After proper motion and second, the Board voted to authorize the referral of the project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design, and advertisement for bid on this project.

99-603: Install Aiken Road Booster Pump Station

Mr. Heitzman reported that a contract was awarded by the November 2000 Board to Southern Pipeline for \$76,096 to install a prefabricated booster pump station on Aiken Road in eastern Jefferson County. During installation extra costs have been incurred for pump station storage expenses and additional rock removal.

Installation of the large pump station in the desired location required a total of 333 cubic yards of rock to be excavated. This amount exceeds the bid volume of 100 cubic yards, which was the estimated amount based upon rock soundings which had been performed in the vicinity.

After proper motion and second, the Board voted to authorize the Chief Engineer to increase the value of contract F057 with Southern Pipeline 19 percent, from \$76,096 to \$90,317.

New Business

Mr. Huber removed the following items from the agenda:

1 -Request for Approval of Information Technology Standard Equipment Projects:

- Project 01-547: Procurement of Desktop Workstations for Technical Architecture
- Project 00-472: Laptop/Handheld Computers for Emergency Turners and Process Analyst use.
- Project 00-475: Microsoft Office Site License Upgrade

2 – 2001 Facilities Capital Improvement Program

Subject: Project 00-337: I-65 Transmission Main Extension Project

Mr. Heitzman reported that proposed under the 2001 Capital Improvement Program is a project install a 12" water main on Highway 480, Preston Highway, and Coopers Run Road in Bullitt County as part of the I-65 Transmission Main System.

This project involves the installation of approximately 7,830 feet of 12" PVC, 8 fire hydrants and the installation of a domestic and fire service to the proposed Bullitt County Detention Center that is now under construction. The project also includes reconnection of an estimated 10 services along Coopers Run Road from an existing undersized 2" galvanized water main to the new 12-inch water main. The preliminary estimate of the materials, labor and engineering for this project is \$410,000.

After proper motion and second, the Board authorized staff to proceed with final design and advertise for bid the Highway 480, Preston Highway and Coopers Run Road project as a tapping fee main project where each customer would be assessed a \$5450 tapping fee which would be waived to Bullitt City Government, based upon a \$100,00 project contribution by Bullitt County government for water service to a new detention center which will be located in the project area.

Meter Reading Automated Routing Software

Mr. Huber and Mr. Miller reported that on July 2000, LWC transitioned to a new ECIS Orcom billing system. The new system improved our ability to provide timely information and enhanced our ability to offer new service applications.

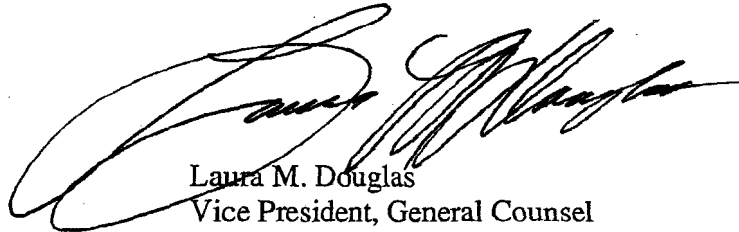
The new system required LWC to review current business practices and work procedures. Our billing system has been significantly impacted. The time between meter readings and billing has been reduced from 7-8 days to 2 days. As a result of this work change, it is critical that daily meter reading assignments are completed. Accounts within the system which are not completed by second day are estimated. After proper motion and second, the Board voted to ratify awarding a contract to "Route Smart" in the amount of \$76,500.

The meeting adjourned at 2:45 P.M.

CERTIFICATION

This is to certify that the following Derbyshire Estates: *Winding View Trail, Running Brook Trail, Persimmon Wood Trail, Rolling Hills Trail, Wildflower Trail and Deer Crossing Trail*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on February 13, 2001, a quorum being present.

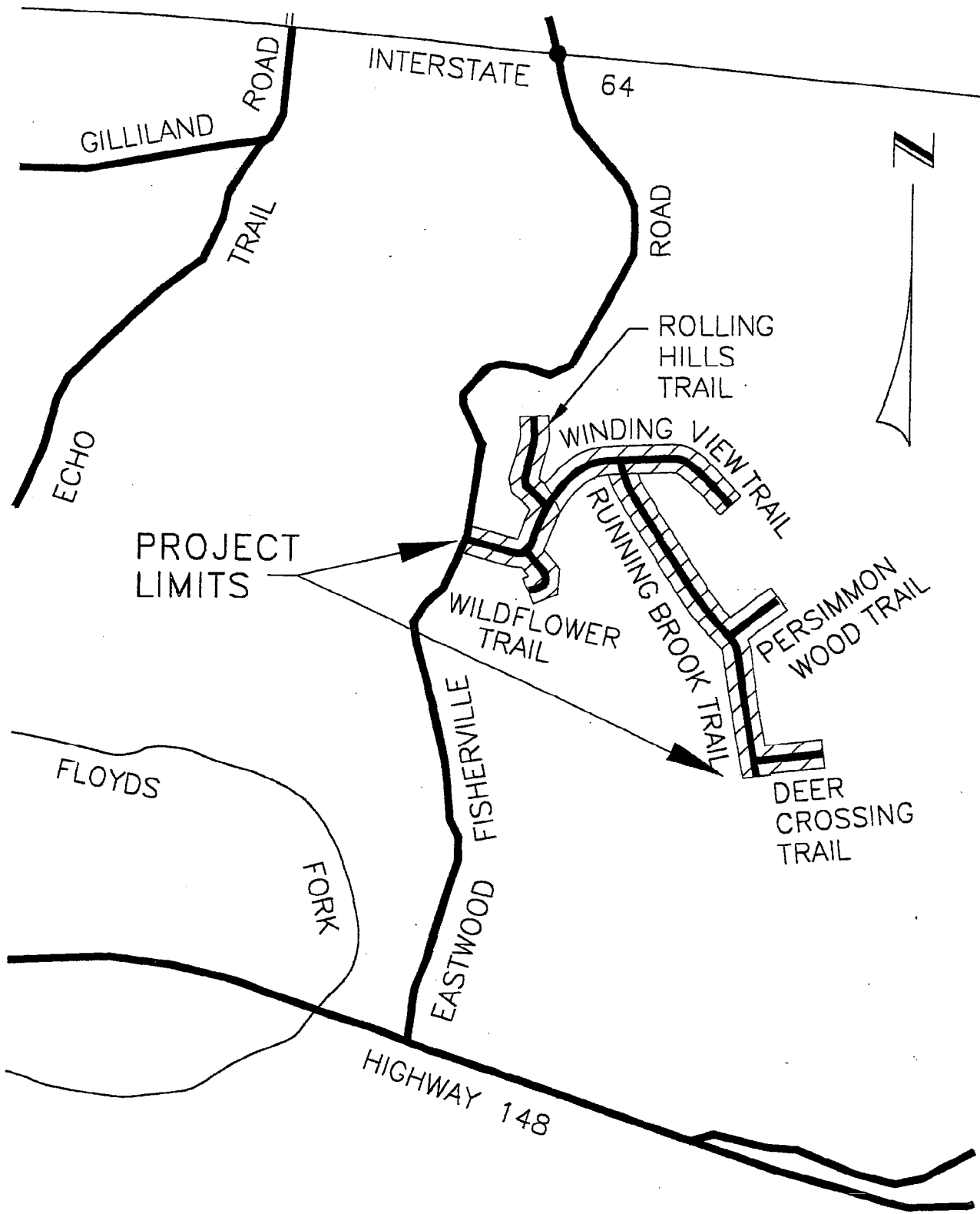
Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
February 13, 2001

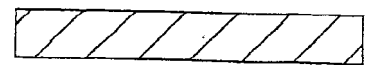
APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Derbyshire Estates: Winding View Trail, Running Brook Trail, Persimmon Wood Trail, Rolling Hills Trail, Wildflower Trail and Deer Crossing Trail** main extension project authorized by Ordinance No. 13, Series 1999 of the Jefferson Fiscal Court, adopted on April 27, 1999 such warrants to be against 65 benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5450.00 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT LIMITS

PROJECT AREA



ACCOUNT	NAME	LOCATION	ASSESSMENT	EXHIBIT "A" PAID IN FULL	RELEASE OF LIEN
0806181	RAYMOND BARR	17001 PERSIMMON WOOD TR	5,450.00		
	17001 PERSIMMON WOOD TRL	DEED-BK 6954 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 736 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	38		
0806185	WALTER & JENNIFER BEAVEN	17006 PERSIMMON WOOD TR	5,450.00	00/2001	
	17006 PERSIMMON WOOD TRAIL	DEED-BK 6425 LIEN-DT			RELS-DT
(PAID-UP)	FISHERVILLE KY	DEED-PG 573 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	41		
0806186	DELETED CUSTOMER	16805 WINDING VIEW TRAIL	5,450.00		
		DEED-BK 7160 LIEN-DT			RELS-DT
		DEED-PG 739 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	27		
0806188	HARRY & VIRGINIA KOZAK	2403 RUNNING BROOK TRAIL	5,450.00		
	2403 RUNNING BROOK TRL	DEED-BK 7288 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 748 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	45		
0806194	JAMES & BARBARA BUNCE	2203 WILDFLOWER TRAIL	5,450.00		
	2203 WILDFLOWER TRL	DEED-BK 6306 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 984 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	15		
0806195	TED LISSAUER & JUDIT BUSSE	2204 WILDFLOWER TRAIL	5,450.00	00/0000	
	2204 WILDFLOWER TRAIL	DEED-BK 6992 LIEN-DT			RELS-DT
(PAID-UP)	FISHERVILLE KY	DEED-PG 678 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	1		
		2202 WILDFLOWER TRAIL	5,450.00	00/0000	
		DEED-BK 6992 LIEN-DT			RELS-DT
		DEED-PG 678 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	02		
0806198	MARK & ANN MARIE BYERS	16709 WINDING VIEW TRAIL	5,450.00		
	3801 NW 119 AVENUE	DEED-BK 6282 LIEN-DT			RELS-DT
	FT. LAUDERDALE FL	DEED-PG 14 LIEN-BK			RELS-BK
	33323	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	24		
0806201	MICHELE & DOUGLAS COAN	1904 ROLLING HILLS TRAIL	5,450.00		
	1904 ROLLING HILLS TRAIL	DEED-BK 6756 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 314 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	06		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806202	TIMOTHY & TERESA COOK	2410 RUNNING BROOK TRAIL	5,450.00		
	9305 TAYLORSVILLE ROAD	DEED-BK 7025	LIEN-DT		RELS-DT
	JEFFERSONTOWN KY	DEED-PG 75	LIEN-BK		RELS-BK
	40029	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	58	
0806203	TIMMY & DONNA CORNETT	16803 WINDING VIEW TRAIL	5,450.00		
	16803 WINDING VIEW TRAIL	DEED-BK 6430	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 249	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	26	
0806205	RAYMOND & TERESA DONNER	17103 DEER CROSSING TRAIL	5,450.00		
	17103 DEER CROSSING TRAIL	DEED-BK 6555	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 930	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	47	
0806207	BRIAN & DENISE DOWELL	2302 RUNNING BROOK TRAIL	5,450.00		
	2302 RUNNING BROOK TRL	DEED-BK 6223	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 291	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	19	
0806209	BRAULIO R ENRIQUEZ	16810 WINDING VIEW TRAIL	5,450.00		
	16810 WINDING VIEW TRAIL	DEED-BK 6125	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 119	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	31	
0806210	JAMES A EPIFANO	2207 WILDFLOWER TRAIL	5,450.00		
	2207 WILDFLOWER TRL	DEED-BK 6543	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 75	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	17	
0806211	MICHAEL & PEGGY WOOD	2412 RUNNING BROOK TRAIL	5,450.00		
	2412 RUNNING BROOK TRL	DEED-BK 7143	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 969	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	59	
0806216	JOSEPH & SHERRY FELPAUSCH	16806 WINDING VIEW TRAIL	5,450.00		
	16806 WINDING VIEW TRL	DEED-BK 6532	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 656	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	33	
0806220	MICHAEL & MARILYN MACK	17002 PERSIMMON WOOD TRAIL	5,450.00		
	17002 PERSIMMON WOOD TRAIL	DEED-BK 7137	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 528	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	43	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806221	MICHELE P FINN	2409 RUNNING BROOK TRAIL	5,450.00	00/0000	
(PAID-UP)	FISHERVILLE KY	DEED-BK 6977	LIEN-DT		RELS-DT
	40023	DEED-PG 127	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	61	
0806222	JEFFREY & ELIZABETH ENGLISH	7016 SPRINGDALE DRIVE	5,450.00		
	FISHERVILLE KY	DEED-BK 7205	LIEN-DT		RELS-DT
	40023	DEED-PG 360	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3042	LOT-NO.	01	
0806225	MICAH & BETH COHN	17107 DEER CROSSING TRAIL	5,450.00		
	FISHERVILLE KY	DEED-BK 6598	LIEN-DT		RELS-DT
	40023	DEED-PG 249	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3042	LOT-NO.	02	
0806227	ALAN & CHERYL FROULA	17105 DEER CROSSING TRAIL	5,450.00		
	FISHERVILLE KY	DEED-BK 6598	LIEN-DT		RELS-DT
	40023	DEED-PG 249	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3042	LOT-NO.	05	
		DEER CROSSING TRAIL	5,450.00		
		DEED-BK 6598	LIEN-DT		RELS-DT
		DEED-PG 249	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3042	LOT-NO.	07	
		DEER CROSSING TRAIL	5,450.00		
		DEED-BK 6598	LIEN-DT		RELS-DT
		DEED-PG 249	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3042	LOT-NO.	06	
		DEER CROSSING TRAIL	5,450.00		
		DEED-BK 6598	LIEN-DT		RELS-DT
		DEED-PG 249	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3042	LOT-NO.	08	
0806230	LEONARD & GEORGIANN MOISAN	2304 RUNNING BROOK TRAIL	5,450.00		
	FISHERVILLE KY	DEED-BK 7143	LIEN-DT		RELS-DT
	40023	DEED-PG 440	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	20	
0806231	DAVID BUNS & VICKIE L GIZZI	17000 RUNNING BROOK TRAIL	5,450.00		
	LOUISVILLE KY	DEED-BK 7053	LIEN-DT		RELS-DT
	40220	DEED-PG 561	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	44	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806283	JAMES & SUSAN GRANT	16809 WINDING VIEW TRAIL	5,450.00		
	16809 WINDING VIEW TRAIL	DEED-BK 6113 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 451 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	29		
0806285	WILLIAM & JULIE GRANTZ	16808 WINDING VIEW TRAIL	5,450.00		
	16808 WINDING VIEW TRL	DEED-BK 7072 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 427 LIEN-BK			RELS-BK
	40023-9749	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	32		
0806288	DEREK & BAMBI GUTHRIE	1905 ROLLING HILLS TRAIL	5,450.00		
	1905 ROLLING HILLS TRAIL	DEED-BK 6466 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 230 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	11		
0806290	JOHN & SHARON HACKEL	2307 RUNNING BROOK TRAIL	5,450.00		
	2307 RUNNING BROOK TRL	DEED-BK 6272 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 404 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	37		
0806292	WELCH BUILDERS INC.	17109 DEER CROSSING TRAIL	5,450.00		
	17109 DEER CROSSING TRAIL	DEED-BK 7035 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 354 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 3042 LOT-NO.	03		
0806342	TIM & REBECCA HELLIGE	1901 ROLLING HILLS TRAIL	5,450.00		
	1901 ROLLING HILLS TRL	DEED-BK 6042 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 945 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2407 LOT-NO.	09		
0806343	MARK & CARLA HERMANN	2303 RUNNING BROOK TRAIL	5,450.00		
	2303 RUNNING BROOK TRAIL	DEED-BK 6260 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 666 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	35		
0806344	WILLIAM & DEBORAH HILL	17114 DEER CROSSING TRAIL	5,450.00		
	4511 NORTHRIDGE CIRCLE	DEED-BK 6995 LIEN-DT			RELS-DT
	CRESTWOOD KY	DEED-PG 262 LIEN-BK			RELS-BK
	40014	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 3042 LOT-NO.	04		
0806346	TY & CYNTHIA HOFFMAN	16801 WINDING VIEW TRAIL	5,450.00		
	16801 WINDING VIEW TRL	DEED-BK 6354 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 965 LIEN-BK			RELS-BK
	40023-9750	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	25		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806347	MARY JANE HOLLINSWORTH	2310 RUNNING BROOK TRAIL	5,450.00	00/0000	
(PAID-UP)	2310 RUNNING BROOK TRAIL FISHERVILLE KY 40023	DEED-BK 6087 LIEN-DT DEED-PG 178 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2507 LOT-NO.			RELS-DT RELS-BK RELS-PG
		RUNNING BROOK TRAIL	5,450.00	00/0000	
		DEED-BK 6087 LIEN-DT DEED-PG 178 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2507 LOT-NO.			RELS-DT RELS-BK RELS-PG
		RUNNING BROOK TRAIL	5,450.00	00/0000	
		DEED-BK 6169 LIEN-DT DEED-PG 399 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2507 LOT-NO.			RELS-DT RELS-BK RELS-PG
0806350	JEFFREY & KRISTI HOLLINSWORTH	2400 RUNNING BROOK DRIVE	5,450.00		
	2400 RUNNING BROOK TRL FISHERVILLE KY 40023	DEED-BK 6608 LIEN-DT DEED-PG 963 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2507 LOT-NO.			RELS-DT RELS-BK RELS-PG
0806352	ANN HUBER & MARK POLING	17104 DEER CROSSING TRAIL	5,450.00		
	17104 DEER CROSSING TRL FISHERVILLE KY 40023-7721	DEED-BK 6277 LIEN-DT DEED-PG 741 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2507 LOT-NO.			RELS-DT RELS-BK RELS-PG
0806354	JAMES & JOY KERR	2405 RUNNING BROOK TRAIL	5,450.00		
	2405 RUNNING BROOK TRAIL FISHERVILLE KY 40023	DEED-BK 6655 LIEN-DT DEED-PG 648 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2507 LOT-NO.			RELS-DT RELS-BK RELS-PG
0806358	ROBERT & MARY LYNN LAGE	2201 WILDFLOWER TRAIL	5,450.00		
	2201 WILDFLOWER TRAIL FISHERVILLE KY 40023	DEED-BK 6837 LIEN-DT DEED-PG 97 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2507 LOT-NO.			RELS-DT RELS-BK RELS-PG
0806360	JOHN & LINDA LASELVA	16703 WINDING VIEW TRAIL	5,450.00		
	16703 WINDING VIEW TRAIL FISHERVILLE KY 40023	DEED-BK 5827 LIEN-DT DEED-PG 662 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2507 LOT-NO.			RELS-DT RELS-BK RELS-PG
0806363	MARK & BARBARA LECHNER	1900 ROLLING HILLS TRAIL	5,450.00		
	1900 ROLLING HILLS TRL FISHERVILLE KY 40023	DEED-BK 6382 LIEN-DT DEED-PG 78 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2507 LOT-NO.			RELS-DT RELS-BK RELS-PG

PROGRAM ID, AMCSRO02 THE LOUISVILLE WATER COMPANY
 APPORTIONMENT WARRANT CONTRACT E253W REGISTER

BOOK PAGE 6

RUN DATE 02/01/01
 RUN TIME 20:48:26

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806369	RICHARD & LINDA LUJAN 2406 RUNNING BROOK TRAIL FISHERVILLE KY 40023	2406 RUNNING BROOK TRAIL DEED-BK 6121 DEED-PG 967 TAX-DST TAX-BLK 2507	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	56	RELS-DT RELS-BK RELS-PG
0806371	CHARLES & EDNA EVANS 1902 ROLLING HILLS TRL FISHERVILLE KY 40023	1902 ROLLING HILLS TRAIL DEED-BK 7141 DEED-PG 170 TAX-DST TAX-BLK 2507	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	07	RELS-DT RELS-BK RELS-PG
0806372	WAYNE & TERI MARTIN 16706 WINDING VIEW TRAIL FISHERVILLE KY 40023	16706 WINDING VIEW TRAIL DEED-BK 6531 DEED-PG 34 TAX-DST TAX-BLK 2507	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	18	RELS-DT RELS-BK RELS-PG
0806375	DAVID & JENNIFER MCKINLEY 16811 WINDING VIEW TRAIL FISHERVILLE KY 40023	16811 WINDING VIEW TRAIL DEED-BK 6064 DEED-PG 470 TAX-DST TAX-BLK 2507	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	30	RELS-DT RELS-BK RELS-PG
0806377	CHARLES Y BOATMAN 2200 WILDFLOWER TRL FISHERVILLE KY 40023	2200 WILDFLOWER TRAIL DEED-BK 7363 DEED-PG 796 TAX-DST TAX-BLK 2507	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	03	RELS-DT RELS-BK RELS-PG
0806378	RANDALL & LESLIE MEURER 2411 RUNNING BROOK TRL FISHERVILLE KY 40023	2411 RUNNING BROOK TRAIL DEED-BK 5833 DEED-PG 843 TAX-DST TAX-BLK 2507	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	60	RELS-DT RELS-BK RELS-PG
0806382	DONNA MILLS 16707 WINDING VIEW TRAIL FISHERVILLE KY 40023	16707 WINDING VIEW TRAIL DEED-BK 7200 DEED-PG 267 TAX-DST TAX-BLK 2507	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	23	RELS-DT RELS-BK RELS-PG
0806383	EDWARD & LORETTA MINN 17003 PERSIMMON WOOD TRAIL FISHERVILLE KY 40023	17003 PERSIMMON WOOD TRAIL DEED-BK 7081 DEED-PG 935 TAX-DST TAX-BLK 2507	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	39	RELS-DT RELS-BK RELS-PG
0806385	GREGG & GRETCHEN MITCHELL 2407 RUNNING BROOK TRAIL FISHERVILLE KY 40023	2407 RUNNING BROOK TRAIL DEED-BK 6666 DEED-PG 430 TAX-DST TAX-BLK 2507	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	48	RELS-DT RELS-BK RELS-PG

LWC 0624

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806387	GREGORY & JENNIE WEEKS	16701 WINDING VIEW TRAIL	5,450.00		
	16701 WINDING VIEW TRAIL	DEED-BK 7170	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 693	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	04	
0806390	HELEN & ROBERT NORRIS	17113 DEER CROSSING TRAIL	5,450.00		
	10104 CANTER RIDGE ROAD	DEED-BK 6993	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 994	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3042	LOT-NO.	10	
0806392	BART & DONNA NUSS	2408 RUNNING BROOK TRAIL	5,450.00		
	2408 RUNNING BROOK TRAIL	DEED-BK 6093	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 982	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	57	
0806396	JAMES ORTHOBER	17116 DEER CROSSING TRAIL	5,450.00		
	3715 BARDSTOWN ROAD #105	DEED-BK 6986	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 684	LIEN-BK		RELS-BK
	40218	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3042	LOT-NO.	11	
0806398	CHRISTOPHER & THERESA OTT	2306 RUNNING BROOK TRAIL	5,450.00		
	2306 RUNNING BROOK TRL	DEED-BK 6339	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 62	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	21	
0806401	RON & MELISSA PAGE	17005 PERSIMMON WOOD TRAIL	5,450.00		
	17005 PERSIMMON WOOD TRAIL	DEED-BK 6477	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 443	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	40	
0806402	JAMES & JACQUELYN RAY	2404 RUNNING BROOK TRAIL	5,450.00		
	2404 RUNNING BROOK TRAIL	DEED-BK 5864	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 973	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	55	
0806405	ERNIE & PAMELA SANDERS	1907 ROLLING HILLS TRAIL	5,450.00		
	1907 ROLLING HILLS TRL	DEED-BK 6567	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 991	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	12	
0806406	MARK & GINA STEFFEN	16704 WINDING VIEW TRAIL	5,450.00		
	16704 WINDING VIEW TRL	DEED-BK 7267	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 386	LIEN-BK		RELS-BK
	40023-9746	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	13	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806409	RONNIE & CHRIS STEVENSON	17004 PERSIMMON WOOD TRAIL	5,450.00		
	520 MALCOLM AVENUE	DEED-BK 6116 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 194 LIEN-BK			RELS-BK
	40243	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	42		
0806411	STEVEN STOOKSBERRY	2402 RUNNING BROOK TRAIL	5,450.00		
	2402 RUNNING BROOK TRAIL	DEED-BK 6368 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 538 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	54		
0806412	JACK & CYNTHIA THOMPSON	16805 WINDING VIEW TRAIL	5,450.00		
	P0 BOX 107	DEED-BK 6082 LIEN-DT			RELS-DT
	EASTWOOD KY	DEED-PG 619 LIEN-BK			RELS-BK
	40018	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	28		
		16805 WINDING VIEW TRAIL	5,450.00		
		DEED-BK 7360 LIEN-DT			RELS-DT
		DEED-PG 739 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	27		
0806413	THERESA M DERHAKE	1903 ROLLING HILLS TRAIL	5,450.00		
	1500 SYLVAN WAY	DEED-BK 7253 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 162 LIEN-BK			RELS-BK
	40205	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	10		
0806416	SIDNEY & CONNIE WIBBELS	16800 WINDING VIEW TRAIL	5,450.00		
	16800 WINDING VIEW TRL	DEED-BK 6399 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 213 LIEN-BK			RELS-BK
	40023-9749	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	34		
0806418	DOUGLASS & ELLEN WICHMANN	2205 WILDFLOWER TRAIL	5,450.00		
	2205 WILDFLOWER TRAIL	DEED-BK 6109 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 254 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	16		
0806421	WILLIAM & ANDREA WIGGLESWORTH	17111 DEER CROSSING TRAIL	5,450.00		
	17111 DEER CROSSING TRAIL	DEED-BK 6976 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 635 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 3042 LOT-NO.	09		
0806422	KENNETH & JOYCE WILLIAMS	17102 DEER CROSSING TRAIL	5,450.00		
	17102 DEER CROSSING TRAIL	DEED-BK 6142 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 279 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2507 LOT-NO.	50		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806423	DALE & JEANNE LUJAN	2305 RUNNING BROOK TRAIL	5,450.00		
	2305 RUNNING BROOK TRAIL	DEED-BK 7321	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 869	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2507	LOT-NO.	36	
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06

RELEASE OF LIEN

PAID IN FULL

ASSESSMENT

LOCATION

NAME

66 NUMBER OF CUSTOMERS LISTED

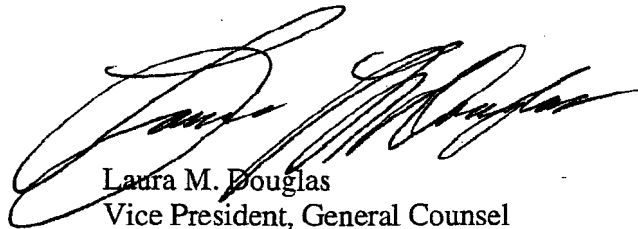
TOTAL PRINCIPAL REMAINING

336,488.20

CERTIFICATION

This is to certify that the following *HWY 148, Old Clark Station Road & Eastwood-Fisherville Road – Phase 1: along HWY 148 from Eastwood-Fisherville Road to the County Line and along Old Clark Station Road from HWY 148 to the County Line* is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on February 13, 2001, a quorum being present.

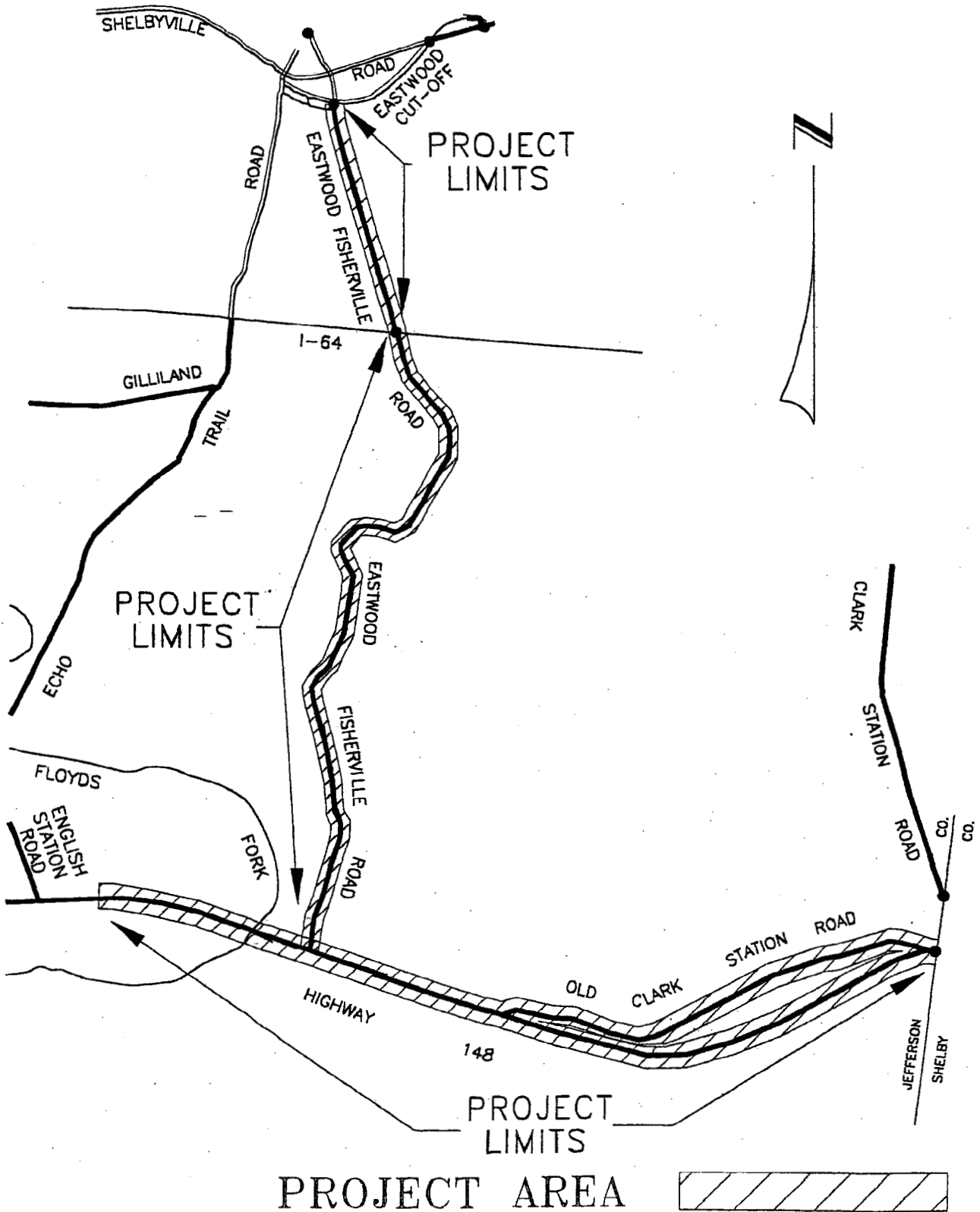
Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
February 13, 2001

APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **HWY 148, Old Clark Station Road & Eastwood-Fisherville Road -- Phase 1: along HWY 148 from Eastwood-Fisherville Road to the County Line and along Old Clark Station Road from HWY 148 to the County Line** main extension project authorized by Ordinance No. 10, Series 1999 of the Jefferson Fiscal Court, adopted on April 27, 1999 such warrants to be against 40 benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450.00 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA 

FILE NAME: EASTWOOD FISHERVILLE AND HWY 148

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0807559	ARCHIE & RUBY BOSTON	11006 TAYLORSVILLE ROAD	5,450.00		
	11006 TAYLORSVILLE ROAD	DEED-BK 3739	LIEN-DT		RELS-DT
	JEFFERSONTOWN KY	DEED-PG 8	LIEN-BK		RELS-BK
	40299	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	03	
0807560	JAMES & CYNTHIA BRUCE	TAYLORSVILLE ROAD	5,450.00		
	19104 FINCHVILLE ROAD	DEED-BK 6322	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 147	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	91	
0807561	CARLEEN C BRYANT	3701 OLD CLARK STATION ROAD	5,450.00		
	3701 OLD CLARK STATION RD	DEED-BK 3949	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 82	LIEN-BK		RELS-BK
	40023-9736	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	35	
		3701 OLD CLARK STATION ROAD	5,450.00		
		DEED-BK 5738	LIEN-DT		RELS-DT
		DEED-PG 469	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	73	
0807562	PAMELA CARTY	TAYLORSVILLE ROAD	5,450.00		
	17500 CREEK ROCK ROAD	DEED-BK 7099	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 211	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	56	
0807563	L.J. CLEPHAS & PAUL ETIENNE	16112 TAYLORSVILLE ROAD	5,450.00		
	P.O. BOX 32123	DEED-BK 5876	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 432	LIEN-BK		RELS-BK
	40232	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	31	
0807564	PAUL CLEPHAS	TAYLORSVILLE ROAD	5,450.00		
	2921 BOWMAN AVENUE	DEED-BK 5792	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 716	LIEN-BK		RELS-BK
	40205	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	54	
0807565	D. DENOYER & THOMAS MARSHALL	18000 US HWY 148	5,450.00		
	6440 COTTON CREEK COURT	DEED-BK 6888	LIEN-DT		RELS-DT
	INDIANAPOLIS IN	DEED-PG 158	LIEN-BK		RELS-BK
	46278	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	7	
0807566	GARY M & PATRICIA M DENTINGER	3601 OLD CLARK STATION ROAD	5,450.00		
	3601 OLD CLARK STATION ROAD	DEED-BK 6995	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 680	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	74	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0807567	ETTA DENTON	3509 OLD CLARK STATION ROAD	5,450.00	00/0000	
(PAID-UP)	FISHERVILLE KY	DEED-BK 5626 LIEN-DT			RELS-DT
	40023	DEED-PG 71 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 49 LOT-NO.	88		
0807568	WILLIAM E & HARRIET E DOWNES	3608 OLD CLARK STATION ROAD	5,450.00		
	FISHERVILLE KY	DEED-BK 6248 LIEN-DT			RELS-DT
	40023	DEED-PG 401 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	122		
0807569	HARRIET E DOWNES	3608 OLD CLARK STATION ROAD	5,450.00	00/0000	
(PAID-UP)	FISHERVILLE KY	DEED-BK 1794 LIEN-DT			RELS-DT
	40023	DEED-PG 605 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	169		
		3608 OLD CLARK STATION ROAD	5,450.00	00/0000	
		DEED-BK 1794 LIEN-DT			RELS-DT
		DEED-PG 605 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	34		
0807570	WILLIAM & JUDY DOWNES	3504 OLD CLARK STATION ROAD	5,450.00	00/0000	
(PAID-UP)	FISHERVILLE KY	DEED-BK 5108 LIEN-DT			RELS-DT
	40023	DEED-PG 219 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	121		
0807585	DAVID & DONNA EISENBACK	3600 OLD CLARK STATION ROAD	5,450.00		
	FISHERVILLE KY	DEED-BK 6130 LIEN-DT			RELS-DT
	40023	DEED-PG 55 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	126		
0807589	LYNN E & CAROLYN ELSING	TAYLORSVILLE ROAD	5,450.00		
	FISHERVILLE KY	DEED-BK 6246 LIEN-DT			RELS-DT
	40023	DEED-PG 802 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 49 LOT-NO.	58		
		17600 ROCK CREEK ROAD	5,450.00		
		DEED-BK 4949 LIEN-DT			RELS-DT
		DEED-PG 474 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 49 LOT-NO.	57		
0807591	L.J. ETIENNE	TAYLORSVILLE ROAD	5,450.00		
	LOUISVILLE KY	DEED-BK 5792 LIEN-DT			RELS-DT
	40213	DEED-PG 730 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 49 LOT-NO.	90		

LWC 0633

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0807592	FISHERVILLE CHURCH OF CHRIST C/O ELMER P. DOCHLER P.O. BOX 12 FISHERVILLE KY 40023	16001 HWY 148 DEED-BK 4671 DEED-PG 392 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		RELS-DT RELS-BK RELS-PG
0807593	FRANNY APRILE FAMILY PARTNERSH (PAID-UP) 15404 TAYLORSVILLE ROAD FISHERVILLE KY 40023	TAYLORSVILLE ROAD DEED-BK 7010 DEED-PG 207 TAX-DST TAX-BLK 48	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	00/0000	RELS-DT RELS-BK RELS-PG
0807596	MARTIN & SHARNETTE FREMPONG 19020 KY HWY 148 FISHERVILLE KY 40023	TAYLORSVILLE ROAD DEED-BK 6216 DEED-PG 664 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		RELS-DT RELS-BK RELS-PG
0807597	PETER & PAMELA GLAZIER 18204 CLARK STATION ROAD FISHERVILLE KY 40023	18204 CLARK STATION ROAD DEED-BK 5323 DEED-PG 878 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		RELS-DT RELS-BK RELS-PG
0807598	GLEN HILL 3505 OLD CLARK STATION ROAD FISHERVILLE KY 40023	3505 OLD CLARK STATION ROAD DEED-BK 5928 DEED-PG 687 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		RELS-DT RELS-BK RELS-PG
		3505 OLD CLARK STATION ROAD DEED-BK 5594 DEED-PG 625 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		RELS-DT RELS-BK RELS-PG
0807599	DUDLEY & SHIRLEY HOSCH 7103 WALTLEE ROAD LOUISVILLE KY 40291	209 FISHERVILLE ROAD DEED-BK 6436 DEED-PG 241 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		RELS-DT RELS-BK RELS-PG
0807601	BILLY G & ELEANOR JENKINS 18202 HWY 148 FISHERVILLE KY 40023	18202 HWY 148 DEED-BK 4895 DEED-PG 455 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		RELS-DT RELS-BK RELS-PG
0807602	JAMES HENDERSON 18300 TAYLORSVILLE ROAD FISHERVILLE KY 40023	18300 HWY 148 EAST DEED-BK 6205 DEED-PG 144 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		RELS-DT RELS-BK RELS-PG

LWC 0634

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0807608	L & B MANAGEMENT	TAYLORSVILLE ROAD	5,450.00		
	C/O B. GADDIE	DEED-BK 6762	LIEN-DT		RELS-DT
	1400 REGAL SPRINGS COURT	DEED-PG 647	LIEN-BK		RELS-BK
	LOUISVILLE KY	TAX-DST	LIEN-PG		RELS-PG
	40205	TAX-BLK 49	LOT-NO.	100	
0807618	L & B MANAGEMENT	TAYLORSVILLE ROAD	5,450.00		
	C/O B GATTI	DEED-BK 6762	LIEN-DT		RELS-DT
	1400 REGAL SPRINGS COURT	DEED-PG 647	LIEN-BK		RELS-BK
	LOUISVILLE KY	TAX-DST	LIEN-PG		RELS-PG
	40205	TAX-BLK 49	LOT-NO.	101	
0807621	LODGE	15610 HWY 148	5,450.00		
	C/O MILLARD ALLEN TRUST FOR P.	DEED-BK 4785	LIEN-DT		RELS-DT
	9513 PLUMWOOD ROAD	DEED-PG 846	LIEN-BK		RELS-BK
	LOUISVILLE KY	TAX-DST	LIEN-PG		RELS-PG
	40291	TAX-BLK 49	LOT-NO.	68	
0807624	THOMAS & ELIZABETH MCCAULEY	TAYLORSVILLE ROAD	5,450.00		
	19100 HWY 148	DEED-BK 6862	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 841	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	92	
0807626	FRED H MCMAHON	3200 OLD CLARK STATION ROAD	5,450.00		
	3810 STRATFORD LANE	DEED-BK 5146	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 683	LIEN-BK		RELS-BK
	40207	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	80	
0807627	ELEANOR A MEYER	19000 HWY 148	5,450.00		
	P.O. BOX 87	DEED-BK 4110	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 457	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	26	
0807646	LILLIAN & NELSON MOODY	3800 OLD CLARK STATION ROAD	5,450.00		
	4011 HOPEWELL ROAD	DEED-BK 5733	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 120	LIEN-BK		RELS-BK
	40299	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	33	
		CLARK STATION ROAD	5,450.00		
		DEED-BK 6683	LIEN-DT		RELS-DT
		DEED-PG 733	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	112	
		CLARK STATION ROAD	5,450.00		
		DEED-BK 6683	LIEN-DT		RELS-DT
		DEED-PG 733	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	113	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
		CLARK STATION ROAD	5,450.00		
		DEED-BK 6683	LIEN-DT		RELS-DT
		DEED-PG 733	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	114	
		CLARK STATION ROAD	5,450.00		
		DEED-BK 6683	LIEN-DT		RELS-DT
		DEED-PG 733	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	135	
		CLARK STATION ROAD	5,450.00		
		DEED-BK 6683	LIEN-DT		RELS-DT
		DEED-PG 733	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	115	
0807662	JAMES D PRICE	36115 TAYLORSVILLE ROAD	5,450.00		
	36115 TAYLORSVILLE ROAD	DEED-BK 6573	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 838	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	5	
0807663	LEONARD REECE	35516 TAYLORSVILLE ROAD	5,450.00		
	35516 TAYLORSVILLE ROAD	DEED-BK 5079	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 82	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	75	
102 0807665	ELISSA REECE	35510 TAYLORSVILLE ROAD	5,450.00		
	425 N KNIGHTSTOWN ROAD	DEED-BK 7010	LIEN-DT		RELS-DT
	SHELBYVILLE IN	DEED-PG 216	LIEN-BK		RELS-BK
	46176	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 48	LOT-NO.	10	
0807666	RALPH D & JENNIE B REID	3900 OLD CLARK STATION ROAD	5,450.00	00/0000	
	3900 OLD CLARK STATION ROAD	DEED-BK 4559	LIEN-DT		RELS-DT
(PAID-UP)	FISHERVILLE KY	DEED-PG 365	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	48	
0807667	CLAYTON & ELIZABETH RUNNER	3412 OLD CLARK STATION ROAD	5,450.00		
	508 WALLACE AVENUE	DEED-BK 5070	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 723	LIEN-BK		RELS-BK
	40207	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	42	
0807669	JULAN & HAZEL SWETNEM	18200 HWY 148	5,450.00		
	18200 HWY 148	DEED-BK 5108	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 630	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	66	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0807670	STEPHEN W THIENEMAN 2409 CLARK STATION ROAD FISHERVILLE KY 40023	3401 OLD CLARK STATION ROAD DEED-BK 5825 LIEN-DT DEED-PG 584 LIEN-BK TAX-DST LIEN-PG TAX-BLK 49 LOT-NO.	5,450.00		RELS-DT RELS-BK RELS-PG
0807672	TIMOTHY & RITA TROENDLY 17800 CREEK ROCK ROAD FISHERVILLE KY 40023	17800 CREEK ROCK ROAD DEED-BK 6499 LIEN-DT DEED-PG 309 LIEN-BK TAX-DST LIEN-PG TAX-BLK 49 LOT-NO.	5,450.00		RELS-DT RELS-BK RELS-PG
0807673	DAVID B & JAMES WHITAKER 981 POUND LANE (PAID-UP) SIMPSONVILLE KY 40067	3208 OLD CLARK STATION ROAD DEED-BK 1323 LIEN-DT DEED-PG 604 LIEN-BK TAX-DST LIEN-PG TAX-BLK 42 LOT-NO.	5,450.00	00/0000	RELS-DT RELS-BK RELS-PG
0814746	ELMER P DOCHLER C/O FISHERVILLE CHURCH OF CHRI P O BOX 12 FISHERVILLE KY 40023	16590 FISHERVILLE ROAD DEED-BK 3337 LIEN-DT DEED-PG 252 LIEN-BK TAX-DST LIEN-PG TAX-BLK 49 LOT-NO.	5,450.00		RELS-DT RELS-BK RELS-PG
103					

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
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40 NUMBER OF CUSTOMERS LISTED

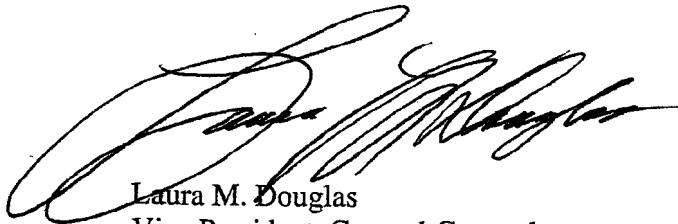
TOTAL PRINCIPAL REMAINING 184,850.00

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CERTIFICATION

This is to certify that the following: *HWY 148, Old Clark Station & Eastwood-Fisherville Road – Phase 2: along Eastwood-Fisherville Road from Fisherville Woods Drive to Eastwood Cut-off* is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on February 13, 2001, a quorum being present.

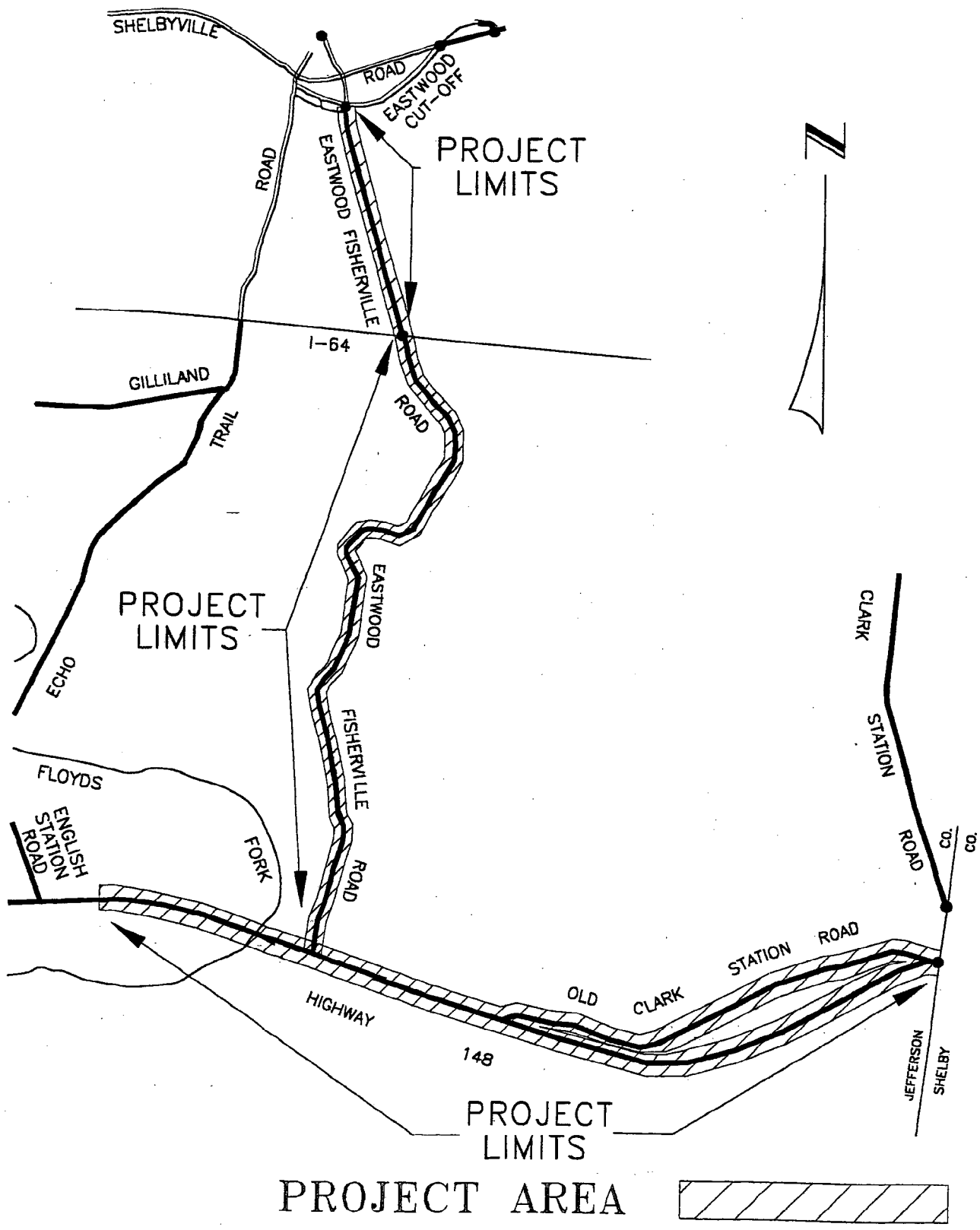
Signed,

A handwritten signature in black ink, appearing to read 'Laura M. Douglas', written in a cursive style.

Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
February 13, 2001

APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **HWY 148, Old Clark Station & Eastwood-Fisherville Road – Phase 2: along Eastwood-Fisherville Road from Fisherville Woods Drive to Eastwood Cut-off** main extension project authorized by Ordinance No. 10, Series 1999 of the Jefferson Fiscal Court, adopted on April 27, 1999 such warrants to be against 51 benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450.00 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



FILE NAME: EASTWOOD FISHERVILLE AND HWY 148

PROGRAM ID. AMCSRO02 THE LOUISVILLE WATER COMPANY
 APPORTIONMENT WARRANT CONTRACT E256W REGISTER

BOOK PAGE 1

RUN DATE 02/01/01
 RUN TIME 20:49:34

ACCOUNT	NAME	LOCATION	ASSESSMENT	EXHIBIT "A" PAID IN FULL	RELEASE OF LIEN
0806438	LARRY & AUDREY AARON	1401 EASTWOOD FISHERVILLE ROAD	5,450.00	00/2001	
(PAID-UP)	1401 EASTWOOD FISHERVILLE ROAD	DEED-BK 4300 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 429 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	93		
		1201 EASTWOOD FISHERVILLE	5,450.00	00/2001	
		DEED-BK 5827 LIEN-DT			RELS-DT
		DEED-PG 204 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	155		
0806440	CAROL FLACHER & JAME AUBREY	1318 EASTWOOD FISHERVILLE	5,450.00		
	13713 WETHERBY AVE	DEED-BK 6911 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 704 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2368 LOT-NO.	2		
0806442	CLARENCE HERBERT BARBEE	720 FISHERVILLE ROAD	5,450.00		
	720 FISHERVILLE ROAD	DEED-BK 4004 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 31 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 33 LOT-NO.	47		
		720 FISHERVILLE ROAD	5,450.00		
		DEED-BK 4004 LIEN-DT			RELS-DT
		DEED-PG 31 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 33 LOT-NO.	48		
		720 FISHERVILLE ROAD	5,450.00		
		DEED-BK 4004 LIEN-DT			RELS-DT
		DEED-PG 31 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 33 LOT-NO.	49		
		728 FISHERVILLE ROAD	5,450.00		
		DEED-BK 4004 LIEN-DT			RELS-DT
		DEED-PG 31 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 33 LOT-NO.	9		
0806444	R. THOMAS & DANETTE BAROWSKY	2817 FISHERVILLE ROAD	5,450.00		
	2817 FISHERVILLE ROAD	DEED-BK 6983 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 93 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 41 LOT-NO.	187		
0806445	GORDON BOARD	1620 SHAKES RUN DRIVE	5,450.00		
	P.O. BOX 17	DEED-BK 6060 LIEN-DT			RELS-DT
	EASTWOOD KY	DEED-PG 58 LIEN-BK			RELS-BK
	40018	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2383 LOT-NO.	14		

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806447	THOMAS & RUTH ANN BODE	1410 EASTWOOD FISHERVILLE ROAD	5,450.00		
	1410 EASTWOOD FISHERVILLE ROAD	DEED-BK 6247 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 803 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	147		
0806450	LEON & RACHEL BRASHEAR	1420 EASTWOOD FISHERVILLE ROAD	5,450.00		
	1420 EASTWOOD FISHERVILLE ROAD	DEED-BK 6960 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 73 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2368 LOT-NO.	6		
		1430 EASTWOOD FISHERVILLE ROAD	5,450.00		
		DEED-BK 6960 LIEN-DT			RELS-DT
		DEED-PG 73 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2368 LOT-NO.	7		
0806452	GARY C BRUNSMAN	1700 SHAKES RUN DRIVE	5,450.00		
	PO BOX 125	DEED-BK 6255 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 906 LIEN-BK			RELS-BK
	40023-0125	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2383 LOT-NO.	16		
0806457	JOHN & SANDRA CAMFIELD	2620 EASTWOOD FISHERVILLE ROAD	5,450.00		
	2620 FISHERVILLE RD	DEED-BK 6218 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 594 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 41 LOT-NO.	102		
112 0806459	LONNIE JOE & BOBBY COMBS	2520 EASTWOOD FISHERVILLE ROAD	5,450.00		
	2520 FISHERVILLE RD	DEED-BK 7274 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 62 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 41 LOT-NO.	194		
0806461	WILLIAM D CROSBY	EASTWOOD CUT OFF ROAD	5,450.00	00/0000	
	920 MACKALL AVENUE	DEED-BK 5559 LIEN-DT			RELS-DT
(PAID-UP)	MCLEAN VA	DEED-PG 446 LIEN-BK			RELS-BK
	22101	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 34 LOT-NO.	168		
0806462	TIMOTHY & DARLA CUNAGIN	1300 EASTWOOD FISHERVILLE ROAD	5,450.00		
	8217 CHICHERING WAY	DEED-BK 7207 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 596 LIEN-BK			RELS-BK
	40228	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2368 LOT-NO.	1		
0806464	ALFRED DENNY	1101 EASTWOOD ROAD	5,450.00	00/0000	
	1101 EASTWOOD ROAD	DEED-BK 745 LIEN-DT			RELS-DT
(PAID-UP)	LOUISVILLE KY	DEED-PG 9 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	555		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806465	JAMES S DUNBAR	1400 EASTWOOD FISHERVILLE ROAD	5,450.00		
	1400 EASTWOOD FISHERVILLE ROAD	DEED-BK 6792	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 588	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2368	LOT-NO.	4	
0806466	DONALD & CHERYL FUST	2815 FISHERVILLE ROAD	5,450.00		
	2815 FISHERVILLE ROAD	DEED-BK 4566	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 513	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 41	LOT-NO.	104	
0806469	ARTHUR & WILMA FUST	FISHERVILLE ROAD	5,450.00		
	2809 FISHERVILLE ROAD	DEED-BK 5820	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 224	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	156	
0806470	ARTHUR & WILMA FUST	2809 FISHERVILLE ROAD	5,450.00		
	2809 FISHERVILLE ROAD	DEED-BK 4447	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 236	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 41	LOT-NO.	99	
0806471	JOHN & ANNA GADDIE	912 FISHERVILLE	5,450.00	00/2001	
(PAID-UP)	912 FISHERVILLE ROAD	DEED-BK 7155	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 792	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 33	LOT-NO.	44	
113 0806476	W.D. FAMILY LTD PT HALLENBERG	FISHERVILLE ROAD	5,450.00		
	12300 HOLLY LANE	DEED-BK 6697	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 117	LIEN-BK		RELS-BK
	40223	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 41	LOT-NO.	16	
0806478	WILLIAM & DONNA HAYS	1117 FISHERVILLE ROAD	5,450.00		
	6015 PRESTON HIGHWAY	DEED-BK 5909	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 54	LIEN-BK		RELS-BK
	40219	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	2	
0806481	MILTON & MARY BETH HETTINGER	1500 SHAKES RUN DRIVE	5,450.00		
	1500 SHAKES RUN CT	DEED-BK 6161	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 970	LIEN-BK		RELS-BK
	40023-9755	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2383	LOT-NO.	11	
0806482	DENISE & HENRY HIBBARD	210 FISHERVILLE	5,450.00		
	210 EASTWOOD	DEED-BK 6007	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 339	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 439	LOT-NO.	6	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806484	DELETED CUSTOMER	EASTWOOD FISHERVILLE REAR	5,450.00		
		DEED-BK 7277 LIEN-DT			RELS-DT
		DEED-PG 933 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	183		
		1515 EASTWOOD FISHERVILLE	5,450.00		
		DEED-BK 6873 LIEN-DT			RELS-DT
		DEED-PG 844 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	23		
0806486	JAMES & SUSAN JOHNSON	17000 MARKSBURY DRIVE	5,450.00		
	2618 FISHERVILLE ROAD	DEED-BK 7170 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 323 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 41 LOT-NO.	190		
0806487	DAVID RAYMOND KAREM	1109 FISHERVILLE ROAD	5,450.00		
	3719 LOCUST CIRCLE	DEED-BK 7184 LIEN-DT			RELS-DT
	PROSPECT KY	DEED-PG 28 LIEN-BK			RELS-BK
	40059	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	72		
0806490	WILLIAM S & SHIRLEY A KNOPF	900 EASTWOOD FISHERVILLE	5,450.00		
	900 FISHERVILLE EASTWOOD ROAD	DEED-BK 6868 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 601 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 33 LOT-NO.	59		
		900 FISHERVILLE ROAD	5,450.00		
		DEED-BK 6868 LIEN-DT			RELS-DT
		DEED-PG 598 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 33 LOT-NO.	46		
0806491	STEVEN K & MELODY KNOPF	208 FISHERVILLE ROAD	5,450.00		
	208 FISHERVILLE ROAD	DEED-BK 5987 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 929 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 439 LOT-NO.	5		
0806493	C. O'MAHONEY & MARC LAUBER	1720 SHAKES RUN DRIVE	5,450.00		
	1720 SHAKES RUN COURT	DEED-BK 6675 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 442 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2383 LOT-NO.	17		
0806495	THOMAS & DIANNA LEE	2510 EASTWOOD FISHERVILLE ROAD	5,450.00		
	2811 JOAN AVENUE	DEED-BK 7108 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 680 LIEN-BK			RELS-BK
	40205	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 41 LOT-NO.	192		

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806497	ROY & ROBERTA M LILLPOP	1211 FISHERVILLE ROAD	5,450.00		
	1211 FISHERVILLE ROAD	DEED-BK 5990	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 431	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	153	
0806500	JAMES & PATRICIA MARKS	1301 EASTWOOD FISHERVILLE ROAD	5,450.00		
	#2 EASTWOOD ROAD	DEED-BK 7035	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 857	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	187	
		1321 EASTWOOD FISHERVILLE	5,450.00		
		DEED-BK 7035	LIEN-DT		RELS-DT
		DEED-PG 857	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	188	
0806502	DENNIS & JUDY MELEAR	2700 FISHERVILLE ROAD	5,450.00		
	2700 FISHERVILLE ROAD	DEED-BK 5672	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 721	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 41	LOT-NO.	100	
0806503	CHARLES & NANCY MILLER	16900 HOMESTEAD TRACE	5,450.00		
	P.O. BOX 174	DEED-BK	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	190	
0806506	LELAND G & CYNTHIA MONEYPENNY	700 EASTWOOD CUT OFF ROAD	5,450.00	00/0000	
	PO BOX 31	DEED-BK 4880	LIEN-DT		RELS-DT
(PAID-UP)	EASTWOOD KY	DEED-PG 160	LIEN-BK		RELS-BK
	40018	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 33	LOT-NO.	8	
0806510	CAROLYN & JACOB MORAN	1207 FISHERVILLE ROAD	5,450.00		
	C/O 3009 POINT FIVE MEADE AVE	DEED-BK 6982	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 431	LIEN-BK		RELS-BK
	40217	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	139	
0806512	ROBERT & KIM MOSSER	2500 EASTWOOD FISHERVILLE ROAD	5,450.00		
	2500 EASTWOOD FISHERVILLE ROAD	DEED-BK 6526	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 150	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 41	LOT-NO.	191	
0806513	JOHN & CAROL NELSON	1511 FISHERVILLE ROAD	5,450.00		
	1511 FISHERVILLE ROAD	DEED-BK 6863	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 186	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	181	

APPORTIONMENT WARRANT CONTRACT E256W REGISTER

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
		EASTWOOD FISHERVILLE REAR	5,450.00		
		DEED-BK 7277	LIEN-DT		RELS-DT
		DEED-PG 731	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	181	
0806514	RICHARD & SHARON PAULIN	722 EASTWOOD FISHERVILLE ROAD	5,450.00		
	816 EASTWOOD FISHERVILLE ROAD	DEED-BK 6263	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 294	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 33	LOT-NO.	45	
		816 EASTWOOD ROAD	5,450.00		
		DEED-BK 6263	LIEN-DT		RELS-DT
		DEED-PG 294	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 33	LOT-NO.	77	
0806515	MICHAEL & LAURIE RAY	1516 EASTWOOD FISHERVILLE	5,450.00	00/0000	
	P O BOX 27	DEED-BK 6999	LIEN-DT		RELS-DT
(PAID-UP)	EASTWOOD KY	DEED-PG 731	LIEN-BK		RELS-BK
	40018	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2368	LOT-NO.	10	
0806516	ROBERT P ROSS	310 RIVERFRONT PLAZA #50	5,450.00		
	310 RIVERFRONT PLAZA STE #50	DEED-BK 5079	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 543	LIEN-BK		RELS-BK
	40202	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 41	LOT-NO.	127	
0806518	DOUGLAS & PEGGY WHEELER	FISHERVILLE ROAD	5,450.00		
	2710 FISHERVILLE ROAD	DEED-BK 7495	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 565	LIEN-BK		RELS-BK
	40219	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 41	LOT-NO.	186	
0806519	JAMES & KATHRYN SHARPER	1520 SHAKES RUN ROAD	5,450.00		
	1520 SHAKES RUN ROAD	DEED-BK 6458	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 754	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2383	LOT-NO.	12	
		1600 SHAKES RUN ROAD	5,450.00		
		DEED-BK 6458	LIEN-DT		RELS-DT
		DEED-PG 754	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 2383	LOT-NO.	13	
0806557	ARTHUR & SANDRA SMITHERS	2301 EASTWOOD FISHERVILLE ROAD	5,450.00		
	2301 EASTWOOD FISHERVILLE ROAD	DEED-BK 6310	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 950	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 41	LOT-NO.	163	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806560	WAYNE & DARLENE STOCKTON	1500 EASTWOOD FISHERVILLE ROAD	5,450.00		
	1500 EASTWOOD FISHERVILLE ROA	DEED-BK 6650 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 352 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2368 LOT-NO.	8		
0806564	JAMES & DEBORAH SWETNAM	2307 EASTWOOD FISHERVILLE ROAD	5,450.00		
	2307 EASTWOOD FISHERVILLE ROAD	DEED-BK 5094 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 685 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 41 LOT-NO.	128		
0806565	JACK & CYNTHIA THOMPSON	1510 EASTWOOD FISHERVILLE	5,450.00		
	P.O. BOX 107	DEED-BK 6039 LIEN-DT			RELS-DT
	EASTWOOD KY	DEED-PG 110 LIEN-BK			RELS-BK
	40018	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2368 LOT-NO.	9		
0806566	CHRISTOPHER & BETH VANCE	1640 SHAKES RUN DRIVE	5,450.00		
	1640 SHAKES RUN CT	DEED-BK 6969 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 541 LIEN-BK			RELS-BK
	40023-8762	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2383 LOT-NO.	15		
0806568	MADE & HARRIET WEARREN	EASTWOOD FISHERVILLE	5,450.00		
	13986 POPLAR LANE	DEED-BK 6392 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 954 LIEN-BK			RELS-BK
	40299	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	44		
0806569	JOE W WEBB	1320 EASTWOOD FISHERVILLE ROAD	5,450.00		
	1320 EASTWOOD FISHERVILLE ROAD	DEED-BK 7368 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 39 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 2368 LOT-NO.	3		
0806570	ROY & SARAH WISEHART	2302 FISHERVILLE ROAD	5,450.00		
	2302 FISHERVILLE ROAD	DEED-BK 5012 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 289 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	46		
		FISHERVILLE ROAD	5,450.00		
		DEED-BK 5012 LIEN-DT			RELS-DT
		DEED-PG 289 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	45		
		EASTWOOD ROAD	5,450.00		
		DEED-BK 5012 LIEN-DT			RELS-DT
		DEED-PG 289 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 41 LOT-NO.	18		

LWC 0648

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
		2302 EASTWOOD	5,450.00		
		DEED-BK 5012	LIEN-DT		RELS-DT
		DEED-PG 289	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 41	LOT-NO.	33	
0814206	TODD DOUGLAS WHEELER	FISHERVILLE ROAD	5,450.00		
	2710 FISHERVILLE ROAD	DEED-BK 7495	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 562	LIEN-BK		RELS-BK
	40219	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 41	LOT-NO.	185	
0814770	ROBERT DATLO	EASTWOOD FISHERVILLE ROAD	5,450.00		
		DEED-BK 5760	LIEN-DT		RELS-DT
		DEED-PG 467	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 42	LOT-NO.	68	
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RELEASE OF LIEN

PAID IN FULL

ASSESSMENT

LOCATION

NAME

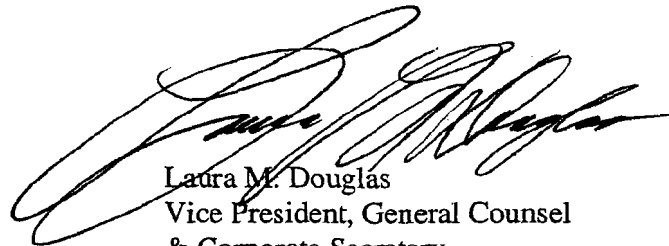
52 NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 238,948.95

CERTIFICATION

This is to certify that the following: *Brush Run Road: Echo Trail to Dawson Hill Road Dawson Hill Road: Brush Run Road to Back Run Road*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on February 13, 2001, a quorum being present.

Signed,



Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
February 13, 2001

**Board of Water Works
Resolution**

February 13, 2001

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Brush Run Road: Echo Trail to Dawson Hill Road**, a public way in Jefferson County, and acting thereon convened a public hearing on January 25, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Chief Engineer of the Company has recommended the extension of such water along **Brush Run Road: Echo Trail to Dawson Hill Road**, as being feasible and beneficial.

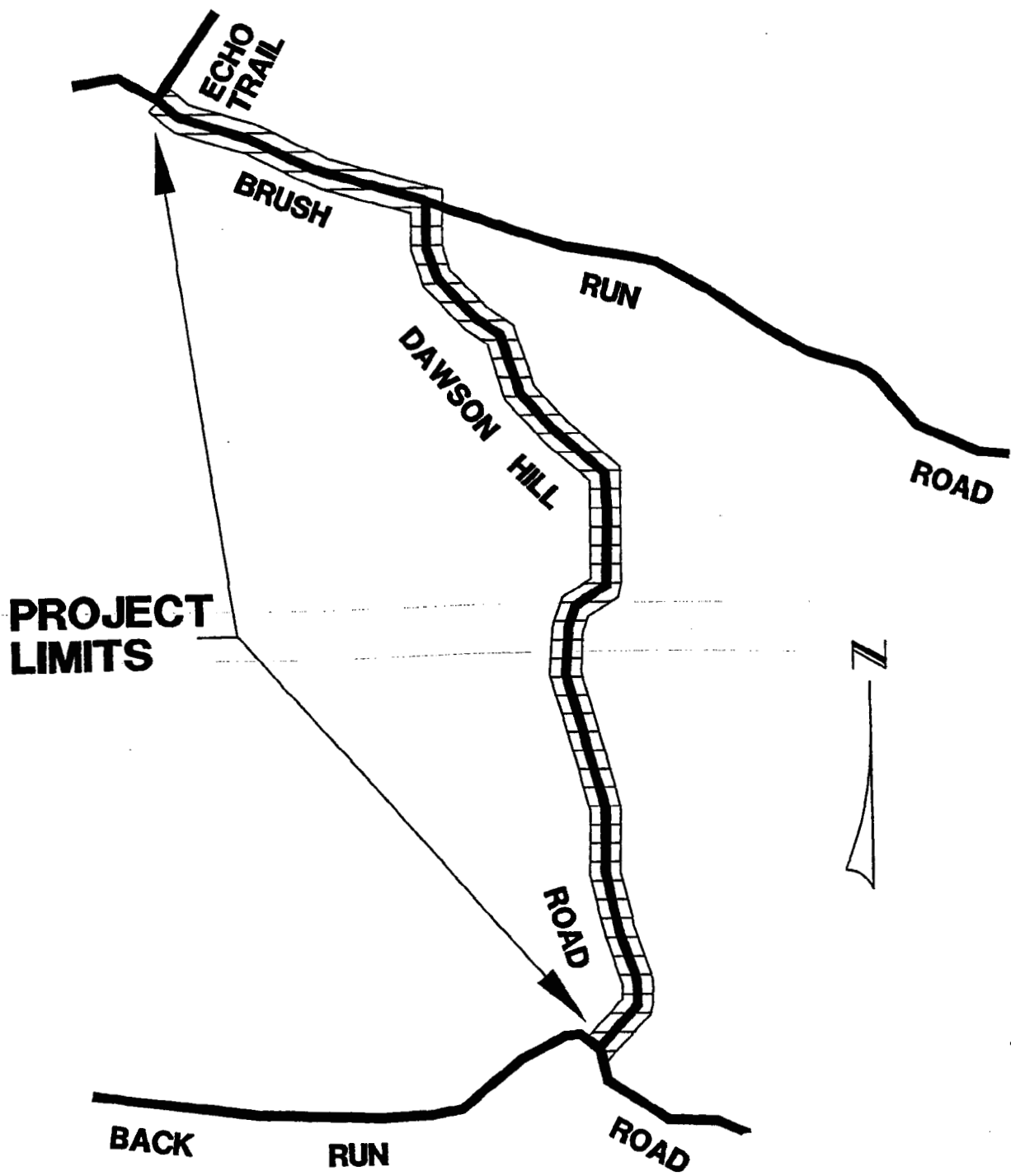
NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Brush Run Road: Echo Trail to Dawson Hill Road**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.

**Board of Water Works
Resolution**

February 13, 2001

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Dawson Hill Road: Brush Run Road to Back Run Road**, a public way in Jefferson County, and acting thereon convened a public hearing on January 25, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Chief Engineer of the Company has recommended the extension of such water along **Dawson Hill Road: Brush Run Road to Back Run Road**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Dawson Hill Road: Brush Run Road to Back Run Road**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA 

FILE NAME: DAWSON HILL

ADVERTISED IN THE COURIER JOURNAL

MONDAY JANUARY 15, 2001

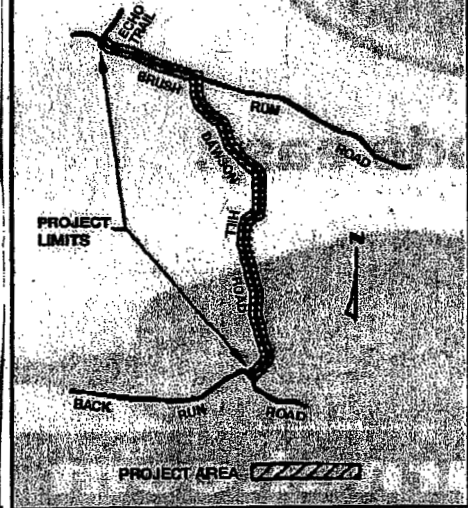
END OF SECTION A

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Brush Run Road, Echo Trail to Dawson Hill Road and Dawson Hill Road, Brush Run Road to Back Run Road (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Brush Run Road, Echo Trail to Dawson Hill Road and Dawson Hill Road, Brush Run Road to Back Run Road.

This public hearing will be held on Thursday, January 25, 2001 at 6:00 p.m. at the Fern Creek Fire Protection District, Station #3, 7700 Rouff Road.

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.



Monday, January 15, 2001

**MINUTES OF REGULAR MEETING
BOARD OF WATER WORKS
March 13, 2001**

The regular meeting of the Board of Water Works was held on March 13, 2001 in the Board Room of the Louisville Water Company, 550 S. Third Street, Louisville, Kentucky, convening at 1:00 p.m.

Board Members Present:

Mr. Stephen C. Gault
Mr. Jack Segell
Mr. Stewart Conner
Ms. Wendy Welsh
Mr. Owen Hammons
Mr. Phillip Bond

Board Members Absent:

The Hon. David L. Armstrong,
Mayor

Others Present:

Mr. John Huber, President
Mr. Robert Miller, V. P. – Treasurer
Ms. Laura Douglas, V. P. General Counsel & Secretary
Mr. James Brammell
Ms. Barbara Crow
Ms. Kay Ball
Mr. Steve Hubbs
Mr. Larry Lenahan
Mr. Robert Lowndes, P.E., Black & Veatch
Mr. Frank Appelfeller, P.E., Black & Veatch
Ms. Vickie L. Singleton, E.I.T., Black & Veatch
Ms. Karla Teasley
Mr. Vince Guenthner
Mr. Ralph McCord

Mr. Huber called the meeting to order. Mr. Huber announced that Jim Brammell would sit in for Greg Heitzman, who is out of town at an infrastructure conference. Mr. Huber also introduced Mr. Robert Lowndes, Mr. Frank Appelfeller and Ms. Vickie Singleton from Black & Veatch.

Project No.	Project Name	Total Project Cost
Developer Installed Refunding Main Extension Projects		
01-001	Woods of Landis Lakes Section 1	\$ 28,940.00
01-004	Pleasure Ridge Point Section 2	\$ 63,730.00

Surcharge Water Main Extension Projects		
01-200	Acme Way	\$ 10,210.00

Apportionment Warrant KRS 96.265 Petition		
KRS 96.265	Back Run Road	\$494,000.00
KRS 96.265	Scotts Gap Road	\$290,520.00
KRS 96.265	Wolf Run Road: Keys Ferry Road	\$ 54,400.00
KRS 96.265	Goff Lane	\$540,200.00

Metropolitan Sewer District Relocation Projects		
00-618	Helck Avenue Drainage Improvement Project	\$ 10,200.00

Oldham County		
00-602	Old LaGrange Road Water Facilities Relocation	\$ 24,675.00

Developer Relocation Projects		
01-483	Dairy Queen 4026 Taylorsville Road Water Facilities Relocation	\$ 9,000.00
01-1409D	Stanley Gault Parkway Water Facilities Relocation	\$ 4,700.00
01-483	The Gardens at Hurstbourne Water Facilities Relocation and Extension	\$ 39,500.00

Item D: Authorization for design and bid of projects (estimated to cost less than \$200,000)

Project No.	Project Name	Total Project Cost
01-729	Allmond Avenue Radiant Heat System	\$ 95,000.00

Item E: Bid tabulations (award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid.).

Project No.	Project Name	Total Project Cost
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Item F: Award of contracts less than \$50,000

Project No.	Project Name	Total Project Cost
00-76	Employee Assistance Program-Comp. Neg. 3 years, VALUE OPTIONS	\$ 40,500.00
01-03	Water Bill Forms - 2 years	\$ 37,832.00
01-06	Cisco Maintenance Update CS BUSINESS SYSTEMS (CMBE)	\$ 17,680.00

A motion was made to approve the consent agenda:

- Approve minutes of previous meetings
- Approve claims paid during the previous month.
- Approve petitions and applications for water main extensions (when in full compliance with Service Rules and Regulations).

Administrative Report

Mr. Huber reported that Steve Hubbs worked successfully to gain credits for utilities meeting the goals of the Partnership for Safe Drinking Water and using riverbank infiltration. Mr. Huber also reported on a meeting he had with Reverend Louis Coleman which went well. Mr. Huber reported that Don Whitehouse, the Internal Auditor, is leaving LWC to take a position elsewhere. Finally, Mr. Huber reported that companies marketing home treatment devices are planning an aggressive marketing campaign.

Financial Report

Mr. Miller gave the February financial report.

Income and Expense Summary

Total operating revenue of \$14,277,000 (line 7) is \$331,300 or 2.38 % more than budgeted and \$372,800 or 2.68% more than the same period in 2000. We sold 0.36% more water in 2001 than the same period in 2000. Water delivered to the mains was 0.24% less than 2000. However, net operating income of \$4,914,100 (line 20) is \$187,700 or 3.68% less than budgeted. Total non-operating income of \$967,800 (line 24) is \$119,500 or 14.10% more than budgeted. Total non-operating expense of \$1,266,200 (line 25) is \$300 or .03% more than budgeted. Net income of \$4,615,700 (line 26) is \$68,500 or 1.46% less than budgeted and \$759,800 or 14.13% less than 2000.

Operations and Engineering Report

Riverbank Infiltration Evaluated Bid

Staff is finalizing the plans and specifications with consultants Jordan, Jones and Goulding for the bid of the Riverbank Infiltration (RBI) tunnel project. This phase of the work is estimated at \$12 million and presents an opportunity to encourage minority and women business enterprise (M/WBE) participation as subcontractors on this larger construction project. The Company initiated an evaluated bid pilot project in late 1999 to encourage participation by M/WBE firms on pipeline and plant construction projects. To date, 12 projects have been bid under the evaluated bid process, providing \$653,500 in minority business participation and \$160,500 in women business participation.

Crescent Hill Reservoir Rehabilitation

Staff has received the preliminary design report from AB&H Engineers regarding the structural stability of the south basin drain structure. The consultant confirmed the evaluation by staff that the existing junction box was not designed for thrust restraint and the junction box needs additional foundation support for stability. At present, we are evaluating the value of designing a drain structure to tie into recent Metropolitan Sewer District drainage improvements east of the Reservoir in the Claremont neighborhood. Construction will begin this summer with completion

in the spring of 2002. A final site restoration phase will be bid in late fall for spring 2002 restoration of the reservoir area.

CALL CENTER

No. of calls received	24,520
No. of calls abandoned	1,524
Abandonment rate	6.22%

BILLING

Percent of accounts billed on time	100.00%
Percent of bills estimated	1.33%
Percent of bills that were accurate	99.64%

Litigation Report

After proper motion and second, the Board adjourned to go into closed session to discuss acquisition of property. The Board reconvened into open session without taking any action.

Report of Committees

Compensation Committee Report

Mr. Conner gave the report for the Compensation Committee. He indicated that the committee met on March 9, 2001. The Committee authorized a payout of \$250.32 for all LWC employees as the Corporate Performance Award. The committee authorized a payout of 3% for the Executive Incentive Plan Award. The Compensation Committee also received and endorsed the 2001 goals for the Executive Incentive Plan Goals, Corporate Award and Shared President/Vice Presidents' Goals. Beginning in 2001, the Executive Incentive Plan Award will be extended to the Business Systems Owners. They have the potential to earn 7.5% of salary. After proper motion and second, the Board voted to approve the Compensation Committee report.

Special Issues

Declaration of Dividend to City of Louisville

Robert Miller reported that Section 508 of the Series 1992 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 the City.

The annual audit has been completed. Net income of \$29,117,501 requires a total 2000 dividend to the City of \$12,876,681. This will result in an additional amount of \$100,256 to be added to the regular quarterly 2001 dividend payments.

After proper motion and second, the Board adopted a Resolution authorizing payment of the 2001 first quarter dividend in the amount of \$13,026,750.00

Bid Tabulations

97-403-C Install 16-Inch Ductile Iron Water Main in Billtown Road between Shady Acres Lane and Shaffer Lane

Mr. Brammell and Mr. Huber reported on project 97-403 C. Bids were received on Wednesday, February 21, 2001, to install 9,253+/- lineal feet of 16-inch ductile iron water main. Five bids were received from qualified contracting firms. After proper motion and second, the Board authorized the Chief Engineer to award a contract in the amount of \$449,250 to C-Squared Inc. to install water facilities associated with this project.

01-500 Beechmont Area Main Replacement Project

Mr. Brammell and Mr. Huber reported on project 01-500. Bids were received and opened Wednesday, February 7, 2001 to install 23,920 linear feet of 6, 8 and 12-inch water main in the Beechmont Area. Included with the project are the installation/renewal of 39 fire hydrants and the transfer or renewal of 553 customer services. A total of five bids were received and opened from pre-qualified contractors. MAC Construction and excavating submitted the lowest responsive bid in the amount of **\$1,458,000** resulting in a total project cost of **\$1,936,800**. After proper motion and second, the Board authorized the Chief Engineer to award a contract in the amount of \$1,458,000 to MAC Construction and Excavating to install the water facilities associated with this project.

Facilities Plan Professional Services Contract Consultant Selection Recommendation

Mr. Huber and Mr. McCord reported on the Facilities Plan Professional Services Contract Consultant Selection Recommendation. Staff issued a Request-for-Proposal (RFP) for professional engineering services for the preparation of the 2001-2020 Facilities Plan, to perform the 2001 Annual Inspection, and to perform other engineering services that from time to time may be needed by the company. The purpose of this project is to provide the Louisville Water Company (LWC) an objective review of functional areas, operations and existing facilities as well as develop recommendations for its twenty-year capital improvement plan.

Five firms were selected from Statement of Qualifications on file with LWC. The five firms invited to submit a proposal were: Black & Veatch Corporation; Camp Dresser & McKee, Inc.; CH2M Hill Inc.; Malcolm Pirnie, Inc.; and O'Brien & Gere Engineers, Inc. The RFP Evaluation Sub-Team Team of the Facilities Plan Technical Review Committee was comprised of representatives from Supplying, Producing & Delivering Water, Supplying Business Resources, Serving Customers, and Managing Infrastructure Core Business Systems. A qualifications based selection process was used to reach a team consensus evaluation of each firm. After evaluating the technical & expertise capabilities and conducting the firm interview, the Evaluation Sub-Team scored these criteria. Those firms which met or exceeded an average score of 3 out of 5 for these two criteria (70% of the evaluation) had their cost proposals opened.

After proper motion and second, the Board authorized the Chief Engineer to award the facilities plan professional services contract to Black and Veatch Corporation.

00-479(A): Base Mapping for Automated Mapping/Facilities Management(AM/FM)

Mr. Huber and Mr. McCord presented project 00-479 (A). Staff has initiated work on the Automated Mapping/Facilities Management System (AM/FM) project that was approved by the Board of Water Works in September, 2000. The first phase of this project is the acquisition of base mapping for the LWC service area that extends into Oldham and Bullitt Counties, and is not covered by the Louisville and Jefferson County Information Consortium (LOJIC). LWC is

currently exploring a cost sharing opportunity with the Jefferson County Metropolitan Sewer District (MSD) for base mapping in Oldham County. Cost sharing for Bullitt County base mapping will be pursued as business opportunities arise.

LWC requested and evaluated five proposals for the Bullitt County base mapping effort. Based on both cost and a qualifications-based evaluation, staff recommends award of this contract to Analytical Surveys, Inc. for \$596,978.

After proper motion and second, the Board voted to authorize staff to award the Bullitt County Base Mapping contract to Analytical Surveys, Inc., in the amount of \$596,978.

00-88/Brass Valves and Fittings

Mr. Huber and Mr. Miller reported on project 00-88. On January 31, 2001, bids were opened to award a two-year contract for brass valves and fittings. These valves and fittings are used in service installations, renewals and repairs within the Company's distribution system. A total of six bids were submitted with the lowest, most responsive bids as follows:

WaterWorks Supplies	\$192,589
A.Y. McDonald	\$136,985
Wemhoener	\$ 23,350
Viking Environmental	\$ 15,200
Cambridge Brass	\$ 4,515
Hughes Supply	\$ 616
TOTAL	\$373,305-one year
	\$746,610-two years

After proper motion and second, the Board authorized staff to award a two-year contract totaling an estimated **\$746,610** to the bidders listed above. This bid represents a 5% increase in unit prices from the previous bid.

01-05/Copper Tubing

Mr. Miller reported on project 01-05 . On February 14, 2001, bids were opened to award a contract for a six-month supply of copper tubing. Copper tubing is used throughout the distribution system in the installation, renewal and repair of domestic service lines.

After proper motion and second, the Board ratified staff's purchase of a six-month supply of copper tubing totaling **\$121,148** from **Mutual Manufacturing Company**. This bid represents a 1.2% increase in unit prices from the previous bid.

Kentucky Fleet Vehicle Contract for the Purchase of Fleet Vehicles

Mr. Miller reported on Kentucky Fleet Vehicle Contract for the Purchase of Fleet Vehicles. On January 26, 2001, LWC staff consulted the State Purchasing Contract to determine whether certain vehicles for which the State Procurement Office had solicited and received bids, met LWC needs for vehicles. Because the State Procurement Office had already complied with statutory purchasing requirements, LWC can proceed with purchase of those vehicles listed on the State contract with no additional bid process required. LWC staff has determined that the following vehicles from the State contract meet LWC needs.

<u>Recommended Contract Vendors</u>	<u>Description/Quantity</u>	<u>Total</u>
Countryside Ford Lawrenceburg, KY	(7) Ford F-150½ ton extended cabs 4WD Base Price = \$18,077 (#53 on State list)	\$154,049
Man-O-War Ford Lexington, KY	(6) Ford F-150½ ton regular cab 2WD @ \$15,437 each	\$92,622
	(2) Ford F-250¾ ton cab and chassis Base Price = \$20,130	\$50,554
<u>Recommended Contract Vendors</u>	<u>Description/Quantity</u>	<u>Total</u>
Man-O-War Ford Lexington, KY	(2) Ford F-350 1 ton cab and chassis Base Price = \$17,991 (#52 on State list)	\$45,212
H.A. Jones Versailles, KY	(1) Dodge Durango 4WD Base Price = \$23,152	\$28,062
TOTAL AWARD		\$370,499

After proper motion and second, the Board authorized staff to proceed with purchase of these vehicles from the State bid list totaling **\$370,499.00** to the vendors above.

99-04/Precast Meter Vaults-2000 PPI Renewal

Mr. Miller reported on Project 99-04/Precast Meter Vaults-2000 PPI Renewal. On March 15, 1999, the Board of Water Works approved the recommendation to award a contract for precast meter vaults to Thorn-Orwick, Inc. Staff has reviewed the Producer Price Index and based on favorable market conditions, determined it would be in the best interest of the Company to exercise our right to renew the contract.

After proper motion and second, the Board authorized staff to renew the contract with **Thorn-Orwick, Inc.** for an estimated amount of **\$63,465**.

Award of Contract for Project 01-735: New Services for Enhancing Customer Satisfaction

Mr. Miller reported on project 01-735. The 2001 – 2003 Information Technology Plan compliments the Company’s mission, vision, and goals by providing strategies to meet the

challenges and achieve the objectives set forth in the LWC Strategic Plan by using Information Technology as a strategic enabler to leverage technology investments.

The strategies outlined in the IT Plan support our efforts to operate as a competitive utility by providing exceptional customer service, control cost through Systems Based Management principles, and increase revenue through expanded water sales.

The additional capabilities will provide for enhanced services to meet the growing expectations of customers, provide a higher level of customer satisfaction, and provide better service facility information to our field service personnel.

After proper motion and second, the Board authorized staff to award a sole source contract to Orcom Solutions in the amount of \$100,000 to provide professional services for enhancements and additional functionality to the E-CIS applications as determined to meet increasing customer expectations and satisfaction.

Communications

Status Report for Water System Revenue Refunding Bonds, Series 2001

Mr. Miller gave a Status Report for Water System Revenue Refunding Bonds, Series 2001. The proposed transaction to refinance the Series 1992 Water System Revenue Bonds through the issuance of the Series 2001 Water System Revenue Refunding Bonds as a current refunding is nearing completion. The Preliminary Official Statement and Official Terms and Conditions of Bond Sale were distributed by Thomson Prospectus over the Internet on Wednesday March 6th. The bond sale will occur on Thursday, March 15, 2001 at 10:30 AM. The bids will be taken electronically through *PARITY*.

The Financial Advisor, Morgan Keegan, has prepared a preliminary estimate of the savings that may be attainable through this refinancing transaction. The estimated gross savings as of March 5th is \$4,755,979, with net present value savings of \$3,690,336.

If the bid results are favorable, staff will recommend an official award by the Board of Water Works at 12:00 noon on the sale date, subject to approval by the Louisville/Jefferson County Revenue Commission. The Revenue Commission is holding a special meeting for this purpose at 2:00 PM later that same day.

2001 General Assembly Update

Mr. Guenthner gave a 2001 General Assembly Update. During the first annual legislative session the Government Affairs Department monitored each bill that was introduced and tracked 24 pieces of legislation. Of the 24, only 2 bills that have any impact/interest to the Louisville Water Company passed.

SB 2: Environmental Clean up of Brownfields. Establishes a process to promote voluntary cleanup and redevelopment of properties suspected of environmental contamination such as abandoned industrial property.

HB 278 CERS Retirement: The bill, as originally introduced, allowed anyone who was killed as a result of their employment with the state to have their retirement benefits match hazardous duty benefits. This bill has been named the "Fred Capps Memorial Act" after the Commonwealth Attorney who was murdered defending his wife and children from a man he was prosecuting.

The bill was amended by a House Floor Amendment to base retirement compensation on an employee's "high-three" years of pay instead of "high-five". It only applies to employees who

retire between August 1, 2001 and January 1, 2009 whose total service credit is at least 27 and whose age and years of service total at least 75.

Issues to look for during the 2002 General Assembly

Retirement: It is projected that the current unfunded liability for health coverage for retirees is \$2.8 billion. \$1.1 billion of this relates to CERS. During this past session a proposal was offered that would have limited the health coverage of **future** employees by placing a \$200 monthly cap on health benefits.

Because of the controversy of this measure it was not approved but the Retirement Board was asked to look at various options for dealing with the liability and presenting the information during the interim committee process.

Cardinal Hill Area Transmission Repairs

Mr. Brammell and Mr. Huber reported on the Cardinal Hill Area Transmission Repairs. Since the New Years week-end two months ago, LWC staff and contractors have been continuously engaged in the repair of a series of joint leaks on critical 60-inch, 1930's-vintage, concrete transmission main. This particular main constitutes the primary supply line from the Crescent Hill Treatment Plant to the Cardinal Hill Reservoir. In addition, with elements of this key transmission main out of service for repairs, staff took the opportunity to completely rehabilitate the segment of 60-inch main from Palatka Road to the Cardinal Hill Reservoir.

In the past two months staff has managed the repair of five transmission main joint leaks on the 60-inch transmission main which runs from Third Street and Winkler Avenue south to Cardinal Hill Reservoir.

The locations of the five joint leaks were as follows: 1) Hazelwood Court at Arling Court.; 2) Manslick Road at Stephan Lane.; 3) in Iroquois Park Road; and 4) and 5) Both on Cardinal Hill Road south of Palatka Road.

Estimated expenses for the recent work are as follows:

	<u>O&M</u>	<u>Capital</u>
Hazelwood @ Arling	\$45,800	\$28,800
Manslick @ Stephan; Iroquois Park	75,600	-0-
Cardinal Hill Road	-0-	276,524
TOTAL	\$121,400	\$305,324

When this work was performed, staff used the annual contingency contract to perform the repairs.

Drought Summary Status of Operational and Capital Improvements

Mr. Brammell gave a Drought Summary Status of Operational and Capital Improvements. At the April 2000 meeting, the Board received a briefing on operational and capital improvements that were being initiated as a result of the 1999 drought.

The following is an update on those capital improvements.

Taste and Odor Detection A Taste and Odor team has been formalized that routinely monitors the river and process waters for odors. This team has successfully identified small MIB incidents in the past year, in time to allow effective treatment. Analytical capacity has been increased to allow more rapid analysis of samples.

PAC Feed Systems The Powdered Activated Carbon feed systems have been hardened, with temporary feed lines hard-plumbed in for increased reliability. Staff is researching more reliable feed-pumps for emergency feed systems (air pumps were used in 1999), and a project has been defined to upgrade the PAC feed system at CHFP.

Expansion of Capacity at BEPWTP A series of projects have been identified to increase the reliability and capacity of the BEPWTP finished water pumping station to 60 MG. These projects are being grouped for design and bidding, and are targeted for completion in 2003, resulting in an additional power feed, new switch-gear, a pumping unit, and discharge piping. These projects will be coordinated with the long-term capacity expansion at the BEPWTP to 120 MGD over the next 20 years.

Booster Pumping Stations The following pumping stations will strengthen supply to the elevated service area.

- **Westport Road Transfer Station**
- **Highway 22 Booster Pumping Station**
- **Aiken Road Booster Pumping Station**
- **Billtown Road Booster Pumping Station**
- **Chamberlain Lane Booster Pumping Station**
- **Highway 480 Booster Pumping Station**

Transmission Main Projects Transmission mains are being constructed to support growth in water demand in eastern Jefferson, Oldham and Bullitt Counties:

- **Aiken and Avoca Road Mains**
- **Billtown Road 16-inch**
- **Bardstown to Billtown Road 30-inch**
- **Lagrange Road 24-inch Transmission**
- **Cross-County 24-inch Transmission**
- **Frankfort Avenue 48-inch**
- **Marquette 30-inch**
- **I-Transmission System**

Storage Tanks Several storage tanks are at various stages of development to better serve the elevated service area. They are:

- **Billtown 1 MG elevated tank**
- **Hillcrest 1.0 MG storage**
- **Highway 329/Oldham County 0.5 MG storage**

These capital improvements will significantly mitigate drought effects such as those experienced in 1999. While all improvements will not be completed by the peak summer period of 2001, projects will be brought on-line as they are completed to assist improve quality and service.

CommonStream Water eMarket Participation

Mr. Huber and Ms. Teasley reported on CommonStream Water eMarket Participation. Louisville Water Company recently provided a letter to a new company called CommonStream, indicating its interest in participating in a water industry eMarket that is being launched later this year. The new eMarket is the result of significant development work by a consortium of public

water utilities including Washington Suburban Sanitary Commission, Massachusetts Water Resources Authority, Fairfax County Water Authority, Metropolitan Water District of Southern California, Louisville Water Company and several other water and wastewater utilities.

The purpose of CommonStream is to provide an electronic marketplace for buyers and sellers of products and services in the water and wastewater markets. Its technology is based on the Commerce One platform, which is the same technology used by the leading eMarkets in the electric, petrochemical, automotive and paper industries. One of the key initial benefits of the eMarket is to obtain procurement savings through cooperative purchasing in joint bids with other customers.

CommonStream will also be an electronic community for the industry, providing a forum for collaboration on product standardization, bulletin boards on major issues, an employment exchange, and links to other key industry sites.

Louisville Water expects to become a Charter member in CommonStream shortly. For a fee of \$20,000 it will have representation on the buyer's advisory board and will be entitled to discounts of up to \$50,000 on purchases made through the eMarket. Although we have indicated our interest in participating in the eMarket, our participation is totally voluntary and at our discretion when it is in our best interest to do so. CommonStream also plans to assist utilities' local and MBD vendors to expand their market reach and lower barriers to participation.

Board members requested further clarification before LWC goes further into this deal. Board members also asked General Counsel to make sure that LWC does not take on any additional liability by virtue of its participation.

Summary Report of 2000 Strategic Plan Achievement

Mr. Huber then reported on the 2000 Strategic Plan Implementation. The company met its chlorine goal and met Phase IV requirements of the Partnership for Safe Drinking Water by June 2000. LWC also exceeded its return on equity target by achieving 10.65% return on equity. We achieved our revenue targets for 2000, and we achieved our water sales target. We achieved Level 2 in CSI serviced customer goal. We implemented our diversity plan in order to achieve our diversity goals. LWC achieved its goals for vehicular accidents and lost work days due to injuries.

Old Business

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265 Williams Road: Dry Ridge Road to County Line

Mr. Brammell reported that an Apportionment Warrant public hearing was held for Williams Road: Dry Ridge Road to County Line. The public hearing was held in response to receipt of a majority petition for this public road project. The public hearing was structured to provide a brief background on the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains will be extended using Apportionment Warrants as prescribed in KRS 96.265.

All eligible property owners were in attendance of the public hearing. All attending property owners advised they were in favor of extension of water service along Williams Road: Dry Ridge Road to County Line as proposed at the hearing. The public road Apportionment Warrant project is summarized as follows:

After proper motion and second, the LWC Board voted to refer this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design, and advertisement for bid on this project.

Amendment of Apportionment Warrants per KRS 96.265 Taylorsville Road: Hwy 155 to 15903 Taylorsville Road

Mr. Brammell reported on Amendment of Apportionment Warrants per KRS 96.265 Taylorsville Road: Hwy 155 to 15903 Taylorsville Road. A public hearing was held March 4, 1999 for the extension of water service along Taylorsville Road: Hwy 148 to Hwy 155 which includes Taylorsville Road: Hwy 155 to 15903 Taylorsville Road. With the completion of this public water main extension the Board of Water Works was required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265. Apportionment Warrants were issued on this project against forty-one (41) benefited properties in accordance with KRS 96.265. Since that time, staff was notified that one (1) parcel had been omitted from the initial assessment. After proper motion and second, the Board voted to adopt a resolution amending resolution for the issuance of Apportionment Warrant and lien against one (1) additional benefited property along Taylorsville Road: Hwy 155 to 15903 Taylorsville Road in accordance with KRS. 96.265, as described.

RESOLUTION AMENDING PREVIOUS APPORTIONMENT WARRANT RESOLUTION

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on March 13, 2001, directing the issuance of Apportionment Warrants against properties located on Taylorsville Road: Hwy 155 to 15903 Taylorsville Road, to add the following property listed in the name of Michael G and Linda L Thompson:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assesment</u>
AW46506019	Michael G & Linda L Thompson	17210 Taylorsville Road Deed Book <u>5718</u> , Pg. <u>717</u> Tax Block <u>0054</u> , Lot <u>0039</u>	\$5,450

It appearing that such property should have been included in the November 14, 2000 assessment.

Project No. 99-556 and Project No. 99-640 Clark Station Road and Hobbs Lane Water Main Extension 8 Inch and 12 Inch Water Mains From US 60 (Shelbyville Road) to I-64 Petition for Easement Condemnation

Mr. Brammell reported that plans and specifications have been prepared to install 8 inch and 12 inch main along Clark Station Road and Hobbs Lane, from US 60 (Shelbyville Road) to I-64. This project is part of the County Wide Expansion Program and will provide the opportunity for water service connections to 50 properties along the route. The route includes the need to obtain water easements along these roads for the purpose of installing the 8 inch and 12 inch distribution water main.

Staff has been involved in negotiations with the owners of 22 properties along these routes without having reached an acceptable settlement on one tract (one owner).

After proper motion and second, the Board adopt the attached resolution which authorizes staff to proceed with a Petition for Condemnation to obtain the referenced easements for the purpose of installing a water main along Clark Station Road and Hobbs Lane.

Project 99-598 Ky Hwy 146 at Westport/Reamers Roads, Water Facilities Relocations and Transmission Improvements

Mr. Brammell reported on KY Hwy 146 at Westport/Reamers roads, Water Facilities Relocations and Transmission Improvements. As mentioned in the October 12, 1999 letter to the Board of Water Works, a relatively small amount of water facilities relocations has been necessitated by the Kentucky Transportation Cabinet's (KTC) proposed roadway improvement to the New LaGrange Road/Westport Road/Reamers Road intersection area. Both the water facilities relocation work and the transmission improvement work have been included as part of the KTC's roadway contract; the transmission work will "clear" the limits of the road-way work. Last month, the KTC opened bids. Matsuda, Inc. (a certified MBE, and prequalified by the LWC in the large iron pipe category) was the apparent low bidder for the roadway project, which included the LWC-related work; their bid price entries for LWC-related work totaled \$240,570. Each of the other five firms that submitted a bid had a higher LWC-related bid total, ranging from \$244,720 to \$352,101.

After proper motion and second, the Board voted to authorize the Chief Engineer to execute the Agreement with the KTC, thus allowing its roadway contractor to construct both the water facilities needing relocation and the transmission improvement water facilities.

New Business

Proposed Water Fill Station Along Highway 44

Mr. Brammell reported on a proposed water fill station along highway 44. The southwestern portion of Jefferson County near the Jefferson Memorial Forest is the last remaining unserved area of Jefferson County. As the County-wide Water Extension Program proceeds, the property owners in this area will have access to water mains over the next several years. In response to customer and elected official's requests, the Louisville Water Company has been evaluating locations for a water fill station to serve this part of Jefferson County, until potable water becomes available.

After evaluating several different locations in the area, a parcel along Highway 44 owned by Jefferson County Government has been selected. The Louisville Water Company is partnering with Jefferson County to lease a 3 acre portion of this 100 acre site. The Company desires to enter into a 20 year lease agreement for a nominal fee, in exchange for entrance improvements to the shared driveway.

After proper motion and second, the Board voted to authorize staff to proceed with finalizing a 20 year lease agreement with Jefferson County Government, filing a site plan for the water fill site with the Bullitt County Planning and Zoning Commission, and designing and bidding the project as described above.

01-454: B. E. Payne Water Treatment Plant Roof Replacement Program

01-455: Crescent Hill Water Treatment Plant Roof Replacement Program

Mr. Brammell reported on 01-454: B. E. Payne Water Treatment Plant Roof Replacement Program and 01-455: Crescent Hill Water Treatment Plant Roof Replacement Program. Proposed under the 2001 Capital Improvement Program are two Built-up Roof Replacement Annual Program projects to replace roofs at the Production Facilities.

These two projects will address replacement of aging flat roofs at each facility with modified bitumen roofs. The CHWTP roofs are of varying age and condition, last addressed 20-25 years ago following the 1974 tornado event. The BEPWTP facilities were all constructed at essentially the same time frame (mid-1970's), thus all roofs are concurrently reaching their anticipated life.

After proper motion and second, the Board authorized staff to proceed with engineering design and advertisement for bid for the subject projects. Any significant change in project scope or budget identified during bidding will be presented to the Board for review and re-authorization to proceed.

Requests for Design Authorization – Cardinal Hill Transmission Improvements

Mr. Brammell and Mr. Huber reported on Requests for Design Authorization – Cardinal Hill Transmission Improvements. Transmission main problems over the past two months have illustrated the vulnerability of the system to problems which arise with the primary feed to the Cardinal Hill Reservoir being out of service. These recent transmission main leaks, and their associated repairs, have forced the company to operate at undesirable levels of risk. In light of these recent experiences, staff has considered alternatives to mitigate future problems of this nature, and recommends the following two capital projects for authorization.

Cardinal Hill Secondary Supply – The scope of this project is to provide a secondary supply to Cardinal Hill Reservoir. If constructed, this redundant feed would allow maintenance on the primary feed to occur a significantly lower risk. The conceptual cost estimate for this work is approximately \$7 million, although alternatives exist with the alignment that could lower the cost. Authorization is being sought in this letter to retain a consultant to perform the route analysis and selection, prepare the detailed project cost estimate and to complete the project design. Funds in the amount of \$300,000 are requested to advance this work to the 2001 budget, with remaining funding for construction to be requested in the 2002-2004 capital budgets.

Cardinal Hill Primary Supply Rehabilitation – Concurrent with the above project, staff also recommends that rehabilitation of the existing 1930's-vintage concrete transmission main be designed and constructed on a planned basis over the next 3 years. This rehabilitation would primarily consist of sealing the remaining unsealed joints of this vintage pipe, as the joints have historically been the source of problems. Total costs for this project are estimated at \$1.8 million. Authorization is being sought in this letter to retain a consultant to perform the project design and to prepare a detailed project cost estimate.

After proper motion and second, the Board voted to authorize staff to solicit proposals from, and to negotiate with, consultants to design the two above-described projects. Funding for these projects will come from anticipated savings in the 2001 capital budget or by deferral of lower priority projects to 2002. Recommendations for award of the professional services contracts will be returned to the Board for approval.

Award of Contract for Bid No: 00-82 for Integrated Voice Response (IVR) and Computer Telephony Integration (CTI) System

Mr. Miller reported on the Award of Contract for Bid No: 00-82 for Integrated Voice Response (IVR) and Computer Telephony Integration (CTI) System. The 2001 – 2003 Information Technology Plan compliments the Company's mission, vision, and goals by providing strategies to meet the challenges and achieve the objectives set forth in the LWC Strategic Plan by using Information Technology as a strategic enabler to leverage technology investments.

The IT Plan identifies several Information Supply Systems to enhance customer service and satisfaction by leveraging our investment in the newly implemented Customer Information System. Integrated Voice Response and Computer Telephony Integration was one of the key projects identified in the IT plan to meet the customer service and satisfaction objectives of the Company.

The Board of Water Works authorized staff to proceed with the design and bid of the IVR/CTI project in November 2000 with a budget of \$250,000. Proposals were received from Nortel Networks, RCG, Bellsouth, Centurion, and Frank Solutions in December 2000. Nortel Networks was removed from further consideration since they did not meet the specifications outlined in the proposal. After proper motion and second, the Board voted to authorize staff to award a contract to Frank Solutions, Inc. in the amount of \$157,268 for hardware, software, and implementation services and a contract to Bellsouth in the amount of \$73,294 for necessary Meridian phone system upgrade to support the IVR/CTI solution.

Request for Approval for Final Design and Bid of Information Technology Standard Hardware and Software Projects:

Mr. Miller reported on Project 01-547: Procurement of Desktop Workstations for Technical Architecture and Project 00-475: Microsoft Office Site License Upgrade.

The 2001 – 2003 Information Technology Strategic Plan outlines the technology investments the Company needs to make to maintain the IT Architectures and enable us to meet key business objectives of the Company's Strategic Plan and associated program plans.

▪ Project 01-547: Procurement of Desktop Workstations for Technical Architecture:

The 1993 – 1997 Information Technology Strategic Plan established the four Information Technology Architectures and outlined the Migration Plan to move the LWC from a closed, proprietary, central computing platform to a distributed, open systems technical architecture based on defined Information Technology industry standards.

This project provides funding in the amount of \$60,000 for desktop computers, printers, equipment, and other peripherals to replace and upgrade non-standard, outdated units and provide for procurement of new equipment for new hires and changing business needs.

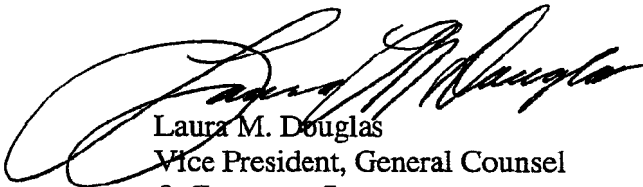
After proper motion and second, the Board voted to authorize staff to execute an agreement with Microsoft to purchase desktop computer equipment and purchase a Microsoft Office license upgrade.

The meeting adjourned at 3:15 p.m.

CERTIFICATION

This is to certify that the following, *Williams Road: Dry Ridge Road to County Line*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on March 13, 2001, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

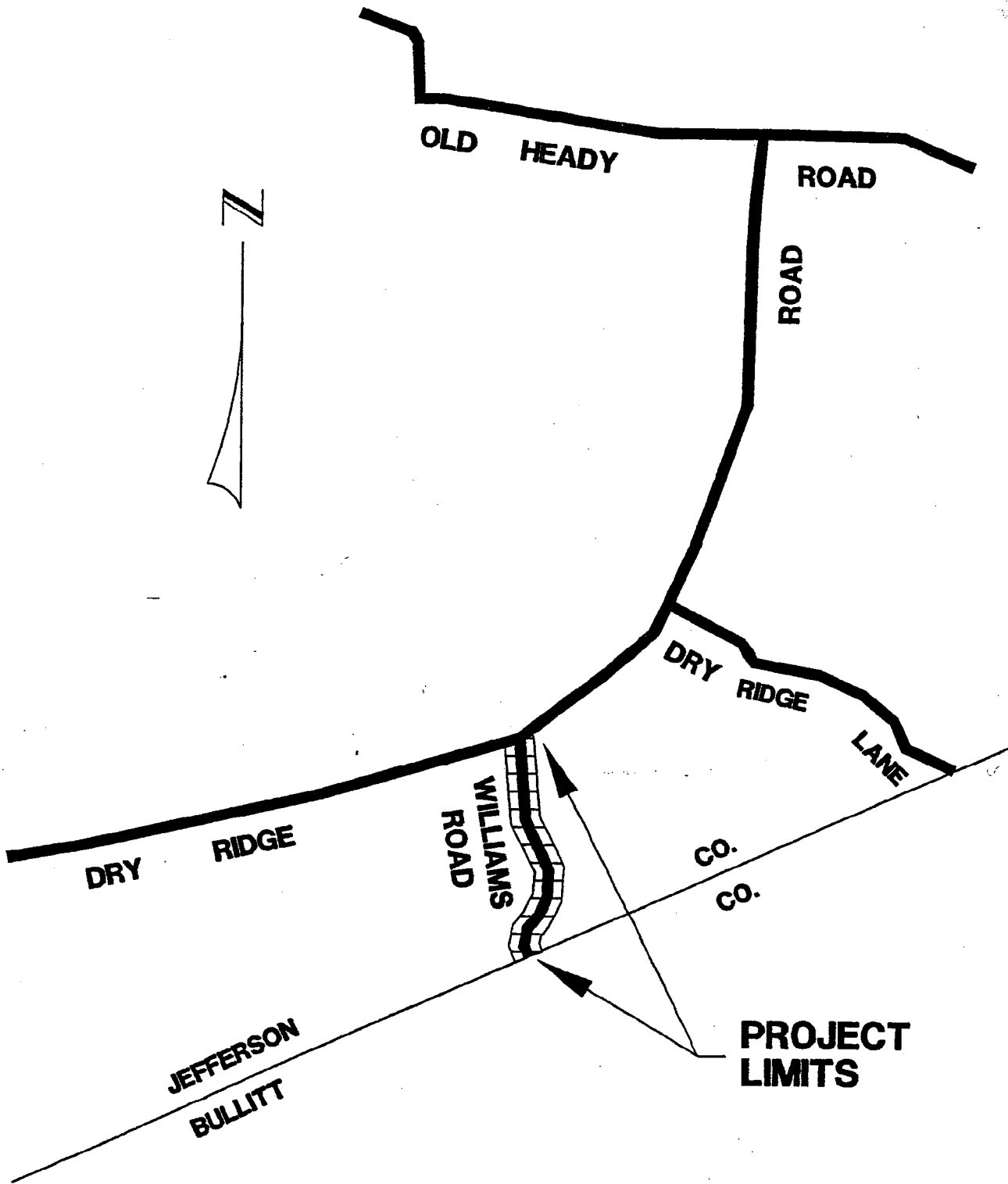
Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
March 13, 2001

**Board of Water Works
Resolution**

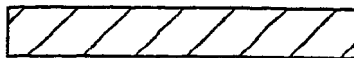
March 13, 2001

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Williams Road: Dry Ridge Road to County Line**, a public way in Jefferson County, and acting thereon convened a public hearing on February 22, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Chief Engineer of the Company has recommended the extension of such water along **Williams Road: Dry Ridge Road to County Line**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Williams Road: Dry Ridge Road to County Line**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



FILE NAME: WILLIAMS

**ADVERTISED IN THE COURIER JOURNAL
SUNDAY, FEBRUARY 11, 2001**

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 96.285, the Louisville Water Company will hold a public hearing for the property owners along Williams Road: Dry Ridge Road to County Line (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Dry Ridge Road: Dry Ridge Road to County Line.

This public hearing will be held on Thursday, February 22, 2001 at 8:00 p.m. at the Fern Creek Fire Protection District, Station #3, 7700 Routt Road.

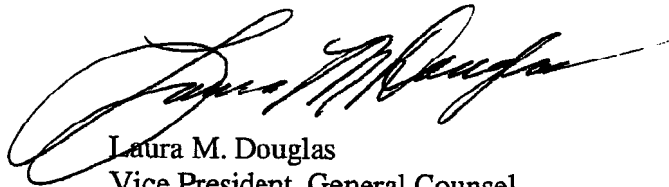
Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.

The map shows a section of Williams Road running north-south. At the top, it is labeled 'OLD ROAD' and 'ROAD'. A north arrow is located on the left side. A scale bar is at the bottom left. A legend at the bottom right indicates 'PROJECT LIMITS' with a dashed line and 'PROJECT AREA' with a hatched pattern. The project area is shown as a hatched region along Williams Road from Dry Ridge Road to County Line.

CERTIFICATION

This is to certify that the following, *Amendment of Apportionment Warrants per KRS 96.265 Taylorsville Road: Hwy 155 to 15903 Taylorsville Road*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on March 13, 2001, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read 'Laura M. Douglas', written in a cursive style with a long horizontal flourish extending to the right.

Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
March 13, 2001

**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on March 13, 2001, directing the issuance of Apportionment Warrants against properties located on Taylorsville Road: Hwy 155 to 15903 Taylorsville Road, to add the following property listed in the name of Michael G and Linda L Thompson:

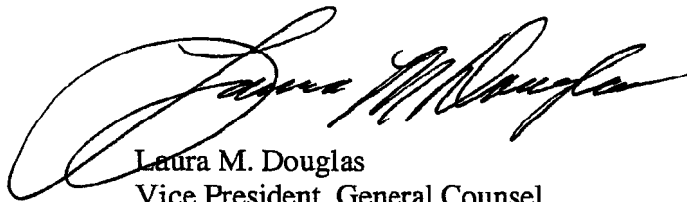
<u>Account</u>	<u>Name</u>	<u>Location</u>	
<u>Assesment</u> AW46506019	Michael G & Linda L Thompson	17210 Taylorsville Road Deed Book <u>5718</u> , Pg. <u>717</u> Tax Block <u>0054</u> , Lot <u>0039</u>	\$5,450

it appearing that such property should have been included in the November 14, 2000 assessment.

CERTIFICATION

This is to certify that the following, *Clark Station Road and Hobbs Lane Water Main Extension 8 Inch and 12 Inch Water Mains from US 60 (Shelbyville Road) to I-64, Petition for Easement Condemnation*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on March 13, 2001, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
March 13, 2001

RESOLUTION OF BOARD OF WATER WORKS

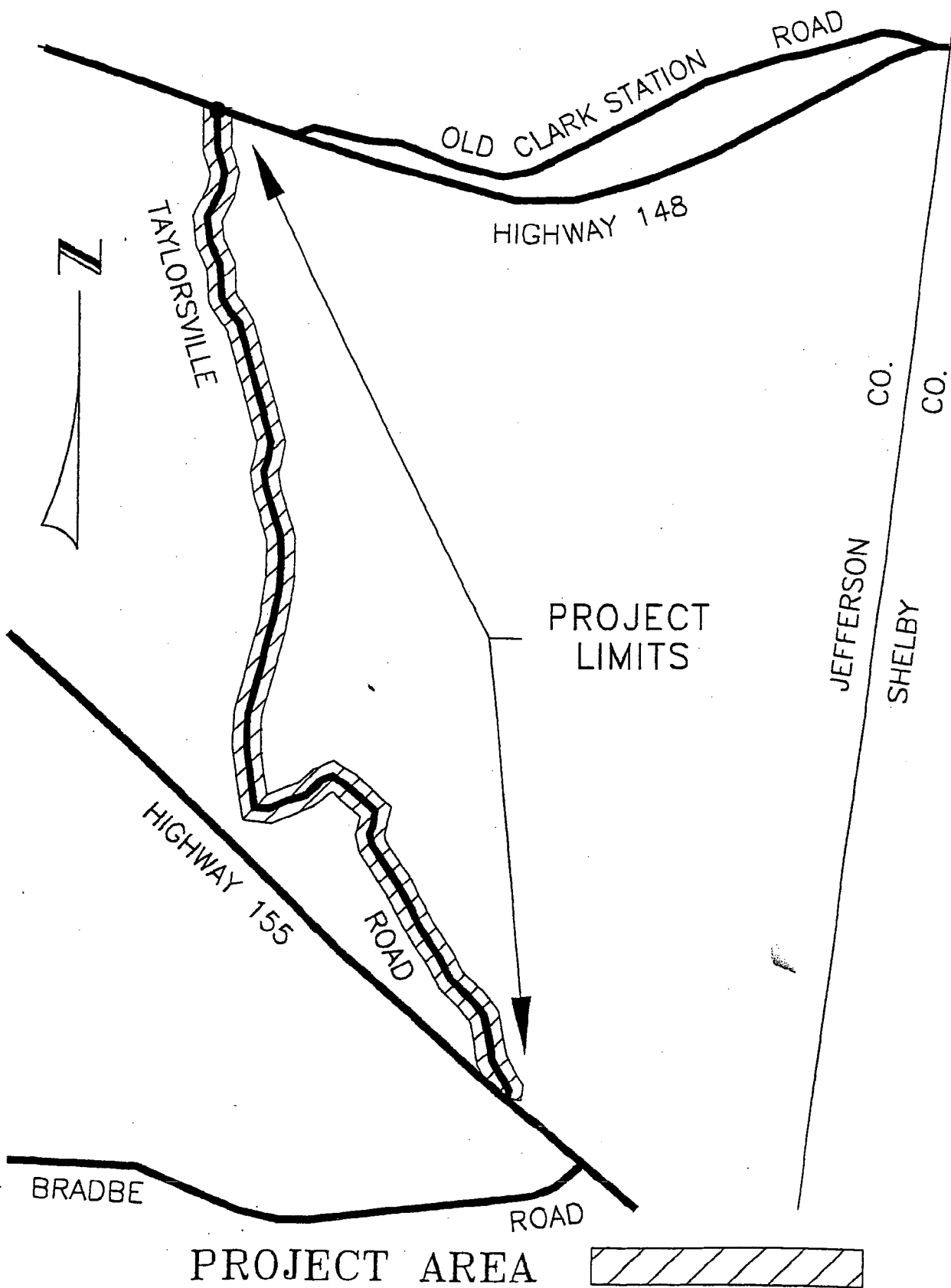
RESOLVED, that it is hereby determined that it is necessary that the Louisville Water Company obtain an easement across property having frontage on Clark Station Road and US 60 (Shelbyville Road) in Jefferson County, Kentucky, for the purpose of locating and maintaining one or more distribution mains therein, such easement to be located as described in Exhibits attached thereto and at the site and width indicated on the plat attached thereto, made a part hereof by reference, it being the Board of Water Works' determination that such easement is needed from:

Albert L. Gutterman

18112 Shelbyville Road

Block 0034 Lot 0044

and any of all other lawful owners of such properties, the need for such easement being to assist the Louisville Water Company in fulfilling the public purpose of providing purified water to the residents of the City of Louisville and surrounding areas, the Louisville Water Company being hereby authorized, if reasonable efforts have failed, to bring a condemnation action against the owners of such land.



PROJECT AREA

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0796722	A T & T	TAYLORSVILLE ROAD	5,450.00		
	COMM. OF S. CENTRAL STATES INC	DEED-BK 5399	LIEN-DT 01/05/2001		RELS-DT
	BASKING RIDGE NJ	DEED-PG 506	LIEN-BK 625		RELS-BK
	7920.	TAX-DST	LIEN-PG 143		RELS-PG
		TAX-BLK 49	LOT-NO. 37		
		TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 5399	LIEN-DT 01/05/2001		RELS-DT
		DEED-PG 506	LIEN-BK 625		RELS-BK
		TAX-DST	LIEN-PG 143		RELS-PG
		TAX-BLK 49	LOT-NO. 55		
0796740	MICHAEL K BENNETT	TAYLORSVILLE ROAD	5,450.00	00/0000	
	16101 TAYLORSVILLE ROAD	DEED-BK 5152	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
(PAID-UP)	FISHERVILLE KY	DEED-PG 876	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 143		RELS-PG 311
		TAX-BLK 49	LOT-NO. 40		
		16101 TAYLORSVILLE ROAD	5,450.00	00/0000	
		DEED-BK 5152	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
		DEED-PG 876	LIEN-BK 625		RELS-BK 629
		TAX-DST	LIEN-PG 143		RELS-PG 311
		TAX-BLK 49	LOT-NO. 39		
0796756	JOHN K. & PATRICIA BLOCK	17014 TAYLORSVILLE ROAD	5,450.00	00/0000	
	17014 TAYLORSVILLE ROAD	DEED-BK 4820	LIEN-DT 01/05/2001		RELS-DT
(PAID-UP)	FISHERVILLE KY	DEED-PG 428	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 143		RELS-PG
		TAX-BLK 54	LOT-NO. 37		
0796894	WILLIAM D & CAROL E CORUM	16605 TAYLORSVILLE ROAD	5,450.00		
	16605 TAYLORSVILLE RD	DEED-BK 6898	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 229	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 143		RELS-PG
		TAX-BLK 54	LOT-NO. 164		
0796897	ROBERT & DALARNA BREETZ	16323 TAYLORSVILLE ROAD	5,450.00	00/0000	
	16323 TAYLORSVILLE RD	DEED-BK 5639	LIEN-DT 01/05/2001		RELS-DT
(PAID-UP)	FISHERVILLE KY	DEED-PG 276	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 144		RELS-PG
		TAX-BLK 49	LOT-NO. 30		
0796908	JAMES & MARY DEPPEN	16615 TAYLORSVILLE ROAD	5,450.00	01/2001	
	16615 TAYLORSVILLE ROAD	DEED-BK 5639	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
(PAID-UP)	FISHERVILLE KY	DEED-PG 105	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 144		RELS-PG 311
		TAX-BLK 54	LOT-NO. 86		
0796909	JAMES & URSULA DEPPEN	TAYLORSVILLE ROAD	5,450.00		
	16701 TAYLORSVILLE ROAD	DEED-BK 4239	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	FISHERVILLE KY	DEED-PG 2	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 144		RELS-PG 312
		TAX-BLK 54	LOT-NO. 181		

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
		TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 4239	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
		DEED-PG 2	LIEN-BK 625		RELS-BK 624
		TAX-DST	LIEN-PG 144		RELS-PG 312
		TAX-BLK 54	LOT-NO. 182		
		TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 4239	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
		DEED-PG 2	LIEN-BK 625		RELS-BK 624
		TAX-DST	LIEN-PG 144		RELS-PG 312
		TAX-BLK 54	LOT-NO. 183		
0796911	DUNBAR SPRINGS LLC	TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	306 MIDDLETOWN PARK PL. UNIT C	DEED-BK 7019	LIEN-DT 01/05/2001		RELS-DT
	LOUISVILLE KY	DEED-PG 689	LIEN-BK 625		RELS-BK
	40243	TAX-DST	LIEN-PG 144		RELS-PG
		TAX-BLK 55	LOT-NO. 68		
0796914	LARRY GABBERT	16418 TAYLORSVILLE ROAD	5,450.00		
	16418 TAYLORSVILLE ROAD	DEED-BK 7041	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 677	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 144		RELS-PG
		TAX-BLK 49	LOT-NO. 48		
0796915	JOHN M. & JOYCE GADDIE	17302 TAYLORSVILLE ROAD	5,450.00		
	17300 TAYLORSVILLE ROAD	DEED-BK 7373	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 812	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 144		RELS-PG
		TAX-BLK 54	LOT-NO. 180		
		17300 TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 4960	LIEN-DT 01/05/2001		RELS-DT
		DEED-PG 766	LIEN-BK 625		RELS-BK
		TAX-DST	LIEN-PG 144		RELS-PG
		TAX-BLK 54	LOT-NO. 116		
0796944	THOMAS H. & ANN L GALLAGHER	15911 TAYLORSVILLE ROAD	5,450.00		
	15911 TAYLORSVILLE ROAD	DEED-BK 6929	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 258	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 145		RELS-PG
		TAX-BLK 49	LOT-NO. 42		
		15911 TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 6929	LIEN-DT 01/05/2001		RELS-DT
		DEED-PG 258	LIEN-BK 625		RELS-BK
		TAX-DST	LIEN-PG 145		RELS-PG
		TAX-BLK 49	LOT-NO. 41		
0796946	STEPHEN & JANICE GREGG	15903 TAYLORSVILLE ROAD	5,450.00		
	15903 TAYLORSVILLE ROAD	DEED-BK 4617	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 457	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 145		RELS-PG
		TAX-BLK 49	LOT-NO. 45		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
079694A	WILLARD & JOAN HESTER	TAYLORSVILLE ROAD	5,450.00		
	16950 TAYLORSVILLE ROAD	DEED-BK 5114	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 766	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 145		RELS-PG
		TAX-BLK 54	LOT-NO. 175		
0796955	SHARON HOFFMAN	16507 TAYLORSVILLE ROAD	5,450.00		
	C/O WILLIAM B. HOFFMAN	DEED-BK 7163	LIEN-DT 01/05/2001		RELS-DT
	16601 TAYLORSVILLE ROAD	DEED-PG 993	LIEN-BK 625		RELS-BK
	FISHERVILLE KY	TAX-DST	LIEN-PG 145		RELS-PG
	40023	TAX-BLK 49	LOT-NO. 50		
		16601 TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 7163	LIEN-DT 01/05/2001		RELS-DT
		DEED-PG 993	LIEN-BK 625		RELS-BK
		TAX-DST	LIEN-PG 145		RELS-PG
		TAX-BLK 49	LOT-NO. 65		
		TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 7163	LIEN-DT 01/05/2001		RELS-DT
		DEED-PG 996	LIEN-BK 625		RELS-BK
		TAX-DST	LIEN-PG 145		RELS-PG
		TAX-BLK 55	LOT-NO. 70		
0796990	HUNT COUNTY HOMES LLC	4700 DUNBAR VALLEY ROAD	5,450.00	12/2000	
	C/O UNIT C	DEED-BK 7472	LIEN-DT 01/05/2001		RELS-DT
(PAID-UP)	306 MIDDLETOWN PARK PL	DEED-PG 925	LIEN-BK 625		RELS-BK
	LOUISVILLE KY	TAX-DST	LIEN-PG 145		RELS-PG
	40243	TAX-BLK 3125	LOT-NO. 38		
		COMMENT SOUTH SIDE OF DUNBAR SPRINGS			
0797368	HARRELL & CAROL HURST	15905 TAYLORSVILLE ROAD	5,450.00	00/0000	
	15905 TAYLORSVILLE RD	DEED-BK 5037	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
(PAID-UP)	FISHERVILLE KY	DEED-PG 563	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 146		RELS-PG 312
		TAX-BLK 49	LOT-NO. 44		
		15907 TAYLORSVILLE ROAD	5,450.00	00/0000	
		DEED-BK 5037	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
		DEED-PG 563	LIEN-BK 625		RELS-BK 629
		TAX-DST	LIEN-PG 146		RELS-PG 312
		TAX-BLK 49	LOT-NO. 43		
0797369	HARRELL & CAROL HURST	16200 TAYLORSVILLE ROAD	5,450.00	00/0000	
	15905 TAYLORSVILLE ROAD	DEED-BK 6150	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
(PAID-UP)	FISHERVILLE KY	DEED-PG 846	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 146		RELS-PG 312
		TAX-BLK 49	LOT-NO. 34		

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797370	JAMES E. & DONNA B. JONES	TAYLORSVILLE ROAD	5,450.00		
	2503 MELODY WAY	DEED-BK 6992	LIEN-DT 01/05/2001		RELS-DT
	JEFFERSONTOWN KY	DEED-PG 731	LIEN-BK 625		RELS-BK
	40299	TAX-DST	LIEN-PG 146		RELS-PG
		TAX-BLK 54	LOT-NO. 166		
0797371	LISA L KOIER	16429 TAYLORSVILLE ROAD	5,450.00		
	16431 TAYLORSVILLE ROAD	DEED-BK 7209	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 910	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 146		RELS-PG
		TAX-BLK 3125	LOT-NO. 39		
		16431 TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 6782	LIEN-DT 01/05/2001		RELS-DT
		DEED-PG 46	LIEN-BK 625		RELS-BK
		TAX-DST	LIEN-PG 146		RELS-PG
		TAX-BLK 49	LOT-NO. 17		
0797373	JOHN & MIYO LITTLE	16103 TAYLORSVILLE ROAD	5,450.00	11/2000	
(PAID-UP)	16103 TAYLORSVILLE ROAD	DEED-BK 6321	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 748	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 146		RELS-PG
		TAX-BLK 49	LOT-NO. 64		
0797374	CONSTANCE LUSKY	16211 TAYLORSVILLE ROAD	5,450.00	01/2001	
(PAID-UP)	16211 TAYLORSVILLE ROAD	DEED-BK 5020	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	FISHERVILLE KY	DEED-PG 531	LIEN-BK 625		RELS-BK 624
	40023	TAX-DST	LIEN-PG 146		RELS-PG 312
		TAX-BLK 49	LOT-NO. 46		
		16211 TAYLORSVILLE ROAD	5,450.00	01/2001	
		DEED-BK 5020	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
		DEED-PG 531	LIEN-BK 625		RELS-BK 624
		TAX-DST	LIEN-PG 146		RELS-PG 312
		TAX-BLK 49	LOT-NO. 46		
0797379	IRVIN & BERNICE MARILLIA	16442 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	16607 TAYLORSVILLE ROAD	DEED-BK 6389	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	JEFFERSONTOWN KY	DEED-PG 190	LIEN-BK 625		RELS-BK 624
	40299	TAX-DST	LIEN-PG 146		RELS-PG 312
		TAX-BLK 49	LOT-NO. 84		
0797386	JOHN P. & RHONDA JO MARKS	15908 TAYLORSVILLE ROAD	5,450.00		
	15908 TAYLORSVILLE ROAD	DEED-BK 6473	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 248	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 147		RELS-PG
		TAX-BLK 49	LOT-NO. 95		
0797393	JAMES & HELENE MARKS	16104 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	16104 TAYLORSVILLE ROAD	DEED-BK 6180	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	FISHERVILLE KY	DEED-PG 744	LIEN-BK 625		RELS-BK 624
	40023	TAX-DST	LIEN-PG 147		RELS-PG 312
		TAX-BLK 49	LOT-NO. 89		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797443	CHAS & STEFANA MARKS	TAYLORSVILLE ROAD	5,450.00		
	16104 TAYLORSVILLE ROAD	DEED-BK 5749	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 432	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 147		RELS-PG
		TAX-BLK 49	LOT-NO. 24		
0797445	MARK & LISA MCGILL	16422 TAYLORSVILLE ROAD	5,450.00	01/2001	
(PAID-UP)	16422 TAYLORSVILLE ROAD	DEED-BK 6669	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 177	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 147		RELS-PG
		TAX-BLK 49	LOT-NO. 53		
		TAYLORSVILLE ROAD	5,450.00	01/2001	
		DEED-BK 6669	LIEN-DT 01/05/2001		RELS-DT
		DEED-PG 177	LIEN-BK 625		RELS-BK
		TAX-DST	LIEN-PG 147		RELS-PG
		TAX-BLK 49	LOT-NO. 102		
0797447	DR RAY & DOROTHY TAYLOR	16520 TAYLORSVILLE ROAD	5,450.00	02/2001	
(PAID-UP)	9631 FAIRMOUNT ROAD	DEED-BK 5587	LIEN-DT 01/05/2001		RELS-DT
	FERN CREEK KY	DEED-PG 311	LIEN-BK 625		RELS-BK
	40291	TAX-DST	LIEN-PG 147		RELS-PG
		TAX-BLK 49	LOT-NO. 23		
0797448	DEBORAH H OWEN	17317 TAYLORSVILLE ROAD	5,450.00		
136	17317 TAYLORSVILLE ROAD	DEED-BK 6784	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 423	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 147		RELS-PG
		TAX-BLK 55	LOT-NO. 35		
0797453	DANIEL L. & JULIE M PATTERSON	16420 TAYLORSVILLE ROAD	5,450.00		
	16420 TAYLORSVILLE RD	DEED-BK 6184	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 381	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 147		RELS-PG
		TAX-BLK 49	LOT-NO. 52		
0797460	THOMAS & VALINDA PETRI	16730 TAYLORSVILLE ROAD	5,450.00		
	16730 TAYLORSVILLE ROAD	DEED-BK 6189	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 743	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 147		RELS-PG
		TAX-BLK 54	LOT-NO. 87		
0797462	MARGARET ROBERTSON	16219 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	16219 TAYLORSVILLE ROAD	DEED-BK 5159	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	FISHERVILLE KY	DEED-PG 657	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 148		RELS-PG 312
		TAX-BLK 49	LOT-NO. 70		
		COMMENT CONTINUOUS W/ 49/71			

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
		16217 TAYLORSVILLE ROAD	5,450.00	00/0000	
		DEED-BK 5127	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
		DEED-PG 523	LIEN-BK 625		RELS-BK 629
		TAX-DST	LIEN-PG 148		RELS-PG 313
		TAX-BLK 49	LOT-NO. 71		
0797466	TR. FRANK O. & IMO G SCHOOLER	TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	17301 TAYLORSVILLE ROAD	DEED-BK 6530	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	FISHERVILLE KY	DEED-PG 688	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 148		RELS-PG 313
		TAX-BLK 55	LOT-NO. 59		
		TAYLORSVILLE ROAD	5,450.00	00/0000	
		DEED-BK 6530	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
		DEED-PG 688	LIEN-BK 625		RELS-BK 629
		TAX-DST	LIEN-PG 148		RELS-PG 313
		TAX-BLK 55	LOT-NO. 60		
		TAYLORSVILLE ROAD	5,450.00	00/0000	
		DEED-BK 6530	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
		DEED-PG 688	LIEN-BK 625		RELS-BK 629
		TAX-DST	LIEN-PG 148		RELS-PG 313
		TAX-BLK 55	LOT-NO. 62		
		TAYLORSVILLE ROAD	5,450.00	00/0000	
		DEED-BK 6530	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
		DEED-PG 688	LIEN-BK 625		RELS-BK 629
		TAX-DST	LIEN-PG 148		RELS-PG 313
		TAX-BLK 55	LOT-NO. 63		
0797467	MARLIN & HELEN SHAFFER	16312 TAYLORSVILLE ROAD	5,450.00		
	16312 TAYLORSVILLE ROAD	DEED-BK 4377	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 136	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 148		RELS-PG
		TAX-BLK 49	LOT-NO. 51		
0797469	DENIS & CHRISTINE SPALDING	TAYLORSVILLE ROAD	5,450.00		
	16605 OLD TAYLORSVILLE ROAD	DEED-BK 7011	LIEN-DT 01/05/2001		RELS-DT
	FISHERVILLE KY	DEED-PG 298	LIEN-BK 625		RELS-BK
	40023	TAX-DST	LIEN-PG 148		RELS-PG
		TAX-BLK 54	LOT-NO. 165		
0797471	GERALDINE TAMME	16109 TAYLORSVILLE ROAD	5,450.00	01/2001	
(PAID-UP)	16109 TAYLORSVILLE ROAD	DEED-BK 3772	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	FISHERVILLE KY	DEED-PG 559	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 148		RELS-PG 313
		TAX-BLK 49	LOT-NO. 28		
0797473	RICHARD THOMPSON	4701 DUNBAR VALLEY ROAD	5,450.00	00/0000	
(PAID-UP)	16415 TAYLORSVILLE ROAD	DEED-BK 4110	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	FISHERVILLE KY	DEED-PG 38	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 148		RELS-PG 313
		TAX-BLK 3125	LOT-NO. 1		

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
		TAYLORSVILLE ROAD	5,450.00	00/0000	
		DEED-BK 5159	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
		DEED-PG 657	LIEN-BK 625		RELS-BK 624
		TAX-DST	LIEN-PG 149		RELS-PG 313
		TAX-BLK 49	LOT-NO. 94		
0797478	RICHARD A. & MARY A. THOMPSON	TAYLORSVILLE ROAD	5,450.00	00/0000	
	16415 TAYLORSVILLE ROAD	DEED-BK 7103	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
(PAID-UP)	FISHERVILLE KY	DEED-PG 489	LIEN-BK 625		RELS-BK 624
	40023	TAX-DST	LIEN-PG 149		RELS-PG 314
		TAX-BLK 55	LOT-NO. 69		
0797480	ROBERT E. & CHRISTI VAN BUREN	16600 TAYLORSVILLE ROAD	5,450.00	01/2001	
	5812 SOUTHLAND TERRACE	DEED-BK 6546	LIEN-DT 01/05/2001		RELS-DT
(PAID-UP)	LOUISVILLE KY	DEED-PG 443	LIEN-BK 625		RELS-BK
	40214	TAX-DST	LIEN-PG 149		RELS-PG
		TAX-BLK 49	LOT-NO. 97		
		16620 TAYLORSVILLE ROAD	5,450.00	01/2001	
		DEED-BK 7139	LIEN-DT 01/05/2001		RELS-DT
		DEED-PG 158	LIEN-BK 625		RELS-BK
		TAX-DST	LIEN-PG 149		RELS-PG
		TAX-BLK 49	LOT-NO. 96		
0797483	J.T. & J.U. WHITAKER	17515 TAYLORSVILLE ROAD	5,450.00		
	581 POUND LANE	DEED-BK 2352	LIEN-DT 01/05/2001		RELS-DT
	SIMPSONVILLE KY	DEED-PG 147	LIEN-BK 625		RELS-BK
	40067	TAX-DST	LIEN-PG 149		RELS-PG
		TAX-BLK 55	LOT-NO. 7		
0797485	JOHN & ESTHER WOLFE	16115 TAYLORSVILLE ROAD	5,450.00		
	280 SECOND AVENUE S	DEED-BK 6573	LIEN-DT 01/05/2001		RELS-DT
	NAPLES FL	DEED-PG 838	LIEN-BK 625		RELS-BK
	33940	TAX-DST	LIEN-PG 149		RELS-PG
		TAX-BLK 49	LOT-NO. 4		
0797487	TINA WOLFE	17302 TAYLORSVILLE ROAD	5,450.00	00/0000	
	17302 TAYLORSVILLE ROAD	DEED-BK 7327	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
(PAID-UP)	FISHERVILLE KY	DEED-PG 213	LIEN-BK 625		RELS-BK 624
	40023	TAX-DST	LIEN-PG 149		RELS-PG 314
		TAX-BLK 54	LOT-NO. 179		
0797489	E PRESTON YOUNG	18205 TAYLORSVILLE ROAD	5,450.00	00/0000	
	413 OREAD ROAD	DEED-BK 3883	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
(PAID-UP)	LOUISVILLE KY	DEED-PG 14	LIEN-BK 625		RELS-BK 624
	40207	TAX-DST	LIEN-PG 149		RELS-PG 314
		TAX-BLK 55	LOT-NO. 32		
0815412	MICHAEL G & LINDA L THOMPSON	17210 TAYORSVILLE ROAD	5,450.00		
	17210 TAYLORSVILLE ROAD	DEED-BK 5718	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 717	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 54	LOT-NO. 39		

ACCOUNT

NAME

LOCATION

ASSESSMENT

PAID IN FULL

RELEASE OF LIEN

43 NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 108,322.69

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RESOLUTION OF BOARD OF WATER WORKS

RESOLVED, that it is hereby determined that it is necessary that the Louisville Water Company obtain an easement across property having frontage on Clark Station Road and US 60 (Shelbyville Road) in Jefferson County, Kentucky, for the purpose of locating and maintaining one or more distribution mains therein, such easement to be located as described in Exhibits attached hereto and at the site and width indicated on the plat attached thereto, made a part hereof by reference, it being the Board of Water Works' determination that such easement is needed from:

Albert L. Gutterman

18112 Shelbyville Road

Block 0034 Lot 0044

and any or all other lawful owners of such properties, the need for such easement being to assist the Louisville Water Company in fulfilling the public purpose of providing purified water to the residents of the City of Louisville and surrounding areas, the Louisville Water Company being hereby authorized, if reasonable efforts have failed, to bring a condemnation action against the owners of such land.

Property of Albert L. Gutterman
Deed Book 6841 Page 304 (Q.C.)
Deed Book 5647 Page 687

Louisville Water Company Permanent Easement:

Being an easement 30 feet in width beginning at a point on the westerly Right-of-Way of Clark Station Road (30 feet Right-of-Way) and at the southeasterly corner of Trustees of St. Luke Baptist Church, recorded in Deed Book 331 Page 335 in the office of the County Clerk of Jefferson County, Kentucky; thence South $15^{\circ}43'00''$ West 25.55 feet along the westerly Right-of-Way of Clark Station Road; thence South $04^{\circ}39'00''$ East 296.85 feet along the westerly Right-of-Way of Clark Station Road to the northeasterly corner of Todd M. Scheuning and Cheryl E. Jones, recorded in Deed Book 7061 Page 666 in the Office of the aforesaid County Clerk's office; thence South $84^{\circ}28'00''$ West 30.00 feet along the aforesaid Scheuning – Jones property line; thence North $04^{\circ}39'00''$ West 302.70 feet; thence North $15^{\circ}43'00''$ East 51.10 feet to the southwesterly property line of the aforesaid Trustees of St. Luke Baptist Church property; thence South $40^{\circ}23'00''$ East 36.14 feet along the southwesterly property line of the aforesaid Trustees of St. Luke Baptist Church property to the point of beginning.

Louisville Water Company Temporary Construction Easement:

Being an easement 20 feet in width and adjacent to the westerly side of the above described 30 feet Louisville Water Company Permanent Easement beginning at a point North $40^{\circ}23'00''$ West 36.14 feet from the westerly Right-of-Way of Clark Station Road (30 feet Right-of-Way) and the southeasterly corner of Trustees of St. Luke Baptist Church, recorded in Deed Book 331 Page 335 in the office of the County Clerk of Jefferson County, Kentucky; thence South $15^{\circ}43'00''$ West 51.10 feet; thence South $04^{\circ}39'00''$ East 302.70 feet to the northerly property line of Todd M. Scheuning and Cheryl E. Jones, recorded in Deed Book 7061 Page 666 in the Office of the aforesaid County Clerk's office; thence South $84^{\circ}28'00''$ West 20.00 feet along the aforesaid Scheuning – Jones property line; thence North $04^{\circ}39'00''$ West 306.60 feet; thence North $15^{\circ}43'00''$ East 68.13 feet to the southwesterly property line of the aforesaid Trustees of St. Luke Baptist Church property; thence South $40^{\circ}23'00''$ East 24.10 feet along the southwesterly property line of the aforesaid Trustees of St. Luke Baptist Church property to the point of beginning.

THIS PLAT DOES NOT REPRESENT A BOUNDARY SURVEY AND THE MONUMENTED CORNERS SHOWN HEREON ARE NOT VERIFIED. THE MONUMENTS SHOWN ARE TO BE USED AS REFERENCE TIES FOR THE EASEMENT ONLY. THIS EASEMENT WAS NOT PREPARED TO THE STANDARDS OF PRACTICE AS DEFINED BY 201 KAR 18:150. THIS PLAT MEETS OR EXCEEDS THE MINIMUM STANDARDS OF THE LOUISVILLE WATER COMPANY. THE REFERENCE MERIDIAN USED ON THIS EASEMENT PLAT TO DETERMINE THE DIRECTION OF THE EASEMENT LINES WAS BASED ON THE EASTERLY PROPERTY LINE OF ALBERT L. GUTTERMAN PER D.B. 6841 PG. 304.

I HEREBY CERTIFY THAT THIS EASEMENT PLAT WAS MADE UNDER MY SUPERVISION AND IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Ronald D. Eiler SURVEYOR
 2/23/01 DATE



R/W 254.50' S 78°45' E
 SHELBYVILLE ROAD HWY. 60
 (R/W VARIES)

TRUSTEES OF
 ST. LUKE
 BAPTIST CHURCH
 D.B. 331 PG. 335

590'
 S 40°23' E

20' LWC TEMPORARY
 CONSTRUCTION ESMT.

ALBERT L. GUTTERMAN
 D.B. 6841 PG. 304 Q.C.
 D.B. 5647 PG. 687

LWC EASEMENT CALLS:

- ① 36.14' S 40°23'00" E
- ② 25.55' S 15°43'00" W
- ③ 296.85' S 04°39'00" E
- ④ 30.00' S 84°28'00" W
- ⑤ 302.70' N 04°39'00" W
- ⑥ 51.10' N 15°43'00" E

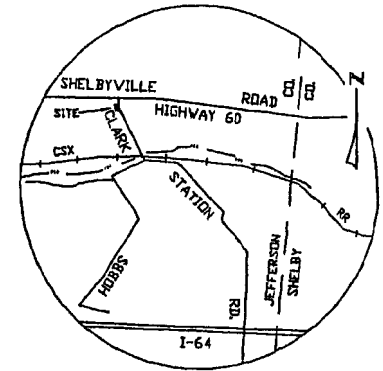
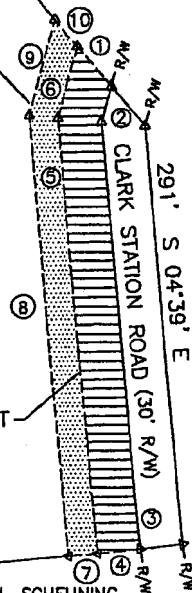
**LWC TEMPORARY
 EASEMENT CALLS:**

- ⑦ 20.00' S 84°28'00" W
- ⑧ 306.60' N 04°39'00" W
- ⑨ 68.13' N 15°43'00" E
- ⑩ 24.10' S 40°23'00" E

30' LWC EASEMENT

641.46'

S 84°28' W
 TODD M. SCHEUNING
 CHERYL E. JONES
 D.B. 7061 PG. 666



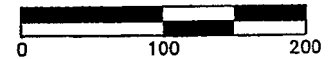
VICINITY MAP

NOT TO SCALE

LEGEND

- - IRON PIPE
- △ - DIMENSION POINT
- C/L - CENTER LINE
- R/W - RIGHT-OF-WAY
- ▨ - EASEMENT AREA
- ▤ - TEMPORARY CONSTRUCTION EASEMENT AREA

GRAPHIC SCALE



ESMT. AREA = 10142 SQ. FT.
 TEMP. CONST. ESMT. AREA = 7285 SQ. FT.
 L.W.C. ESMTS.#

LOUISVILLE WATER COMPANY

660 S. 3RD STREET - LOUISVILLE, KENTUCKY 40202
 JOHN L. HUBER - PRESIDENT
 GREGORY G. HERTZMAN - VICE PRESIDENT/CHIEF ENGINEER

PROPERTY OF

ALBERT L. GUTTERMAN

CLARK STATION ROAD D.B. 6841 PG. 304 Q.C. JEFFERSON COUNTY TAX BLOCK 34 LOT 44

DATE 8/14/2000 SCALE 1"=100' MAP NO. 521-872,874

DRAWN R.CHANDLER BY CHECKED R.EILER RECORDED J.MOK

PROJ. NO. 99-556 SHEET 1 of 1

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**SPECIAL MEETING OF THE BOARD
OF WATER WORKS**

March 15, 2001

Board Members Present

Mr. Jack Segell
Mr. Stephen Gault
Mr. Stewart Conner

Board Members Absent

Mayor Dave Armstrong
Mr. Phillip Bond
Mr. Owen Hammons
Ms. Wendy Welsh

Others Present

Mr. John Huber, President
Mr. Robert Miller, VP, Treasurer
Ms. Laura Douglas, VP, General Counsel and Secretary
Mr. Larry Lenahan
Mr. Spencer Harper, Harper Ferguson and Davis
Ms. Amber Halloran
Mr. Rick Delaney, Morgan Keegan

On March 15, 2001, Mr. Miller reported that the Board of Water Works received the following bids for its Water System Refunding Revenue Bonds, Series 2001:

<u>Bidder Name</u>	<u>*TIC</u>
Merrill Lynch & Co.	4.319885
Morgan Keegan & Company, Inc.	4.338362
Lehman Brothers	4.343469
ABN AMRO Financial Services, Inc.	4.353447
Banc One Capital Markets, Inc.	4.388875
William R. Hough & Co.	4.421432
Bear, Stearns & Co., Inc.	4.426192

*True interest cost

The above bids were received electronically through the PARITY system.

Mr. Delaney indicated that the best bid was received from Merrill Lynch. The final size of the transaction was \$60,300,000. The total interest was \$21,811,462.04. The gross savings was \$5,461,679.02.

Based upon the authority delegated to the President and Vice President, Treasurer, pursuant to Section 802 of that Supplemental Resolution of the Board of Water Works of the City of Louisville, Kentucky Acting as the Governing Body of the Louisville Water Company Authorizing the Issuance of Not to Exceed \$64,750,000 Principal Amount of

SPECIAL MEETING OF THE BOARD OF WATER WORKS MARCH 15, 2001

Louisville Water Company Water Systems Refunding Revenue Bonds, Series 2001, adopted by the Board of Water Works at its February 13, 2001 meeting, The President and Vice President accepted Merrill Lynch & Company's bid as the best bid.

The meeting adjourned at 12:50 p.m.

**BOARD OF WATER WORKS
ANNUAL MEETING
APRIL 10, 2001**

The Annual Meeting of the Board of Water Works was called to order at 12:00 noon by John L. Huber.

Mr. Huber then relinquished the chair to Ms. Douglas, General Counsel, for the purpose of receiving nominations for the office of President.

A motion was made by Ms. Welsh to place in nomination the name of Mr. John L. Huber for the ensuing year. Mr. Hammons seconded the motion. The BOWW then unanimously voted to appoint Mr. Huber as President for the ensuing year. Mr. Huber resumed the chair.

The President then asked for nominations for the office of Vice President, to be filled by election of one of the Board members. The Chairman reminded the Board that the Vice President elected from the Board membership serves in the office without salary.

The motion was made by Mr. Conner and seconded by Mr. Segell to place in nomination the name of Mr. Phillip D. Bond for the office of Vice President for the ensuing year. Mr. Bond was then elected Vice President of the BOWW for the ensuing year.

The President asked for nominations for the position of Vice President-Chief Engineer. Mr. Hammons made a motion seconded by Ms. Welsh to nominate Mr. Gregory Heitzman to that position for the ensuing year. The Board so voted.

The President then asked for nominations for the office of Vice President-Treasurer. Mr. Hammons made a motion seconded by Ms. Welsh to nominate Mr. Robert K. Miller for that position for the ensuing year. The Board so voted.

The President asked for nominations for the office of Corporate Secretary. Mr. Conner made a motion seconded by Ms. Welsh to nominate Ms. Laura M. Douglas for that position for the ensuing year. The Board so voted.

The President requested nominations for Auditor, and Ms. Welsh nominated the firm of Crowe, Chizek and Company LLP for that position and moves that progress payments be made for work completed, to be applied against usual and customary fees for accounting services rendered in this area, not to exceed \$26,000. Mr. Hammons seconded the motion, and the Board so voted.

The President requested nominations for the Compensation Committee, consisting of three Board members. Mr. Segell nominated Mr. Stewart E. Conner, Chairperson, Mr. Phillip Bond, and Ms. Wendy C. Welsh for the ensuing year. Mr. Gault seconded the motion. The Board so voted.

The President requested nominations for the Public Information and Customer Satisfaction Committee, consisting of three Board members. Ms. Welsh nominated Mr. Jack H. Segell, Chairperson, Mr. Stewart E. Conner, and Mr. Stephen C. Gault for the ensuing year. Mr. Hammons seconded the motion. The Board so voted.

There being no further business, The Annual Meeting adjourned at 12:45 p.m.

**MINUTES OF REGULAR MEETING
BOARD OF WATER WORKS
April 10, 2001**

Board Members Present

Mr. Owen Hammons
Ms. Wendy Welsh
Mr. Stephen C. Gault
Mr. Stewart Conner
Mr. Jack Segell

Board Members Absent

Mr. Phillip Bond
The Hon. David L. Armstrong, Mayor

Others Present

Mr. John Huber
Mr. Robert Miller, V. P. Treasurer
Ms. Laura Douglas, V. P. General Counsel & Secretary
Mr. Gregory Heitzman, V. P. Chief Engineer
Ms. Karla Teasley
Mr. Vince Guenther
Ms. Barbara Crowe
Mr. Jim Wehrle

The Board Meeting convened at 12:45 p.m.

At Mr. Segell's request, Mr. Huber indicated that staff would do quarterly updates on the water e-market.

Project No.	Project Name	Total Project Cost
Developer Installed Refunding Main Extension Projects		
01-102	Plaza At Hurstbourne	\$ 28,675.00
01-103	Fenwick Office/Warehouse	\$ 42,105.00
00-106	Hurstbourne Springs Condominiums Sec. 3	\$ 35,870.00
00-114	Hillcrest Section 4	\$136,560.00
01-002	Artisan Industrial Metals	\$ 12,400.00
01-011	Adams Run Subdivision Sec. 5	\$ 61,945.00
Apportionment Warrant KRS 96.265 Petition		
KRS 96.265	Back Run Road to County Line	\$335,000.00
KRS 96.265	Stout Road: Broad Run Road to North 7,800 feet	\$335,400.00
Developer Relocation Projects		
00-609	Dr. Bay's Medical Office – Storm Sewers Facilities Relocation	\$ 10,000.00
01-611	Kroger L-309 Linn Station Water Facilities Relocation	\$ 27,000.00
01-600	Crittenden Drive Re-Connection – Phase 1 Water Facilities Relocation	\$153,000.00

Item D: Authorization for design and bid of projects (estimated to cost less than \$200,000)

Project No.	Project Name	Total Project Cost
01-405	Standby Generator at PRP Booster Pump Station and Bell Joint Clamps – 2001 PPI Renewal	\$100,000.00

Item E: Bid tabulations (award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid.).

Project No.	Project Name	Total Project Cost
00-599	Peaceful Valley Booster Pump Station	\$ 54,214.00
01-08	Steel Encasing Pipe	\$ 81,098.00

Item F: Award of contracts less than \$50,000

Project No.	Project Name	Total Project Cost
00-74	Rest Cottage Lane Tapping Fee Main C.J. HUGHES CONSTRUCTION CO.	\$ 22,500.00
98-C01-B	Carpet Cleaning Services – Renewal CARPET TECHNOLOGIES, INC.	\$ 22,259.00
01-LW01B	Lawn Maintenance of LWC Grounds GTK LAWN & LANDSCAPING	\$ 11,440.00
01-04	Engineering Large Format Plan Copier REJECT ALL BIDS	-----
01-10	Copper Wire WATERWORKS SUPPLIES, INC.	\$ 8,424.00
PROF. SVC.	Firewall Penetration & Vulnerability Audit JEFFERSON WELLS INTERNATIONAL	\$ 13,200.00
PROF. SVC.	Proposal for Engineering Services QUINTEC SERVICES, INC. (CWBE)	\$ 49,300.00
SOLE SOURCE	Renewal of Software License and Maintenance ENVIRONMENTAL SYSTEMS RESEARCH	\$ 10,893.00
SOLE SOURCE	Additional Storage on AS400/720 ORCOM SOLUTIONS	\$ 10,440.00

A motion was made to approve the consent agenda:

- Approve minutes of previous meetings
- Approve claims paid during the previous month.
- Approve petitions and applications for water main extensions (when in full compliance with Service Rules and Regulations).

Administrative Report

Mr. Huber stated that this week Mr. Heitzman and Mr. Miller would celebrate their ten year anniversaries as Board Officers. He also reported that Mr. Miller just completed a peer review of Mass. Water Authority. Mr. Huber reported good feedback and compliments of Mr. Miller’s work as peer review team leader.

Financial Report

Mr. Miller gave the March financial report.

Income and Expense Summary

Total operating revenue of \$20,815,100 is \$409,600 or 2.01% more than budgeted and \$552,200 or 2.73% more than the same period in 2000. We sold .67% more water in 2001 than the same period in 2000. Operating deductions of \$14,660,600 (line 19) are \$997,500 or 7.3-% more than budgeted and \$1,008,900 or 11.92% more than 2000. Net operating income of \$6,154,500 (line 20) is \$587,800 or 8.72% less than budgeted. Net income of \$5,868,200 (line 26) is \$253,500 or 4.14% less than budgeted and \$800,100 or 12.00% less than 2000.

Draft Procurement Policy

Mr. Huber indicated that the Commonwealth of Kentucky has revised upwards the dollar amount of expenditures which require bids. In addition, our procurement policy has been in place for 18-20 years. Mr. Segell asked that we review the City's procurement policy and make sure our proposed policy is consistent with the City's policy. Mr. Huber indicated that staff would do so. Mr. Miller stated that the key changes to the draft Procurement Policy, other than format issues, are:

- Increased level for obtaining three quotes from \$5,000 to \$10,000.
- Increased level for public advertisement and bidding from \$10,000 to \$20,000 (consistent with recently changed state law).
- Increased level for President contract approval from \$50,000 to \$100,000.
- Recognition of existing practices for Competitive Negotiations.
- Minimum criteria established for price as a consideration of competitive negotiation and professional services proposals at a twenty-five percent weighting.

Upon consideration of feedback from the Board of Water Works, the Executive Leadership Team will be finalizing this policy in the next few weeks. The policy will be brought back to the Board for additional review after ELT action.

Water Rate Implementation Issue

Mr. Huber indicated that The Customer Information System implemented in July 2000 included a water rate change methodology that prorates the effect of a rate increase by applying it only for consumption for the days after the rate increase took effect. While this methodology is considered an industry best-practice, it represents a change from the existing Service Rules and Regulations that was not considered when the water rates for 2001 were developed. In past years, water rate changes took effect on statements mailed on or after January 1st.

As a result, water billings for January and February are approximately \$245,000 lower than anticipated.

Mr. Miller indicated that staff has considered several different scenarios for resolving this revenue shortfall and has determined that the most appropriate next step to balance customer and owner interests is to reduce discretionary spending by a like amount for 2001. The category identified for the expense reduction is Retirement of Assets.

The impact of this reduced expense will offset the amount of the reduced revenues.

After proper motion and second, the Board voted to revise its December 12, 2000 Resolution authorizing a 3.5% raise in the water rates for all bills issued on or after January 1, 2001 by directing LWC's staff to prorate said increase for the first billing period in 2001 only, based upon the date of issuance of the water bill.

2000 Dividend Computation Correction

Mr. Miller stated that at the March 2001 meeting of the Board of Water Works, the total dividend for 2000 was declared at \$12,876,681. Upon subsequent review, it was determined that one of the deduction items in the dividend calculation formula was entered incorrectly.

The interest earned on the Construction and Acquisition Fund is not eligible for inclusion in the dividend calculation and was entered as \$1,066,366, when the actual amount was \$1,006,336. As a result of this correction, the actual amount of the total dividend for 2000 should be \$12,912,681, an increase of \$36,000 (sixty percent of the \$60,000 difference).

After proper motion and second, the Board voted to declare the 2000 annual dividend to be increased from \$12,876,681 to \$12,912,681 and that the difference of \$36,000 be added in quarterly installments to the remaining regular 2001 dividend payments.

Operating and Engineering Report

Mr. Heitzman reported that on Friday, April 6th, MSD issued a NON and Stop Work Order for violation of the Erosion and Sedimentation Control Ordinance.

KT2 Data Conversion Summary

Louisville Water Company staff successfully completed the data conversion to add KT2 account and billing information to Orcom's E-CIS on March 17, 2001. Staff converted 2,523 active accounts totaling \$8,835.14. Many of the accounts were paid or between meter reading cycles. The first Louisville Water Company meter readings will be loaded into E-CIS for billing on March 30 with the first billing scheduled for the week of April 2, 2001.

Bullitt County Advisory Board Meeting

The Bullitt County Advisory Board quarterly meeting was held on Thursday, March 29.

The Advisory Board was updated on the operational transition for Division # 2. Advisory Board members recommend the LWC staff evaluate an improved method of communicating with customers during emergency water outages. The Advisory Board also recommended the Company look at the staffing levels of the Bullitt County office considering the volume of customer payments, customer inquiries, and applications for new meters made at this office. Staff will evaluate these recommendations for improvements in operations of the KT District.

Finally, staff discussed the meter connection fees associated with Division # 1 and # 2. Staff advised the Advisory Board that LWC will honor all existing main extension contracts in Bullitt County.

The Advisory Board also recommended the Company keep the \$150 connection fee for all main extensions identified in the Bullitt County Extension Program, with revenues deposited into the Bullitt County Reserve. Staff recommended this additional fee be dropped in order to reduce administrative costs and to establish a consistent fee schedule for main extensions in Division # 1 and Division #2. Staff advised this issue would be reviewed by the Company's attorneys and senior management prior to making a final decision on the collection of the \$150 fee. If the fee is dropped, staff will come back to the Board.

Litigation Report

Ms. Douglas presented a litigation report in open session. All of the items upon which she reported were a matter of public record. She reported on the first quarter expenditures for legal fees, the status of oral arguments on the Cason & Phelps Case, the status of Kaviar v. LWC and the water e-market.

After proper motion and second, the Board adjourned into closed session for the purpose of discussing acquisition of property and personnel items. The Board reconvened into open session without taking any action.

Salary Action:

After proper motion and second, the Board voted to establish the following wages for the period April 1, 2001 to the date of the 2002 Annual Meeting for the named senior level employees:

John Huber	\$167,000
Greg Heitzman	\$120,645
Karla Teasley	\$117,000
Laura Douglas	\$114,941
Bob Miller	\$115,169
Steve Hubbs	\$ 98,017
Jim Wehrle	\$107,375

Report of Committees

Audit Committee Report

Ms. Welsh gave the report for the Audit Committee. Ms. Welsh reported that LWC received an unqualified opinion. Crowe Chizek reported that all interaction with LWC went well. Ms. Welsh stated that she is pleased and impressed with the internal audit function and the report feedback.

Special Issues

Evaluated Bid Pilot Program Report

Mr. Heitzman reported that in November 1999, the Evaluated Bid Pilot Program was approved to be used in the Infrastructure Core Business System. The purpose of this letter is to report the results, and request approval for the expanded use of the pilot in 2001.

In 2000, twelve (12) projects with a combined contract value of \$4.6 million were bid under the pilot program, representing 18.5% of the total contract value opened for bid in 2000. The bidders were evaluated on price (85% weighting), project duration (5%), minority owned business (MBE) utilization (7%), and woman-owned business (WBE) utilization (3%). Nine of the 12 bidders committed to spend \$734,382 with minority businesses and \$164,030 with woman businesses.

To date, \$408,456 has been paid toward the MBE commitment, and \$111,964 has been paid toward the WBE commitment as shown in the attached summary table.

The LWC Minority Business Development Team has monitored the pilot program, conducted a focus group meeting with staff, surveyed external contractors and met with MSD regarding their best practices. The team developed the following recommendations for expanding the pilot in 2001:

- ◆ Clearly define the vision of the minority business development program
- ◆ Establish procedures for the Evaluated Bid Program, from the Pilot Program,
- ◆ that will document, communicate, promote, implement and track evaluated bidding in the future
- ◆ Begin use of the pilot in other Core Business Systems
- ◆ Use the Evaluated Bid Pilot for 30% of the projects opened for bid in the Infrastructure Core Business System
- ◆ Identify adequate resources to administer the Evaluated Bid Program

After proper motion and second, the Board voted to use existing administrative resources in 2001 to continue the pilot, but evaluate additional resource needs for the 2002 budget and expand the pilot program in 2001 as described above.

Bid Tabulations

99-418 Control Systems Upgrade

Mr. Heitzman reported that the Control System upgrade encompasses the system architecture, hardware, and software for operation of the water treatment plants, pumping stations, booster pumping stations, and storage facilities. The existing system is 10-15 years old and is operated with components of limited availability, dated software, and is virtually at full capacity.

Bids were received on Wednesday March 14, 2001 to install 66 programmable logic controllers and 10 operator workstations that make up the SCADA System.

After proper motion and second, the Board voted to award a contract in the amount of \$685,000.00 to the Link Electric Company for the Control Systems Update Project.

99-600 C Install 16-Inch Ductile Iron Water Main in Aiken Road between Bush Farm Road and 12 inch main west of Beckley Station Road

Mr. Heitzman reported that bids were received on Wednesday, March 28, 2001, to install 2,984 +/- lineal feet of 16-inch ductile iron water main. This work will provide a transmission connection between the Aiken Road corridor and the 60" transmission main in English Station Road near Old Henry Road.

Five bids were received from qualified contracting firms. The most responsive bid, based on the evaluated criteria, was Southern Pipeline Construction Company, scoring 98.85 points of possible 100 points.

After proper motion and second the Board voted to authorize the Chief Engineer to award a contract in the amount of \$168,843.00 to Southern Pipeline Construction Company to install water facilities associated with this project.

00-337 I-65 Transmission Main System Hwy 61 Extension-Coopers Run to KY Hwy. 480

Mr. Heitzman reported that bids were received and opened Wednesday, March 28, 2001 to furnish and install 2,827 feet of 16-inch Ductile Iron Pipe and 5,039 feet of 12-inch PVC Pipe in the public right-of-way beginning on the east side of Coopers Run Road Road approximately 600 feet north of the center line of Hwy. 61, and extending north to an existing 12-inch PVC water main on the south side of Hwy.480 just west of I-65

A total of 6 bids were received and opened from pre-qualified contractors. Tom Brown Construction Company submitted the lowest responsive bid in the amount of \$294,348 resulting in a total project cost of \$364,348.

After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$ 294,348 to Tom Brown Construction Company to install the water facilities associated with this project.

01-13/Courier Service and Mail Management

Mr. Miller reported that on March 28, 2001, bids were opened to award a contract for a one (1) year term, renewable for up to four (4) additional one year terms. Yearly renewals will be based on the Consumer Price Index. (CPI)

After proper motion and second, the Board authorized staff to award a courier service and mail management contract totaling \$51,760.00 from **Blue Grass Mail Service**.

01-16/Fleet Equipment

Mr. Miller reported that on March 28, 2001 bids were opened to purchase fleet equipment.

Bodies and equipment for fleet vehicles

A total of twelve bids were submitted with the lowest, most responsive bids summarized below:

<u>Bidders</u>	<u>Description/Quantity</u>	<u>Total Amount</u>
Fontaine Equipment	26,000 GVW Cab and Chassis (7)	\$111,993.00
	1 ½ Ton Cab and Chassis (1)	\$ 5,865.00
Brandeis Equipment	Skid Mounted Air Compressor (7)	\$ 71,400.00
Manning Equipment	¾ Ton Cab & Chassis (2)	\$ 9,678.00
	Split-shaft PTO Air Compressor (1)	\$ 15,732.00
Levee Lift	4,000 lb. HD Lift Truck (1)	\$ 17,820.00
Edinger & Son	Stake Truck Body: 1 Ton Cab & Chassis (2)	\$ 6,720.00
		\$239,208.00

After proper motion and second, the Board authorized staff to award to the suppliers listed above for a total amount of **\$239,208.00**

01-17/Road and Tire Service

Mr. Miller reported that on March 28th, 2001, bids were opened to award a two-year contract for Road and Tire Service for fleet vehicles.

Two bids were submitted with the lowest, most responsive bid from **Raben Tire Company**, for an estimated total of **\$323,722.80**.

After proper motion and second, the Board authorized staff to award a contract for road and tire service for a total amount of **\$323,722.80** from **Raben Tire Company**.

00-66/Small & Large Meter Vault Frames and Lids

This item was deferred at Mr. Huber’s request.

Communications

County-wide Water Extension Program Dry Ridge Lane: Dry Ridge Road east 1,700 feet

Mr. Heitzman reported that an Apportionment Warrant public hearing was held on February 22, 2001 for the property owners along Dry Ridge Lane from Dry Ridge Road east 1,700 feet. This public hearing was held in response to receipt of a majority petition for the project. The meeting was structured to provide a brief background of the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains will be extended using Apportionment Warrants as prescribed in KRS 96.265.

Following the formal presentations, an opportunity was provided for residents to ask questions and state their position with respect to their project. None of the attending property owners agreed to proceed with the project at the cost presented. However, the residents expressed interest in a public road dedication through Jefferson County Public Works. A public road dedication would result in a subsidized Apportionment Warrant “equal share” cost per property of \$5450.

As a result of the public hearing, the Louisville Water Company staff agreed to allow additional time for the property owners to complete the application for public road dedication through

Jefferson County Public Works. Jefferson County staff has confirmed that the property owners have initiated the process of public road dedication.

Series 2001 Refunding Bond Issue Results

Mr. Miller reported that the \$60,300,000 Water System Refunding Revenue Bond Issue, Series 2001 dated March 1, 2001 was successfully closed on March 29, 2001.

The aggregate savings totaled \$5,461,679.02 and present value savings (after consideration of all costs of issuance and discounted by the bond interest rate) totaled \$3,910,658.17. This will reduce revenue requirements by approximately \$400,000 each year through 2014.

The principal payment for the 2001 bonds will be \$2,240,000, reduced from \$2,890,000 contemplated for the 2000 bonds. This will result in an increased dividend payment of \$390,000 for 2001.

Old Business

Issuance of Apportionment Warrants per KRS 96.265

Floydsview Place: Echo Trail to end of roadway

Mr. Heitzman reported that a public hearing was held December 9, 1999 for the extension of water service along Floydsview Place: Echo Trail to end of roadway. The Board of Water Works adopted a resolution for Floydsview Place: Echo Trail to end of roadway on March 14, 2000 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 9, Series 2000 on April 11, 2000 (a copy of which is attached) for the Floydsview Place: Echo Trail to end of roadway project. The construction contract was awarded to Tom Brown Construction in April, 2000.

After proper motion and second, the Board voted to adopt a resolution for the issuance of Apportionment Warrants and liens against 2 benefited properties along Floydsview Place: Echo Trail to end of roadway in accordance with KRS. 96.265, as described.

Issuance of Apportionment Warrants per KRS 96.265 Ridge Wood Farms:

Crooked Lane, Morris Place, Jolynn Wolf Way, Higgins View Lane, and Higgins Run Way

Mr. Heitzman reported that a public hearing was held April 15, 1999 for the extension of water service along Ridge Wood Farms: Crooked Lane, Morris Place, Jolynn Wolf Way, Higgins View Lane, and Higgins Run Way. The Board of Water Works adopted a resolution for Ridge Wood Farms: Crooked Lane, Morris Place, Jolynn Wolf Way, Higgins View Lane, and Higgins Run Way on May 11, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 20, Series 1999 on July 13, 1999 (a copy of which is attached) for the Ridge Wood Farms: Crooked Lane, Morris Place, Jolynn Wolf Way, Higgins View Lane, and Higgins Run Way project. The construction contract was awarded to WHF, Inc. in November, 1999.

After proper motion and second, the Board voted to adopt a resolution for the issuance of Apportionment Warrants and liens against 43 benefited properties along Ridge Wood Farms: Crooked Lane, Morris Place, Jolynn Wolf Way, Higgins View Lane, and Higgins Run Way in accordance with KRS. 96.265, as described.

99-LW01-Q – Lawn Maintenance of Louisville Water Company Grounds

Mr. Heitzman reported that on May 19, 1999, the Company entered into a contract in the amount of \$123,599.00 with BladeCutters Lawn & Landscape, Inc. for lawn maintenance services at the following Louisville Water Company locations: B. E. Payne Plant; Crescent Hill Water Treatment Plant; Nineteen (19) elevated Pressure System Sites; and Seventeen (17) City Pressure System Sites. The initial contract period was May 24, 1999 through November 30, 1999, with provisions for renewing the contract for up to two (2) additional years with satisfactory performance. The contract was renewed during contract year April, 1, 2000 through November 30, 2000 for a total cost of \$129,209.

Based on the contractor's satisfactory performance as documented in the Contractor's Performance Evaluation, and the favorable price cited above, staff recommends the contract with BladeCutters be renewed for one year for the period April 1, 2001 through November 30, 2001. The annual lawn maintenance contract will be re-bid in 2001.

After proper motion and second, the Board voted to authorize staff to renew the contract with BladeCutters Lawn & Landscape for the not-to-exceed amount of \$132,433.

99-16/Pipe Repair Couplings, Stainless Steel Sleeves and Bell Joint Clamps - 2001 PPI Renewal

Mr. Heitzman reported that on May 11, 1999, the Board of Water Works approved the recommendation to award a contract for pipe repair couplings, stainless steel sleeves and bell joint clamps to Hughes Supply, Viking Environmental Supply, Smith-Blair and WaterWorks Supplies, Inc. This contract contained a provision that allowed it to be renewed over a four-year period at the sole discretion of the Company. All renewals would use the Producer Price Index to determine any adjustments to the original bid unit prices.

After proper motion and second, the Board voted to authorize staff to renew the contracts with the suppliers listed above for an estimated amount of **\$147,811**. Based on the Producers Price Index, this contract represents a .1% increase for the pipe repair couplings and bell joint clamps and a 1.5% increase for the stainless steel repair sleeves from last year's unit costs. An updated bid tabulation is attached for your review.

New Business

Resolution to Adopt 401(k) Plan

Mr. Wehrle reported that Louisville Water Company currently offers its employees the option to participate in a 457 deferred compensation program through ICMA Retirement Corporation.

The Kentucky Public Employees' Deferred Compensation Authority is authorized under Kentucky Revised Statutes (18A.230-18A.275) to provide administration of tax sheltered supplemental retirement plans for state, public school, university employees and employees of local political subdivisions that have elected to participate.

The addition of the 401(k) plan as a retirement option will allow employees:

More flexibility in accessing their accounts – including loans, withdrawals, and rollovers.

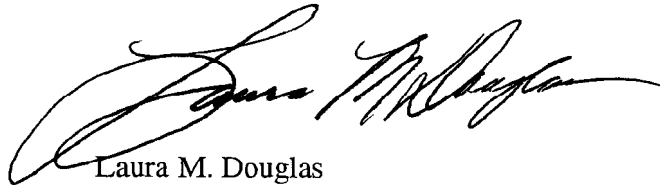
- The option to purchase (with pre-tax dollars) their "5 years" with CERS since the Kentucky Public Employees' Deferred Compensation Authority is a state agency.
- To contribute more dollars annually toward retirement (\$10,500 annual maximum versus \$8,500 afforded under the 457).

After proper motion and second, the Board voted to authorize staff to establish 401(k) Plan II of the KY Deferred Compensation Authority. The meeting adjourned at 3:20 p.m.

CERTIFICATION

This is to certify that the following *Floydsview Place: Echo Trail to end of roadway* is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on April 10, 2001 a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
April 10, 2001

APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Floydsview Place: Echo Trail to end of roadway** main extension project authorized by Ordinance No. 9, Series 2000 of the Jefferson Fiscal Court, adopted on April 11, 2000 such warrants to be against 2 benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$7250 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

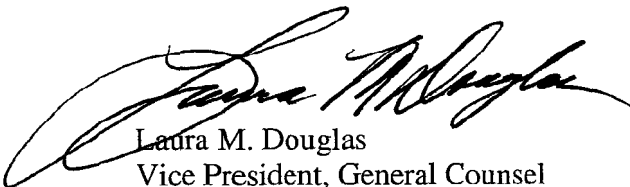
ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0812911	ANTHONY CRAWFORD	15503 FLOYDSVIEW PLACE	7,250.00		
	15503 FLOYDSVIEW PLACE	DEED-BK 6178	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 333	LIEN-BK		RELS-BK
	40245	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1990	LOT-NO.	0011	
0812912	MAURICE T & LESLIE LOVELACE	15501 FLOYDSVIEW PLACE	7,250.00		
	15501 FLOYDSVIEW PLACE	DEED-BK 6513	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 97	LIEN-BK		RELS-BK
	40245	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1990	LOT-NO.	0012	

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CERTIFICATION

This is to certify that the following *Ridge Wood Farms: Crooked Lane, Morris Place, Jolynn Wolf Way, Higgins View Lane, and Higgins Run Way* is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on April 10, 2001, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
April 10, 2001

APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Ridge Wood Farms: Crooked Lane, Morris Place, Jolynn Wolf Way, Higgins View Lane, and Higgins Run Way** main extension project authorized by Ordinance No. 20, Series 1999 of the Jefferson Fiscal Court, adopted on July 13, 1999 such warrants to be against 43 benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$7000 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



ORDINANCE NO. 20
Series 1999

ORDINANCE

Jefferson Fiscal Court

An Ordinance Relating To:

AN ORDINANCE RELATING TO THE AUTHORIZATION FOR THE EXTENSION OF WATER SERVICE TO REAL PROPERTY ALONG MORRIS PLACE: CROOKED LANE WEST 350 FEET, CROOKED LANE: HWY 155 SOUTHWEST 4,500 FEET, JOLYNN WOLF WAY: CROOKED LANE WEST 1,200 FEET, HIGGINS VIEW LANE: CROOKED LANE SOUTHEAST 1,650 FEET, AND HIGGINS RUN WAY: HIGGINS VIEW LANE NORTH 1,000 FEET IN CONFORMITY WITH KRS 96.265.

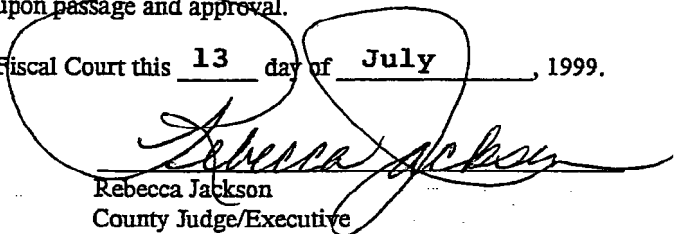
INTRODUCED 6-22-99 BY COUNTY/JUDGE EXECUTIVE REBECCA JACKSON
FIRST READING 6-22-99
SECOND READING 7-13-99
ADOPTED 7-13-99 BY UNANIMOUS VOTE

Section 4. The costs assessed against the benefited property owners for the extension of water service, as evidenced by the apportionment warrants issued in conformity with Sections 2 and 3 of this Ordinance, shall be exclusive of the Louisville Water Company's property service connection charge which shall be fixed by regulation of the Board of Water Works of the City of Louisville based on its experience of costs for such work and in conformity with KRS 96.265 (4). No property owner shall be required to connect to the water line extension but such failure to connect to the water line extension shall not exempt such property owner from its proportionate share of the costs as provided in Sections 2 and 3 of this Ordinance.

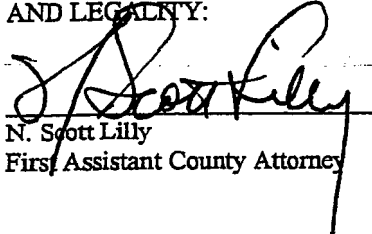
Section 5. To the extent not otherwise stated, this Ordinance and the construction of the water line extension referenced herein is subject in all respects to KRS 96.265 and shall be construed and interpreted in conformity with said statute.

Section 6. This Ordinance takes effect upon passage and approval.

APPROVED AND ADOPTED by the Fiscal Court this 13 day of July, 1999.


Rebecca Jackson
County Judge/Executive

**APPROVED AS TO FORM
AND LEGALITY:**


N. Scott Lilly
First Assistant County Attorney


Mary Bolton
Fiscal Court Clerk

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0812638	INC. SONJA U RIDGE DSR	16324 CROOKED LANE	7,000.00		
	17825 BRADBE ROAD	DEED-BK 6321	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 53	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3070	LOT-NO.	27	
0812639	INC. SONJA U RIDGE DSR	16330 CROOKED LANE	7,000.00		
	17825 BRADBE ROAD	DEED-BK 6321	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 53	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3070	LOT-NO.	2A	
0812641	INC. SONJA U RIDGE DSR	4807 MORRIS PLACE	7,000.00		
	17825 BRADBE ROAD	DEED-BK 7241	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 246	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3177	LOT-NO.	2	
0812643	INC. SONJA U RIDGE DSR	4800 MORRIS PLACE	7,000.00		
	17825 BRADBE ROAD	DEED-BK 7241	LIEN-DT		RELS-DT
	FISHERVILLE ROAD	DEED-PG 246	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3177	LOT-NO.	4	
0812645	INC. SONJA U RIDGE DSR	4804 MORRIS PLACE	7,000.00		
	17825 BRADBE ROAD	DEED-BK 7241	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 246	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3177	LOT-NO.	5	
0812646	INC. SONJA U RIDGE DSR	4808 MORRIS PLACE	7,000.00		
	17825 BRADBE ROAD	DEED-BK 7241	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 246	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3177	LOT-NO.	6	
0812647	INC. SONJA U RIDGE DSR	16313 CROOKED LANE	7,000.00		
	17825 BRADBE ROAD	DEED-BK 7241	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 229	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3176	LOT-NO.	20	
0812648	INC. SONJA U RIDGE DSR	16307 CROOKED LANE	7,000.00		
	17825 BRADBE ROAD	DEED-BK 7241	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 229	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3176	LOT-NO.	21	
0812649	WILLIAM & KATE MANN	16301 CROOKED LANE	7,000.00		
	10302 LONG HOME ROAD	DEED-BK 7469	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 160	LIEN-BK		RELS-BK
	40291	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3176	LOT-NO.	22	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0812713	DAVID C & MARY LYNN KEMPF 4801 JOLYNN WOLF WAY FISHERVILLE KY 40023	4801 JOLYNN WOLF WAY DEED-BK 6721 DEED-PG 163 TAX-DST TAX-BLK 2745	7,000.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	11	RELS-DT RELS-BK RELS-PG
0812714	JAMES R & MARTA KESSINGER 4905 HIGGINS VIEW LANE FISHERVILLE KY 40023	4905 HIGGINS VIEW LANE DEED-BK 6478 DEED-PG 159 TAX-DST TAX-BLK 2745	7,000.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	39	RELS-DT RELS-BK RELS-PG
0812715	HERMAN & DARLENE LIEBER 16501 CROOKED LANE FISHERVILLE KY 40023	16501 CROOKED LANE DEED-BK 6882 DEED-PG 262 TAX-DST TAX-BLK 2745	7,000.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	9	RELS-DT RELS-BK RELS-PG
0812716	MICHAEL & SANDRA LUCKETT 4804 JOLYNN WOLF WAY FISHERVILLE KY 40023	4804 JOLYNN WOLF WAY DEED-BK 6900 DEED-PG 277 TAX-DST TAX-BLK 2745	7,000.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	13	RELS-DT RELS-BK RELS-PG
0812717	BENCHMARK HOMES 100 AMBLING WAY LOUISVILLE KY 40243	16318 CROOKED LANE DEED-BK 7227 DEED-PG 777 TAX-DST TAX-BLK 3070	7,000.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	26	RELS-DT RELS-BK RELS-PG
0812728	GERTRUDE & MELVIN MARTIN 16407 CROOKED LANE FISHERVILLE KY 40023	16407 CROOKED LANE DEED-BK 7245 DEED-PG 89 TAX-DST TAX-BLK 3070	7,000.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	00/0000 16	RELS-DT RELS-BK RELS-PG
0812729	PAUL & LINDA NEE 4904 HIGGINS VIEW LANE FISHERVILLE KY 40023	4904 HIGGINS VIEW LANE DEED-BK 7163 DEED-PG 154 TAX-DST TAX-BLK 2745	7,000.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	29	RELS-DT RELS-BK RELS-PG
0812747	WILLIAM F NEUBAUER 4800 JOLYNN WOLF WAY FISHERVILLE KY 40023	4800 JOLYNN WOLF WAY DEED-BK 7394 DEED-PG 18 TAX-DST TAX-BLK 2745	7,000.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	12	RELS-DT RELS-BK RELS-PG
0812748	JOSEPH & BOBBIE NICKEY 4812 MORRIS PL FISHERVILLE KY 40023	4812 MORRIS PLACE DEED-BK 6967 DEED-PG 36 TAX-DST TAX-BLK 2745	7,000.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	7	RELS-DT RELS-BK RELS-PG

PROGRAM ID: AMCS002

THE LOUISVILLE WATER COMPANY
APPORTIONMENT WARRANT CONTRACT E356W REGISTER

BOOK PAGE 6

RUN DATE 03/23/04
RUN TIME 23:03:47

RELEASE OF LIEN

PAID IN FULL

ASSESSMENT

ACCOUNT

43 NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 266,000.00

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
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**MINUTES OF REGULAR MEETING
BOARD OF WATER WORKS
May 8, 2001**

Board Members Present

Ms. Wendy Welsh
Mr. Stephen C. Gault
Mr. Stewart Conner
Mr. Jack Segell

Board Members Absent

Mr. Owen Hammons
Mr. Phillip Bond
The Hon. David L. Armstrong, Mayor

Others Present

Mr. John Huber
Mr. Robert Miller, V. P. Treasurer
Ms. Laura Douglas, V. P. General Counsel & Secretary
Mr. Gregory Heitzman, V. P. Chief Engineer
Ms. Karla Teasley
Mr. Steve Hubbs
Mr. Kevin Grant
Ms. Jane Driskell
Ms. Kay Ball
Ms. Barbara Crow

The Board Meeting convened at 12:40 p.m.

A motion was made to approve the consent agenda:

- Approve minutes of previous meetings.
- Approve claims paid during the previous month.
- Approve petitions and applications for water main extensions (when in full compliance with Service Rules and Regulations)

Project No.	Project Name	Total Project Cost
Developer Installed Refunding Main Extension Projects		
	Bay Tree Section 4 (Project No. 00-105)	\$ 58,410.00
	Woods of Glenmary Patio Homes – Phase 2	\$ 50,495.00
	Pine Knob Lane	\$ 28,040.00
	Buckingham Estates Subdivision (Project No. 01-012)	\$ 25,315.00
	Tapping Fee Water Main Extension Project	
	Forest Meadows Subdivision (Project No. 01-003)	\$ 32,035.00
Surcharge/Tapping Fee Water Main Extension Project		
	Woodridge Drive (Project No. 01-202)	\$ 11,000.00
Apportionment Warrant KRS 96.265 Petition		
	Mitchell Hill Road: From Top Hill Road south 1,100 feet	\$ 55,000.00
City of Louisville		
	2700 Block of Algonquin Parkway Roadway Improvements Project (LWC Project No. 01-526)	\$ 16,500.00
	South Second Street Widening and Right of Way Improvements (LWC Project No. 01-800I)	\$ 2,700.00
Metropolitan Sewer District		
	Black Pond Collectors (LWC Project No. 01-1405A)	\$ 2,700.00
Developer Relocation Projects		
	Phillip Morris 12" Valve (LWC Project No. 01-499)	\$ 4,000.00

Item D: Authorization for design and bid of projects (estimated to cost less than \$200,000)

Project No.	Project Name	Total Project Cost
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Item E: Bid tabulations (award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid.)

Project No.	Project Name	Total Project Cost
01-18	Stainless Steel Tapping Sleeves for KT District	\$ 89,252.00
01-19	Polywrap & Polytape	\$ 78,707.00
01-15	Round Tops and Lids & Lids Only	\$ 62,725.00

Item F: Award of contracts less than \$50,000

Project No.	Project Name	Total Project Cost
01-003	Forest Meadows Subdivision Tapping Fee Water Main Extension DEBBIE SUTHERLAND EXCAVATING	\$ 12,000.00
00-406	Parkridge Tank Altitude Valve SOUTHERN PIPELINE CONSTRUCTION CO. (CWBE)	\$ 34,418.00
00-411	Lime Room Ventilation at CHFP CRI HEATING & AIR CONDITIONING	\$ 16,400.00

Administrative Report

Mr. Huber stated that this was National Drinking Water week. Ms. Crow indicated that special features would be on WHAS and WAVE. The bottling line will be dedicated on Friday, May 11, 2001. In addition, special activities are planned for The Louisville Zoo.

Financial Report

Mr. Miller gave the financial results through April 2001.

Income and Expense Summary

1) Total operating revenue of \$28,172,800 is \$1,039,300 or 3.83% more than budgeted and \$1,214,500 or 4.51% more than the same period in 2000. We sold 2.58% less water in 2001 than the same period in 2000. Water delivered to the mains was .02% more than 2000.

2) Operation and maintenance expense of \$12,390,300 is \$282,000 or 2.33% more than budgeted and \$919,200 or 8.01% more than 2000.

3) Total non-operating income of \$1,717,400 (line 24) is \$8,700 or 0.51% less than budgeted. Total non-operating expense of \$2,204,900 (line 25) is \$326,300 or 12.89% less than budgeted.

4) Net income of \$8,107,900 (line 26) is \$467,100 or 6.11% more than budgeted and \$894,300 or 9.93% less than 2000.

Mr. Miller indicated that 61.6% of the 2000 Board proceeds, we must spend 1005 by September of 2002. The 2001 Refunding Bonds mature on May 1, 2001. The interest savings on these bonds will be \$951, 000 by year end.

Mr. Miller then distributed a hand out which focused on financial results and the cost reduction plan. The cost reduction plan outlines what the Executive Leadership Team will do to make sure the company meets the budget by the end of the year. The cost reduction plan includes reducing labor costs, reducing consultant and contractor usage, reducing travel expenses, increase focus on capital projects and reduced discretionary spending.

Operating and Engineering Report

Mr. Heitzman presented the Operations and Engineering Report.

Knob Creek Main Extension

In 2000, the Kentucky Turnpike Water District entered into a construction contract with North Star Utility to construct 29,200 feet of 12-inch and 8-inch water main along Knob Creek Road in Bullitt County. To date, approximately 24,800 feet have been installed, and 7,500 feet are in service to Barrellton Hill Road. Through the course of construction, the contractor has not properly restored the property and a large portion of the water main will not pass the water pressure tests. Further, a mechanics lien was filed against the project and several claims were submitted by material suppliers. North Star has not performed work at the site since March 24 and has removed equipment from the site. On April 19, the Company placed the bonding company on notice of our plan to terminate the contract. A meeting was held on April 30 with North Star and Amwest Surety Insurance Company. Amwest and the contractor will be providing a response by May 4, and the Company will make a final decision on contract termination the week of May 7.

Waterford Road Main Extension

On December 12, 2000, the Company awarded a \$82,550 contract to D&G Plumbing and Excavating for construction of 1,530 feet of 6-inch water main in Waterford Road. This project is part of the Jefferson County Extension Program. The contract was signed and a notice to proceed granted on March 6, 2001. In late April, Diane Hillard of D & G contacted Louisville Water Company and advised they could not complete the contract. Staff has placed D & G on notice that the contract will be terminated. This scope of the project will be modified and the project re-bid in the coming weeks.

Bradbee Road NOV

On April 5, Metropolitan Sewer District (MSD) issued the Company a Stop Work Order and a Notice of Violation of the Jefferson County Erosion Prevention and Sediment Control Ordinance. Upon notice to the Company, staff immediately instructed S & S Associates to stop work and begin construction site restoration and establish appropriate erosion protection and sediment control along the streams. MSD inspected the site on Friday, April 6, and lifted the Stop Work Order. There will be no fine to Louisville Water Company. The Company has sent engineers, inspectors, and supervisors to MSD erosion training to understand the impact of the new ordinance and associated BMP's.

Underground Storage Tank NOV

On April 6, the Kentucky Division of Waste Management issued a Notice of Violation to LWC for failure to submit required monitoring documentation on an abandon underground storage fuel tank located at Middletown Distribution Center. This monitoring information has now been submitted.

Mercury Spill

On Friday, April 6, engineers conducted performance testing on hydrants to determine hydraulic flow capacity and pressure loss. The flow measurement methods include the use of a mercury filled manometer to measure pressure differential. During the flow test, the hydrant was inadvertently shut off, resulting in a purging of approximately 1.0 pounds of mercury from the manometer into the hydrant test pit and onto the storage yard surface. The mercury did not enter the public water supply. Staff is evaluating alternative methods to eliminate the long-standing practice of measuring pressure differential with a mercury manometer.

B.E. Payne Plant Expansion

Staff has identified \$15 million of capital construction to expand the B.E. Payne Plant capacity to 60 MGD firm capacity and to improve reliability of the Payne Plant. Limitations on in-house engineering resources will require this work to be outsourced to engineering consultants. Staff is preparing a Request for Proposal (RFP) to solicit proposals from five engineering firms to perform the design and construction administration. The RFP will be issued in May and evaluated during June. A professional service contract will be presented to the Board at the July meeting for approval.

Litigation Report

After proper motion and second, the Board adjourned into closed session for the purpose of discussing litigation and acquisition of property. The Board then resumed its open session meeting without taking any action in closed session.

Report of Committees

Special Issues

Bid Tabulations

99-24/Detector Check Valves & Swing Check Valves - Second PPI Renewal

Mr. Miller reported that on July 13, 1999, the Board of Water Works approved the recommendation to award a contract for detector check valves and swing check valves to Mueller Co. and Harco. This contract contained a provision that allowed it to be renewed over a three-year period at the sole discretion of the Company.

Staff has reviewed the Producer Price Index and based on favorable market conditions, determined it would be in the best interest of the Company to exercise our right to renew the contract. This is the last PPI renewal on this contract.

After proper motion and second, the Board authorized staff to renew the contract with **Mueller Co.** for an estimated amount of **\$116,110** and with **Harco** for an estimated amount of **\$13,188**. Based on the Producers Price Index, the contract represents a 1.6% increase from last year's unit costs.

Pilot Automated Meter Reading System in the KT2 District

Mr. Grant reported on the proposed Automated Meter Reading System Pilot for the former KT2 District. Louisville Water Company currently reads water meters manually. The reader must lift the vault cover, visually read and key in the reading into a hand-held processor. LWC reading process is labor intensive and expensive.

Technology has improved, and recently products have been developed, allowing water meters located in pits to be read via Automated Meter Reading. The following objectives will be accomplished in the KT2 AMR Pilot:

- Improve LWC's knowledge of AMR Technologies and economic benefits.
- Identify, with added value service, AMR Technology brings to operations.
- Validate if RF AMR can work in a Pit environment
- Evaluate and analyze AMR and contract labor, as a competitive alternative, in metering operations.
- Evaluate and analyze RF AMR as a newly developed and expanded workforce competency
- Evaluate RF AMR as a cost effective business strategy to maintain/reduce cost in the process of producing water billings as we strive to achieve our strategic objective of expanding water sales.

The revised project cost is estimated at \$500,000.00. The cash flow analysis indicates that the project will pay for itself in seven years, considering a 5% rate of return present value factor. The cash flow analysis also indicates that the project will save LWC \$750,000.00 over twenty years.

After proper motion and second, the Board voted to authorize staff to proceed with design and advertisement for bid of the KT2 Automated Meter Reading Pilot. Any significant change in project scope or budget, identified during design, will be presented to the Board for review and re-authorization to proceed.

01-11/Cold Water Meters – Competitive Negotiation

Mr. Miller reported that on April 25, 2001, proposals were opened to award a one-year contract, renewable for up to four additional years, for cold water meters.

LWC is now specifying lead-free absolute encoder register meters, which allows for reading meters remotely.

The evaluation criteria for this competitive negotiation was: adherence to technical specifications (mandatory), price (30%), ANSI/NSF certification (20%), ISO 9000 certification (15%), sample evaluation (15%), years of manufacturing/designing encoder type register meters (15%), and service history (5%).

A total of two proposals were received, with the lowest, most responsive proposal from **Schlumberger Resource Management** for an estimated amount of **\$1,255,351**.

After proper motion and second, the Board authorized staff to award a one-year contract, renewable for up to four additional years, to **Schlumberger Resource Management** for an estimated amount of **\$1,255,351**.

01-14/Spoils Recycling

Mr. Miller reported that on April 4, 2001, bids were opened to award a two-year contract for recycling of excavated street materials. This contract is for recycling excavated street materials that may include dirt, sand, stone, backfill, gravel, etc.

A total of three bids were submitted with the lowest, most responsive bids from **Mother Earth Recycling** for an estimated total of **\$229,844**.

After proper motion and second, the Board voted to authorize staff to award a two-year contract totaling an estimated **\$229,844** to **Mother Earth Recycling**.

00-15/PVC Pipe –First PPI Renewal

Mr. Miller reported that on May 16, 2000, the Board of Water Works approved the recommendation to award a contract for PVC pipe to Uponor ETI. This contract contained a provision that allowed it to be renewed over a three-year period at the sole discretion of the Company.

Staff has reviewed the Producer Price Index and based on favorable market conditions, determined it would be in the best interest of the Company to exercise our right to renew the contract.

After proper motion and second, the Board voted to authorize staff to renew the contract with **Uponor ETI** for an estimated amount of **\$1,566,530.00**. This renewal is utilizing the Producers Price Index as a cost adjustment factor.

00-66/Small & Large Meter Vault Frames and Lids

Mr. Miller reported that on February 28, 2001, proposals were opened to award a one-year contract, renewable for up to four additional years, for meter vault frames and lids.

This was procured through competitive negotiation. The Louisville Water Company Materials Specification Team evaluated all proposals and samples. Bids were evaluated based on the following criteria:

Adherence to technical specifications	45%
Quality Assurance	5%
Delivery Schedule	15%

Adherence to Bid Requirements	5%
Price	30%

A total of eight proposals were submitted with the lowest, most responsive proposals from **Bingham & Taylor** for an estimated **\$175,671** and from **General Foundries** for an estimated **\$30,125**.

After proper motion and second, the Board voted to authorize staff to award one-year contracts, renewable for up to four additional years, for an estimated annual total amount of **\$205,796** to **Bingham & Taylor** and **General Foundries**.

01-511 Cannons Lane Main Replacement Project

Mr. Heitzman reported that bids were received and opened Wednesday, April 25, 2001 to install 900 linear feet of 8-inch water main along Cannons Lane between Richard Avenue and Lexington Road. Included with the project are the renewal of 1 fire hydrant and the transfer or renewal of 25 customer services.

A total of six bids were received and opened from pre-qualified contractors. Southern Pipeline Construction Company submitted the lowest responsive bid in the amount of \$67,433 resulting in a total project cost of \$91,073.

The bid is 14% over the Project Manager’s Estimate. The resulting total unit cost for this project is \$101.19/LF.

After proper motion and second, the Board authorized the Chief Engineer to award a contract in the amount of \$67,433 to Southern Pipeline Construction Company to install the water facilities associated with this project.

Communications

Old Business

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265 Old Heady Road: Routt Road to county boundary

Mr. Heitzman reported that an Apportionment Warrant public hearing was held for Old Heady Road: Routt Road to county boundary. The public hearing was held in response to receipt of a majority petition for this project. The public hearing was structured to provide a brief background on the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains are extended using Apportionment Warrants as prescribed in KRS 96.265. Mr. Bob Miller attended as officer of the company.

An alternate method of extending a water main from the City of Taylorsville to serve five properties from the County boundary towards Dry Ridge Road was suggested. Staff committed to researching this possibility.

After reviewing the water supply proposals from both Louisville Water and Taylorsville, the five property owners unanimously requested water service from Louisville Water Company.

The Apportionment Warrant project is summarized as follows:

- Public Hearing – February 17, 2000 at the Fern Creek Fire Protection District, Station #3
- 12,360 lineal feet of 8-inch water main
- \$594,000 estimated cost

- 39 eligible properties
- 22 affirmative petitioners
- 56% of eligible properties

After proper motion and second, the Board authorized the Chief Engineer to refer the project to Jefferson County Fiscal Court. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to construct the project.

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265 Back Run Road: Broad Run Road to Dawson Hill Road

Mr. Miller reported that an Apportionment Warrant public hearing was held for Back Run Road: Broad Run Road to Dawson Hill Road. The public hearing was held in response to receipt of a majority petition for this public road project. The public hearing was structured to provide a brief background on the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains will be extended using Apportionment Warrants as prescribed in KRS 96.265.

Questions were asked about where the water line was going to be laid and how the Louisville Water Company went about acquiring easements. Staff explained in detail and went over procedures that pertained to this project. From commitments at the public informational meeting, 13 attending property owners advised they were in favor of extension of water service along Back Run Road: Broad Run Road to Dawson Hill Road as proposed at the hearing. The public road Apportionment Warrant project is summarized as follows:

Back Run Road: Broad Run Road to Dawson Hill Road

- Public Hearing – April 5, 2001 – Fern Creek Fire Protection District, Station #3
- 7,808 lineal feet of 12-inch water main
- \$518,000 estimated cost
- 33 eligible properties
- 19 affirmative petitioners
- 58% of eligible properties
- \$5,450 “fair share” per property cost

After proper motion and second, the Board authorized referral of this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design, and advertisement for bid on this project.

Project 00-549 Crittenden Drive 20” at I-65 Overpass Change Action

Mr. Heitzman reported that on November 17, 2000, the Company entered into a contract in the amount of \$137,700 with MAC Construction and Excavating for the replacement of a 480-foot segment of “deep” 1923-installed 20-inch iron main that has been de-activated since December 1999.

Construction began January 16, 2001 and was completed and placed in service January 31, 2001. During the completion of the project removal of approximately 120 feet of the existing 20-inch main was anticipated to properly install the replacement pipe. Based on billing and inspector records a total of 363 feet was removed. A total extra cost of \$45,980 was incurred, utilizing contract unit prices, to remove 242 feet of existing 20-inch, above that already called for in the plans and specifications.

After proper motion and second, the Board authorized the Chief Engineer to extend the contract with Mac Construction and Excavating to \$183,048.00.

Project 98-660 Ninth Street 48” Transmission Main Change Action

Mr. Heitzman reported that on October 26, 2000, the Company entered into a contract in the amount of \$1,735,000 with Reynolds, Inc. for the replacement of a 1400-foot segment of 48” transmission main in order to accommodate construction of the Ninth Street Extension. Reimbursement of 100% of costs is expected from the Kentucky Transportation Cabinet (KTC). Excavation of the pipeline trench in the intersection of 7th Street and Dumesnil Street was quite extensive to allow a change in direction of the 48” main and avoidance of multiple utilities. KTC was consulted and agreed with utilizing flowable backfill material to virtually eliminate settlement in the intersection. An extra cost of \$14,580 is expected.

As construction began it was discovered that LG&E had installed a new pole very near the end of a planned casing pipe. In order to protect LG&E’s facility the casing was extended. An extra cost of \$3,700 is expected.

The cumulative change exceeds the contract amount by \$98,320 (5.7%).

After proper motion and second, the Board authorized the Chief Engineer to extend the contract with Reynolds, Inc. to \$1,833,320.00.

Project 00-334: I-65 Transmission Main Extension Project Change Action

Mr. Heitzman reported that in June 2000, prior to merger, the Kentucky Turnpike Water District awarded a contracted to Tom Brown Construction Company in the amount of \$556,250.90. The contract amount was later increased, by the District, to \$589,642.45. This amount was presented to the Board of Water Works on December 12, 2000.

Later, at the request of LWC staff, additional work was added to the construction contract. The scope of the changes and their costs are summarized as follows:

◆ Brush and tree removal from easement	\$ 6,400.00
◆ Furnish and install 8” gate valve	\$ 1,250.00
◆ Furnish and install 310 feet of 16” DI water main, valves and fittings and remove an existing pump station	\$43,286.01
<hr/>	
Total cost of change action	\$50,936.01

After proper motion and second, the Board authorized the Chief Engineer to increase the value of the subject contract with Tom Brown Construction Company 8.6 percent from \$589,642.45 to \$640,578.46.

New Business

Bullitt County Water Improvement Program – Construction of Gospel Kingdom Elevated Storage Tank

Mr. Heitzman reported that proposed under the 2001 Capital Budget are funds for construction of storage tanks, booster pump stations, and water main improvements required to support system growth in Bullitt County.

The proposed facility will consist of a 250,000-gallon multi-leg elevated storage tank within a pressure zone at 1030 feet, located on Highway 44 in northwestern Bullitt County, including associated valving, telemetry, landscaping, access, drainage facilities, etc.

The budget for the proposed project is \$450,000. The source of funding for this project is the Bullitt County Water Reserve.

After proper motion and second, the Board authorized staff to proceed with engineering design and advertisement for bid for the subject project. Any significant change in project scope or budget identified during bidding will be presented to the Board for review and re-authorization to proceed.

Project 01-733: Concrete Apron Renovation at Allmond Avenue Distribution Center

Mr. Heitzman reported that proposed under the 2001 Capital Budget is a project to affect renovation of the concrete aprons comprising driving lanes and vehicle, equipment, and materials storage areas at the Allmond Avenue Distribution Center.

The Allmond Distribution Center has been in service since 1967. Many concrete joints are deteriorated and several sections of pavement have spalled and subsided as a result of normal wear and tear of the heavily used facility.

The project will be executed in two phases in 2001 and 2002. The budget for this project is \$300,000, appropriated \$150,000 in 2001 and \$150,000 in 2002.

After proper motion and second, the Board authorized staff to proceed with engineering design and advertisement for bid for the subject project. Any significant change in project scope or budget identified during bidding will be presented to the Board for review and re-authorization to proceed.

Procurement of Professional Services for Project 00-479

Automated Mapping/Facilities Management (AM/FM) System

Mr. Heitzman reported that as a component of the Automated Mapping Facilities Management (AM/FM) Project the Louisville Water Company is requesting Environmental Systems Research Institute, Inc. (ESRI) provide professional consulting and support services related to the development of an AM/FM System in a GIS environment. Recent changes and improvements in the ESRI GIS software require LWC to work closely with ESRI in order to assure successful and effective implementation of the AM/FM system development.

The primary objectives of this phase of the AM/FM project work are:

- 1) to refine and finalize the LWC GIS data model structure prior to requesting proposals from vendors for data collection/conversion.
- 2) to establish quality assurance and quality control (QA/QC) standards which will effectively verify and validate the data collection/conversion deliverables.
- 3) to maximize the performance of the ESRI Spatial Database Engine (SDE) software architecture on the LWC system utilizing LWC's Oracle database.

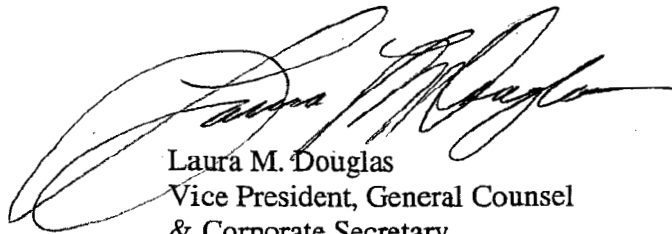
All services requested and proposed are covered under the State of Kentucky Master Purchase Agreement (#99P4182). After proper motion and second, the Board voted to authorize the Chief Engineer to enter into contract with ESRI to perform the above services, in an amount not to exceed \$110,380.

The meeting adjourned at 2:45 p.m.

CERTIFICATION

This is to certify that the following Old Heady Road: Routt Road to county boundary is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on May 8, 2001 a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

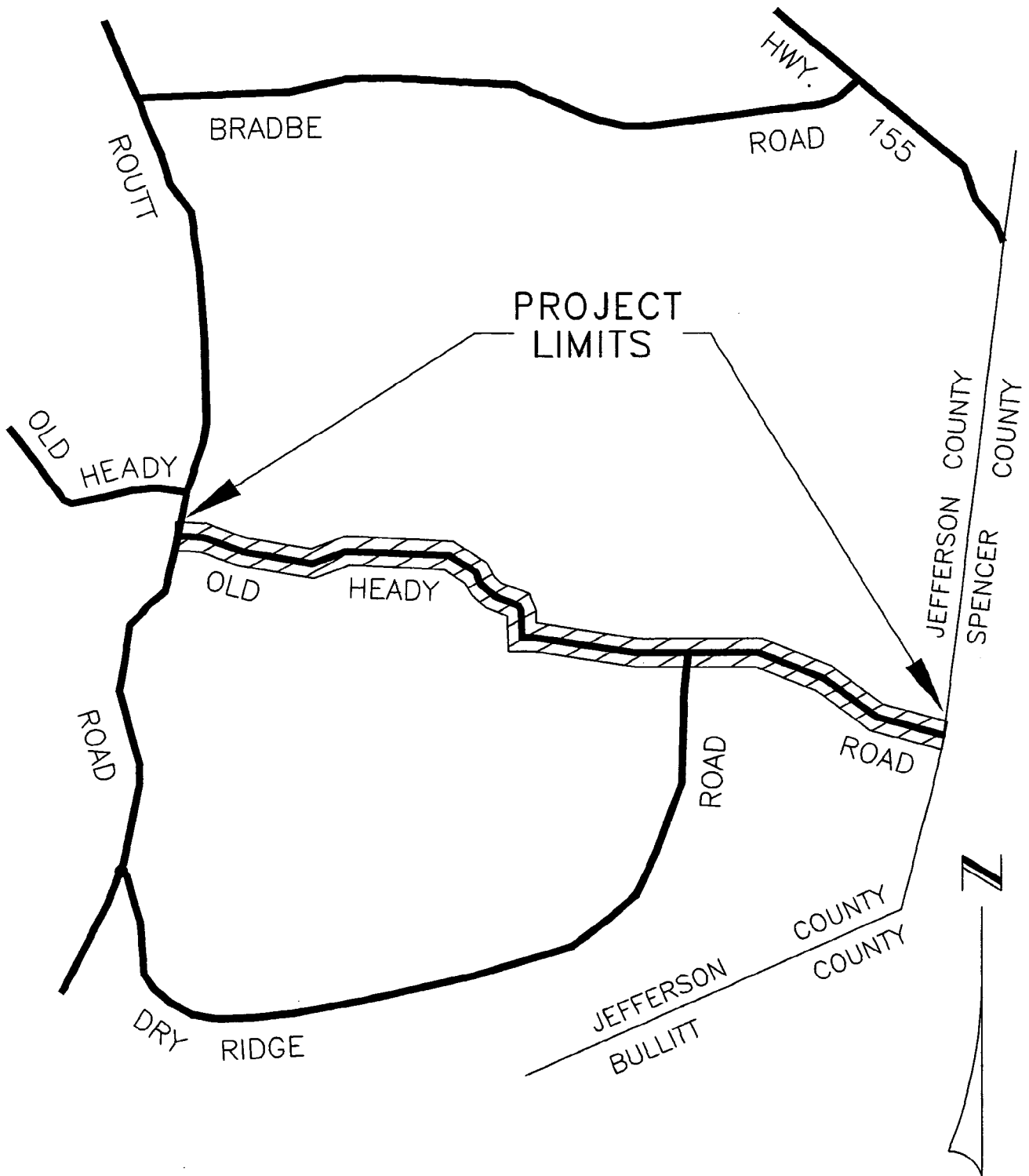
Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
April 10, 2001

**Board of Water Works
Resolution**

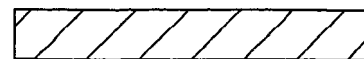
May 1, 2001

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Old Heady Road: Routt Road to county boundary**, a public way in Jefferson County, and acting thereon convened a public hearing on February 17, 2000, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Treasurer of the Company has recommended the extension of such water along **Old Heady Road: Routt Road to county boundary**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Old Heady Road: Routt Road to county boundary**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



FILE NAME: OLD HEADY

Appeared in the Courier-Journal 2/6/00

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Old Heady Road: Routt Road to county boundary (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Old Heady Road.

This public hearing will be held on Thursday, February 17, 2000 at 6:00 p.m. at the Fern Creek Fire Protection District, Station #3, 7700 Routt Road.

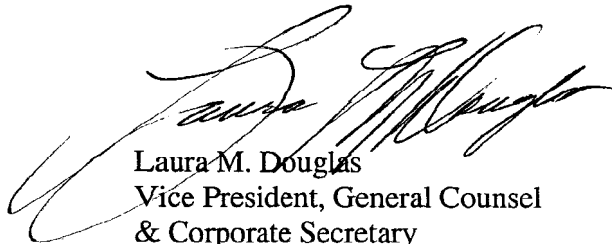
Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.

PROJECT AREA

CERTIFICATION

This is to certify that the following *Back Run Road: Broad Run Road to Dawson Hill Road* is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on May 8, 2001 a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

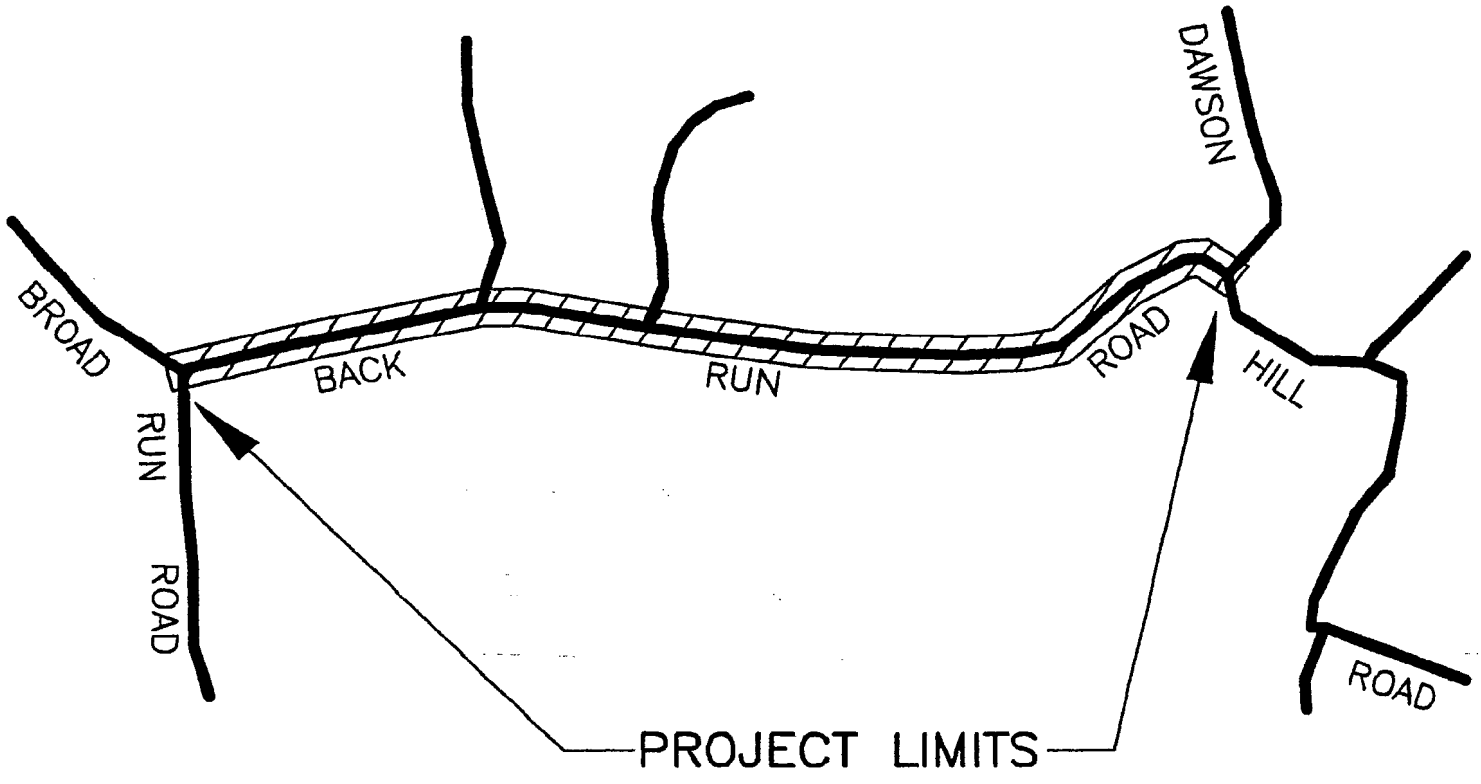
Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
April 10, 2001

**Board of Water Works
Resolution**

May 8, 2001

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Back Run Road: Broad Run Road to Dawson Hill Road**, a public way in Jefferson County, and acting thereon convened a public hearing on April 5, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Chief Engineer of the Company has recommended the extension of such water along **Back Run Road: Broad Run Road to Dawson Hill Road**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Back Run Road: Broad Run Road to Dawson Hill Road**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



FILE NAME: BACK RUN RD.

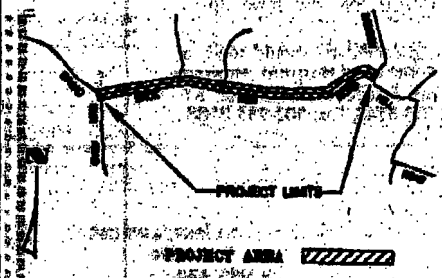
ADVERTISED IN THE COURIER JOURNAL
SUNDAY, MARCH 25, 2001

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 98.265, the Louisville Water Company will hold a public hearing for the property owners along Back Run Road: Broad Run Road to Dawson Hill Road (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Back Run Road: Broad Run Road to Dawson Hill Road.

This public hearing will be held on Thursday, April 5, 2001 at 6:00 p.m. at the Fern Creek Fire Protection District, Station #3, 7700 Routt Road.

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 568-3600.



The map shows a network of roads. A thick line indicates the 'PROJECT LIMITS' along Back Run Road from Broad Run Road to Dawson Hill Road. A hatched area below the map is labeled 'PROJECT AREA'. A legend at the bottom of the map shows a hatched box next to the text 'PROJECT AREA'.

**MINUTES OF REGULAR MEETING
BOARD OF WATER WORKS
June 12, 2001**

Board Members Present

Mr. Stephen Gault
Mr. Stewart Conner
Mr. Jack Segell
Mr. Phillip Bond

Board Members Absent

Mr. Owen Hammons
Ms. Wendy Welsh
The Hon. David L. Armstrong, Mayor

Others Present

Mr. John Huber
Mr. Robert Miller, V. P. Treasurer
Ms. Laura Douglas, V. P. General Counsel & Secretary
Mr. Gregory Heitzman, V. P. Chief Engineer
Ms. Karla Teasley
Mr. James Wehrle
Mr. Steve Hubbs
Ms. Kay Ball
Ms. Jane Driskell
Mr. Frank A. Appelfeller, P.E.

The Board Meeting convened at 12:30 p.m.

A motion was made to approve the consent agenda:

- Approve minutes of previous meetings.
- Approve claims paid during the previous month.
- Approve petitions and applications for water main extensions (when in full compliance with Service Rules and Regulations)

Project No.	Project Name	Total Project Cost
	Developer Installed Refunding Main Extension Projects	
	Windgate Meadows Section 1 (Project No. 99-022)	\$ 28,945.00
	Lake Forest 47A (Project No. 99-156)	\$ 46,150.00
	Oakwood Phase 2	\$ 64,800.00
	Spring Farm Court Tracts 2, 3 & 4	\$ 14,565.00
	Kellerman Place Subdivision Section I (Project No. 01-008)	\$ 45,685.00
	Locust Creek Section 1 (Project No. 01-014)	\$291,545.00
	Silver Oaks Section 2 (Project No. 01-024)	\$ 78,465.00
	Oxmoor Glen (Project No. 01-025)	\$ 8,535.00
	Tapping Fee Water Main Extension Project	
	Etawah Avenue (Project No. 01-017)	\$ 12,100.00
	Aldi Food Store (Project No. 01-019)	\$ 15,200.00

City of Louisville
 Eddy Alley Closure (LWC Project No. 01-1405A) \$ 2,650.00

Developer Requests
 Windgate Meadows Subdivision (LWC Project No. 01-498) \$ 15,300.00

Item D: Authorization for design and bid of projects (estimated to cost less than \$200,000)

Project No.	Project Name	Total Project Cost
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Item E: Bid tabulations (award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid.).

Project No.	Project Name	Total Project Cost
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Item F: Award of contracts less than \$50,000

I. Capital Program

00-331	Klapper Road Water Main Extension THREE T CONSTRUCTION	\$24,900
00-453	Lighting Improvements at ZPS MARINE ELECTRIC CO.	\$19,490
00-493	Lighting Improvements at CHPS READY ELECTRIC	\$17,225

II. Procurement of Goods and Services

01-22	Hy-Lo Hard Hat Heaters SPECIALTY TOOL AND MACHINE CO.	\$21,520
01-23	Large Format Plan Copier OCE'	\$9,890
01-24	Steel Street Plates MOBILE MAINTENANCE & REPAIR	\$18,118

III. Sole Sources

SOLE SOURCE	I-264 Interchange Transmission Mains LOUISVILLE GAS AND ELECTRIC	\$14,200
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Administrative Report

Mr. Huber reported that he has had several successful meetings with elected officials in Indiana regarding the Aqua Source Transaction. In addition, he has had a successful meeting with the Courier Journal Editorial Board. LWC is now engaged in due diligence. LWC is now meeting weekly with the Reuse Authority. Additional meetings with Southern Indiana elected officials are planned. Mr. Huber indicated that by the August Board meeting, he will be able to do a definitive briefing on how negotiations with Aqua Source are going.

Financial Report

Income and Expense Summary

Mr. Miller reported that:

- 1) Total operating revenue of \$35,530,600 is \$1,722,900 or 5.10% more than budgeted and \$2,048,900 or 6.12% more than the same period in 2000. We sold 1.20% less water in 2001 than the same period in 2000. The percent unaccounted for water was 17.66% through June.
- 2) Operating deductions of \$25,181,700 are \$1,753,900 or 7.49% more than budgeted and \$3,282,900 or 14.99% more than 2000.

Key Breakout Items are:

Water and Fire Service Provided in Lieu of Taxes	\$711,700
Depreciation	\$172,800
Operation and Maintenance Expenses	\$950,900
Legal Expenses	\$ 50,000

- 3) Net operating income of \$10,348,900 is \$30,900 or 0.30% less than budgeted.
- 4) Total non-operating income of \$2,380,400 is \$265,700 or 12.57% more than budgeted. Total non-operating expense of \$2,754,500 is \$410,100 less than budgeted.
- 5) Net income of \$9,974,800 is \$644,800 or 6.91% more than budgeted and \$801,000 or 7.43% less than 2000.

Mr. Miller also reported that the Louisville Water Company issued the Series 2001 Refunding Revenue Bonds in March in order to obtain a significant economic gain, similar to bond refunding transactions that occurred in 1978, 1987 and 1992. The economic gain is reflected on the Income Statement for each year that debt service savings are achieved through lower interest expenses. *The accounting entries for the Series 2001 Refunding Revenue Bonds were recorded in May, reflecting an economic gain from present value savings of \$3,910,658 and an extraordinary accounting loss of \$1,987,837.* This is consistent with the extraordinary accounting losses for 1978 (\$2,531,754), 1987 (\$7,916,411) and 1992 (\$2,506,329). Please note that Extraordinary Items do not affect the computation of the dividend. The dividend for the year is projected at \$12,875,600.

Operating and Engineering Report

Mr. Heitzman presented the Operations and Engineering Report.

Operations and Engineering Report for May 201

Water Pumpage

Mr. Heitzmann reported that pumpage for the month of May set a record with an average day delivery of 138.1 MGD. The five-year average for May is 119.2 MGD.

Ohio River Algae Bloom

From May 4 to May 19, an algae bloom occurred in the river. Algae blooms often contribute to musty taste and odor complaints from customers. The algae blooms also decrease filter

performance by clogging the filters and increasing headloss. Taste and odor levels were greater than 3.0 on the Threshold Odor Number scale. As a precautionary measure, powdered activated carbon was supplied to the reservoir at a 50-pound per million gallon rate.

Kentucky Division of Water Warning Letter

On May 23, the Division of Water issued a Warning Letter to Louisville Water Company for a release of chlorinated water into a stream that supports aquatic life. The chlorine and ammonia levels (less than 2 parts per million) contributed to a fish kill in the stream. The warning is in lieu of a Notice of Violation from the state. Staff is preparing a response to the incident and corrective action for submittal to the Division of Water.

Jefferson County Water Supply Management Council

The Jefferson County Water Supply Management Council met on May 31 to update the Jefferson County Water Supply Plan. The Plan was amended to include the remaining unserved roadways of Jefferson County. This will allow these remaining projects of the County Water Extension Program to be eligible for KIA 2020 Water Service grants from the state. The Council also changed the name of the Council to the Jefferson County Water Management and Planning Council, as required by Senate Bill 409, and appointed Greg Heitzman to be the Council Representative on the KIPDA Regional Water Council.

Middletown Landfill

The Middletown Landfill is currently used by Louisville Water Company crews to dispose of excess dirt from pipeline projects, service installations, and emergency repair activities. From a State perspective, it has been determined that the landfill is classified under the provisions of 401 KAR 47:080 as a "permit-by-rule" site, which allows for on-site disposal of certain classifications of waste without the owner having to make application to the State.

Considering the Jefferson County Ordinance on Erosion Prevention and Sedimentation Control, it has been determined that work will be required on the part of the Company to ensure compliance.

Litigation Report

After proper motion and second, the Board adjourned into closed session for the purpose of discussing litigation and a personnel matter. The Board reconvened into open session without taking any actions.

Report of Committees

Special Issues

Bid Tabulations

00-460/HVAC Improvements for Allmond Distribution Center Meter Shop

Mr. Heitzman reported that bids were received Wednesday, May 16 to install five (5) packaged rooftop HVAC units, including associated ductwork, controls, and electrical system at the Allmond Meter Shop. These units will complete replacement of the HVAC system in the north building of the facility, allowing the present hot water heat and multi-zone air handling systems to be retired. Replacement of these building service systems is recommended in Annual Inspection Reports prepared by CH2M Hill. Five bids were received for this project, ranging \$124,884-\$188,500. After proper motion and second, the Board voted to authorize the Chief

Engineer to award a contract in the amount of \$124,884 to ACCO, Inc. for HVAC Improvements for Allmond Meter Shop.

01-729/Radiant Heat System for Allmond Distribution Center Vehicle Garage

Mr. Heitzman reported that bids were received Wednesday, May 23 to install a natural gas-fired radiant heat system in the Allmond Avenue Garage. This system will replace aging forced-air unit heaters that have experienced continuous failures the past several winters. Five bids were received for this project, ranging \$69,505-\$83,702. The low bid is 27% below the engineer's estimate. After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$69,505 to Ohio Valley Mechanical, Inc. for Allmond Garage Radiant Heat System.

01-720/Southwest Jefferson County Fill Station

Mr. Heitzman reported that bids were received Wednesday, May 23 to install a water fill station on Highway 44 on property leased from Jefferson County government. One bid was received for this project, \$71,891. This bid exceeds the engineer's estimate of \$53,500. In comparison to the Fisherville Fill Station, which totaled approximately \$65,000 to construct, site clearing, earthwork, and roadway area are significantly greater. Based on revenue generated from the Fisherville Station, it is anticipated sales at the Highway 44 location could total up to \$27,000 per annum. After proper second and motion, the Board authorized the Chief Engineer to award a contract in the amount of \$71,891 to Southern Pipeline Construction Co. (CWBE) for Southwest Jefferson County Fill Station.

00-338/Martin Hill Road – KY 44 – Fort Knox Water Main Extension

Mr. Heitzman reported that bids were received Wednesday, May 23, 2001 to install approximately 30,439 lineal feet of 4-inch to 8-inch water main along Highway 44 west, Highway 1417, Downs Lane, East Martin Place, Martin Place, Mt. Eden Road, Mt. Elmira Road, and Hillview Road in Bullitt County. This project will provide water service to the Ft. Knox training facility in southwestern Bullitt County. Seven (7) bids were received from qualified contracting firms. **James Parsons Construction Company** submitted the responsive bid in the amount of \$680,698. After proper motion and second, the Board authorized the Chief Engineer to award a contract in the amount of \$680,698 to **James Parsons Construction Company** to install water facilities associated with this project.

01-503/Churchill Downs Area - Main Replacement Project

Mr. Heitzman reported that bids were received and opened Wednesday, May 30, 2001 to install 10,240 linear feet of 6-inch water main in the Churchill Downs Area of south-central Louisville. Included with the project are the renewal or transfer of 19 fire hydrant and 363 customer services. Selection of the Contractor was based upon an evaluation of the bids submitted. A total of 7 bids (6 Base Bids and 1 Alternate) were received and opened from pre-qualified contractors. Tom Brown Construction Company submitted the lowest responsive bid in the amount of \$568,100 resulting in a total project cost of \$792,300. After proper motion and second, the Board authorized the Chief Engineer to award a contract in the amount of \$568,100 to Tom Brown Construction Company to install the water facilities associated with this project.

Communications

Transmission Expansion Program; Request for Proposal for Consultant Services

Mr. Heitzman reported that the 2001 Capital Improvement Program identifies transmission projects having a total value of nearly \$40 million to be constructed over the next five years. In assessing the overall transmission needs of the Louisville Water Company system, it has been determined that approximately \$30 million of transmission projects must be out-sourced. This equates to approximately \$3.6 million in consultant design contracts.

Toward this end, staff has prepared a Request for Proposal for Engineering Services (RFP) and will solicit proposals from five consultants within the next 30 days. The five firms are: PDR Engineers; CSA North America; CH2M Hill; PEH Engineers; and Gresham Smith and Partners.

The intent of the RFP is to solicit qualifications, experience and hourly rates for the consultant's key job classifications. LWC staff will then perform a qualifications-based selection based upon the consultant's submittals.

After identifying the firms to be retained, staff will from time to time prepare project-specific scopes of work for the transmission projects to be out-sourced. Each scope of service will be negotiated with one of the selected firms based upon the hourly rates which were previously submitted by that respective firm.

By leveraging the consultant community as described above, staff expects to significantly improve project cycle time and to be much more responsive in completing the necessary back-bone transmission projects required to meet growing system demands.

Cedar Grove Tank and Property Purchase

Mr. Huber added a Communication item concerning the Cedar Grove Tank and Property Purchase.

At the December 2000 Board of Water Works meeting staff recommended, and the Board approved, the purchase of the Cedar Grove Business Park storage tank, property and water mains from the Salt River Development Corporation (Flynn Brothers) for a not-to-exceed price of \$910,000. This purchase was made with the understanding that the final price would be adjusted for fire service fees collected by Salt River Development and final cost adjustments for site improvements. The project budget was established at \$1,212,000.

The original June 15, 2000 lease agreement between KTWD and Salt River Development Corporation provided for an option for the District to purchase the tank and for the Louisville Water Company to purchase the tank if we acquire the assets of KTWD. The Bullitt County Advisory Board has recommended that LWC continue the lease agreement, allowing the cost of the tank to be recovered from future development in the area needing fire protection at \$1,000 per acre fire service fee. They recommend that the funding from Louisville Water Company to purchase the tank could then be used for other improvements in Bullitt County, allowing water rates to be equalized sooner.

Staff has reviewed the lease agreement, met with area developers, and considered the advantages of a continued lease agreement. Although the continued lease is an option, staff recommends that the Company proceed to purchase the tank as recommended and approve by the Board on December 12, 2000. This will allow LWC full management control of the tank and eliminate future fire service fees being assessed in the area by the developer. The purchase agreement is being finalized for execution and closing within 30 days. The tank purchase will be funded from Louisville Water Company's \$5.0 million commitment for the I-65 Transmission system, storage, and pumping as identified in the merger agreement with Kentucky Turnpike Water District.

Old Business

Request for Change Action/Lipps Lane – Main Replacement Project-LWC Project 00-507

Mr. Heitzman reported that on September 14, 2000, the Company entered into a contract in the amount of \$139,220.00 with C-Squared, Inc. for the supply and construction of 3,240 LF of 8-inch HDPE pipe along Lipps Lane and Bates Lane in southern Jefferson County. C-Squared, Inc. started work on this project October 17, 2000. During the completion of this project several

items of work were revised or added to the project at the request and approval of the Project Manager. The cumulative change exceeds the contract amount by \$15,345.00 (11%). Current policies require contract changes that increase the contract amount by more than \$50,000 or 10% to be approved by the Board of Water Works. After proper motion and second, the Board authorized the Chief Engineer to increase the contract amount with C-Squared, Inc. from \$139,220.00 to \$154,565 and to close-out the project.

Request for Change Action/Main Street – Main Replacement Project-LWC Project 00-509

Mr. Heitzman reported that on July 5, 2000, the Company entered into a contract in the amount of \$486,000 with MAC Construction and Excavating, Inc. for the construction of new water mains in Main Street between 1st Street and 6th Street. Included with the project were the transfer or renewal of 14 fire hydrants and 42 customer services. Work on 3rd Street (Main to Washington) and on 4th Street (near the Galt House) was deleted from the contract with MAC Construction and assigned to the Capital Construction crew. The work on 3rd Street has been completed. The work on 4th Street will be completed later this year. Several other items of work were revised. The cumulative change exceeds the contract amount by \$67,716.87 (13.9%). After proper motion and second, the Board authorized the Chief Engineer to increase the contract amount with MAC Construction and Excavating, Inc. from \$486,000.00 to \$553,716.87 and to close-out the project.

Change Action/Upper River Road Water Main Extension-LWC Project No. 96-729

Mr. Heitzman reported that on June 19, 1998, the Louisville Water Company entered into a contract (D884) in the amount of \$87,420.00 with C Square, Inc. for the installation of a 4,900 linear foot 12-inch water main extension along a segment of Upper River Road. Per the Louisville Water Company instruction, the construction was not implemented until easement acquisition was finalized on September 2000. Since the contract was awarded 27 months ago, C Square requested for a readjustment to the original contractual amount (\$87,420) and LWC agreed to a negotiated 5% (\$4,371) increase to the original contracted amount. The cumulative change exceeds the contract amount by \$11,977.00 (13.7%). After proper motion and second, the Board authorized the Chief Engineer to extend the contract with C Square to \$99,397.00.

Amendment of Previous Apportionment Warrant Resolution per KRS 96.265-13100 Rehl Road

Mr. Heitzman reported that the Board approved a resolution for the issuance of Apportionment Warrants for 12405 Rehl Road to 13010 Rehl Road at its July 13, 1999 meeting. At that time, the water main had not been installed in the section fronting 13100 Rehl Road because the needed easement had not been obtained. The Louisville Water Company obtained the easement on this property in July 2000. With the completion of this public water main extension at 13100 Rehl Road, the Board of Water Works is required to issue an Apportionment Warrant against the property assessed in accordance with KRS 96.265. After proper motion and second, the Board voted to amend the July 13, 1999 Resolution as shown on the attached amending resolution for the issuance of an Apportionment Warrant and lien against the benefited property at 13100 Rehl Road in accordance with KRS. 96.265, as described.

Issuance of Apportionment Warrants per KRS 96.265-Project 97-572 Dixie Beach Road: Dixie Highway west to end of Private Roadway

Mr. Heitzman reported that an Apportionment Warrant public hearing was held October 30, 1997 for the extension of water service along Dixie Beach Road: Dixie Highway west to end of

Private Roadway. To satisfy the property owner's request for a water main extension project and given the unusual property configurations and ownership patterns along this private roadway, the Louisville Water Company utilized the Apportionment Warrant method of extension identified in KRS 96.265(Section 11), which allows a water extension project by private agreement with superior lien rights. The Board of Water Works adopted a resolution for Dixie Beach Road: Dixie Highway west to end of Private Roadway on July 14, 1998. Due to the unusual property configurations and ownership patterns along this private roadway, the properties that are being assessed are only those properties with houses in which the property owner signed the petition. With the completion of this private water main extension, the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265. After proper motion and second, the Board voted to adopt the attached resolution for the issuance of Apportionment Warrants and liens against 10 benefited properties along Dixie Beach Road: Dixie Highway west to end of Private Roadway in accordance with KRS. 96.265(11), as described.

New Business

Declaration of Dividend to City of Louisville

Mr. Huber reported that section 508 of the Series 1992 Water System Revenue Bond Resolution provides that the Louisville Water Company will pay to the Commissioners of the Sinking Fund an annual dividend on the Louisville Water Company stock owned by the City. The dividend is to be paid in quarterly installments, such payments to be based on estimated annual net income and as nearly equal in amount as possible. The budgeted net income of \$27,582,900 for 2001 requires payment of an annual dividend of \$12,107,000 in quarterly installments of \$3,026,750. The quarterly dividend payment must be increased by \$25,064 to reflect one quarter of the \$100,256 dividend underpayment in 2000. After proper motion and second, the Board voted to adopt a resolution declaring the second quarterly 2001 dividend in the amount of \$3,026,750. This resolution provides for a total quarterly payment of \$3,051,814.

University of Louisville Center for Infrastructure Research

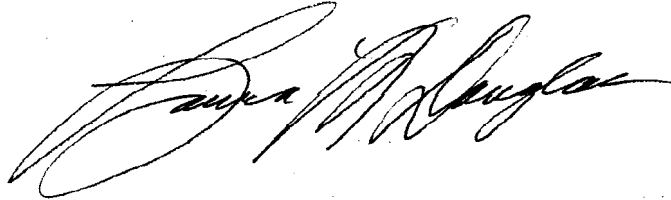
Mr. Huber and Mr. Heitzman reported that urban infrastructure renewal is a growing concern in major metropolitan areas of the United States. Many of the utility infrastructure systems are over 100 years in age, many built prior to the Civil War. In a recent report prepared by the Water Infrastructure Network (WIN), the funding gap for renewing America's water and wastewater systems is \$1.0 billion. A critical component to cost effective infrastructure renewal is the appropriate investment in research and development. In response to this need, Louisville Water Company and the Louisville and Jefferson County Metropolitan Sewer District have been working with the Civil Engineering Department at the University of Louisville's Speed Scientific School to develop a Center for Infrastructure Research (CIR). The Center for Infrastructure Research will be positioned to perform research on aging infrastructure systems in the urban environment and will begin to address the \$1.0 billion water and wastewater needs in the United States. As a major partner, Louisville Water Company and the Metropolitan Sewer District will contribute \$50,000 each for five years, for a total \$250,000 commitment to fund the Center. After proper motion and second, the Board agreed to participate as a major partner in the University of Louisville Center for Infrastructure Research. The \$50,000 membership fee is included in the 2001 Operations budget. The Company would sign an agreement to participate for five years, for a total commitment of \$250,000.

The meeting adjourned at 2:30 p.m.

CERTIFICATION

This is to certify that the following: Rehl Road, 12405 Rehl Road to 13010 Rehl Road to include the property listed in the name of C. Patrick & Janice McGraw, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on June 12, 2001, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas". The signature is fluid and cursive, with a large initial "L" and "D".

Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
June 12, 2001

**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on July 13, 1999, directing the issuance of Apportionment Warrants against properties located on Rehl Road: 12405 Rehl Road to 13010 Rehl Road to include the following property listed in the name of C. Patrick & Janice McGraw:

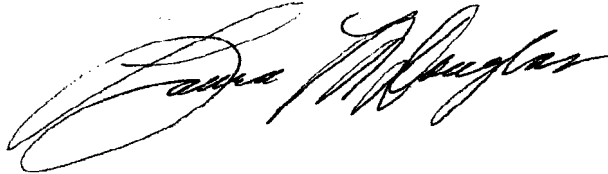
<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
AW# 46509019	C. Patrick & Janice McGraw	13100 Rehl Road	\$5,450

Deed Book 7189, Pg. 472
Tax District: 22
Tax Block 40, Lot 256

CERTIFICATION

This is to certify that the following: Dixie Beach Road, Dixie Highway west to end of Private Roadway, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on June 12, 2001, a quorum being present.

Signed,

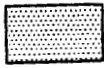
A handwritten signature in black ink, appearing to read "Laura M. Douglas". The signature is fluid and cursive, with a large initial "L" and "M".

Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
June 12, 2001

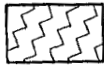
APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265(11) of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Dixie Beach Road: Dixie Highway west to end of Private Roadway** main extension project authorized by Private Petition/Agreement such warrants to be against 10 benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$2472.00 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

DIXIE BEACH ROAD



LOTS TO BE ASSESSED
APPORTIONMENT WARRANT = ⑩

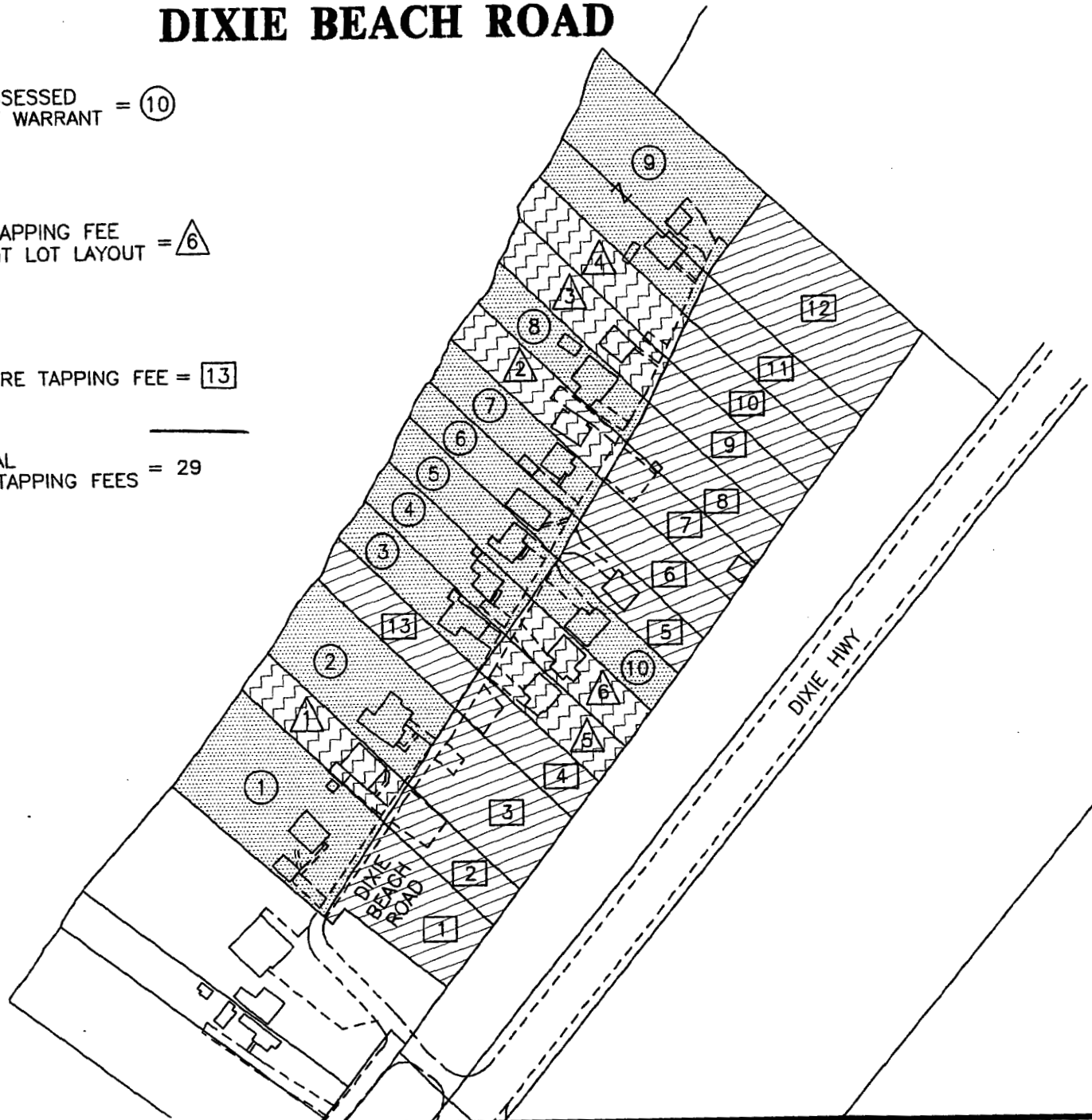


LOTS TO PAY TAPPING FEE
UNDER CURRENT LOT LAYOUT = △6



POSSIBLE FUTURE TAPPING FEE = 13

TOTAL POTENTIAL
ASSESSMENTS/TAPPING FEES = 29



ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0830277	ROBERT H & JEAN G BENTON	16219 DIXIE BEACH ROAD	2,472.00		
	16222 DIXIE BEACH ROAD	DEED-BK 6204	LIEN-DT		RELS-DT
	WEST POINT KY	DEED-PG 684	LIEN-BK		RELS-BK
	40177	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	22	
0830278	ROBERT H & JEAN G BENTON	16222 DIXIE BEACH ROAD	2,472.00		
	16222 DIXIE BEACH ROAD	DEED-BK 6174	LIEN-DT		RELS-DT
	WEST POINT KY	DEED-PG 784	LIEN-BK		RELS-BK
	40177	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	5	
		16300 DIXIE BEACH ROAD	2,472.00		
		DEED-BK 6174	LIEN-DT		RELS-DT
		DEED-PG 784	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	26	
0830279	RONALD CARDWELL	16200 DIXIE BEACH ROAD	2,472.00		
	16200 DIXIE BEACH ROAD	DEED-BK 5282	LIEN-DT		RELS-DT
	WEST POINT KY	DEED-PG 959	LIEN-BK		RELS-BK
	40177	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	12	
		16200 DIXIE BEACH ROAD	2,472.00		
		DEED-BK 5282	LIEN-DT		RELS-DT
		DEED-PG 959	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	11	
0830280	SHELBY L & MAURISSETT GIVINS	16310 DIXIE BEACH ROAD	2,472.00		
	9214 DONERAIL WAY	DEED-BK 6586	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 655	LIEN-BK		RELS-BK
	40272	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	28	
0830281	THE BANK OF NY	16302 DIXIE BEACH ROAD	2,472.00		
	C/O C/O: LONG BEACH MORTGAGE C	DEED-BK 7615	LIEN-DT		RELS-DT
	P.O. BOX 6148	DEED-PG 294	LIEN-BK		RELS-BK
	ORANGE CA	TAX-DST	LIEN-PG		RELS-PG
	92868-6148	TAX-BLK 1138	LOT-NO.	4	
0830282	RANCE & BERTHA HUMPHREY	16214 DIXIE BEACH ROAD	2,472.00		
	16214 DIXIE BEACH ROAD	DEED-BK 5392	LIEN-DT		RELS-DT
	WEST POINT KY	DEED-PG 709	LIEN-BK		RELS-BK
	40177	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	23	
0830283	JOHN A & JO EL LANCASTER	16208 DIXIE BEACH ROAD	2,472.00		
	7905 MAPLE HILL ROAD	DEED-BK 4775	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 101	LIEN-BK		RELS-BK
	40219	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	9	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0A30284	JOE & PATRICIA MATTINGLY	16218 DIXIE BEACH ROAD	2,472.00		
	16218 DIXIE BEACH ROAD	DEED-BK 6912	LIEN-DT		RELS-DT
	WEST POINT KY	DEED-PG 395	LIEN-BK		RELS-BK
	40177	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO. 6		
0A30288	JOYCE SULLIVAN	16219 DIXIE BEACH ROAD	2,472.00		
	14505 DIXIE HWY	DEED-BK 6777	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 359	LIEN-BK		RELS-BK
	40272	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO. 24		
0A30289	DONALD RAY ZENOR	16212 DIXIE BEACH ROAD	2,472.00		
	16212 DIXIE BEACH ROAD	DEED-BK 6468	LIEN-DT		RELS-DT
	WEST POINT KY	DEED-PG 208	LIEN-BK		RELS-BK
	40177	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO. 7		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
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10 NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 24,720.00

**MINUTES OF REGULAR MEETING
BOARD OF WATER WORKS
July 10, 2001**

Board Members Present

Mr. Stewart Conner
Mr. Jack Segell
Mr. Owen Hammons
Mr. Phillip Bond
Ms. Wendy Welsh

Board Members Absent

The Hon. David L. Armstrong, Mayor
Mr. Stephen Gault

Others Present

Mr. John Huber, President
Ms. Laura Douglas, V. P. General Counsel & Secretary
Mr. Robert Miller, V. P. Treasurer
Mr. Gregory Heitzman, V. P. Chief Engineer
Mr. Frank A. Appelfeller, P.E.
Ms. Kay Ball
Mr. Steve Hubbs
Ms. Karla Teasley
Ms. Jane Driskell
Ms. Julie Lampkin, Mindel Scott & Associates

The Board Meeting convened at 12:30 p.m.

A motion was made to approve the consent agenda:

- Approve minutes of previous meetings.
- Approve claims paid during the previous month.
- Approve petitions and applications for water main extensions (when in full compliance with Service Rules and Regulations).

Project No.	Project Name	Total Project Cost
Developer Installed Refunding Main Extension Projects		
	Billtown Farms Section 1 (Project No. 00-038)	\$ 166,915.00
	Arbor Ridge Hwy 329 Bore (Project No. 01-007)	\$ 44,533.00
	Magnolia Place Grid Tie	\$ 8,350.00
	Indian Falls Phase 2 Section 4 (Project No. 01-016)	\$ 47,585.00
	Forest Green Patio Homes Section 3 (Project No. 01-020)	\$ 71,605.00
	Chamberlain Gardens Townhomes (Project No. 01-028)	\$ 14,630.00
	Orchard Lake at Breckenridge Section 2 Phase 1 (Project No. 01-030)	\$ 66,645.00
	Orchard Lake at Breckenridge Section 2 Phase 2 (Project No. 01-031)	\$ 51,285.00
	Heritage Creek Subdivision Section 6 (Project No. 01-033)	\$ 32,660.00
	Standiford Plaza – Kohl's (Project No. 01-035)	\$ 84,210.00
	Lake Forest Highlands Section 1B (Project No. 01-037)	\$ 36,235.00

Developer Installed Tapping Fee Main Extension Project
 Louisville Logistics Centre/Blue Lick Road (Project No. 01-021) \$125,625.00

Metropolitan Sewer District Relocation Projects
 Kramers Lane (KL-1N) Boxwood Ditch (LWC Proj. No. 01-528) \$ 7,450.00

Developer Requests
 Hardwood Forest – Section 2 (LWC Proj. No. 01-533) \$114,000.00
 Tyler Lane (LWC Proj. No. 01-1409D) \$ 12,750.00
 Trade Port Drive Distribution Center (LWC Proj. No. 01-1409D) \$ 7,250.00

Item D: Authorization for design and bid of projects (estimated to cost less than \$200,000)

Project No.	Project Name	Total Project Cost
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Item E: Bid tabulations (award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid.).

Project No.	Project Name	Total Project Cost
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Item F: Award of contracts less than \$50,000

Project No.	Project Name	Total Project Cost
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Capital Program

L-00	Middletown Fill HALL CONTRACTING OF KENTUCKY, INC.	\$30,000
L-00	Installation of Electrical and Phone Service Conduit-Peaceful Valley BPS SOUTHER PIPELINE CONSTRUCTION CO. (CWBE)	\$38,060
00-206	Reamers Road Water Main Extension WHF, INC.	\$29,860
01-505	Herr Street Main Replacement Project SOUTHERN PIPELINE CONSTRUCTION CO. (CWBE)	\$31,331
01-507	Lansing Avenue Main Replacement Project M & A CONSTRUCTION, INC.	\$20,795

Procurement of Goods and Services

00-31	Cast Elevator Riser Rings – PPI Renewal BINGHAM & TAYLOR AND FORD METER	\$ 45,251
01-20	8 oz. Water Bottles LOUISVILLE CONTAINER COMPANY	\$ 38,623
01-27	Women’s Restroom Renovation – Allmond Avenue KARBAR CONSTRUCTION COMPANY	\$10,259

01-28	Radio Room Renovation KARBAR CONSTRUCTION COMPANY	\$ 20,093
01-29	Drilling Machine HUGHES SUPPLY	\$ 17,658

Certificates of Emergency

Certificate of Emergency	Repair to BEP High Lift Pump Motor #6 MOHLER TECHNOLOGY	\$14,396
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Professional Services

Professional Services	2001 Annual Inspection Consulting Services BLACK & VEATH CORPORATION	\$26,300
Professional Services	Computer Hydraulic Analysis (Bullitt Co.) KENVIRONS, INC.	\$18,000
Professional Services	Conceptual and Preliminary Design Reports Production Facilities Roof Replacement Program ROOF RESOURCES, INC.	\$22,740

Sole Sources

Sole Sources	Water Pressure, Temperature & Display System SCHLEMMER ASSOCIATES	\$13,000
Sole Sources	AM/FM Implementation-ArcInfo ArcSDE for Oracle Licenses ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE	\$36,426

Administrative Report

Mr. Huber gave an oral administrative report. He indicated that the company had instituted a reorganization. Mr. Huber and Mr. Wehrle described the reorganization for the Board. Steve Hubbs has stated his desire to retire in the next few years, so we hope to take full advantage of his expertise while we have the opportunity. Accordingly, Steve has agreed to move into a newly-created position as VP, New Technology. This will allow his operational responsibilities to be assumed by others, who will still have him available for consultation, while he continues his work on the RBI Program and other advanced water treatment technologies. Steve Hubbs' reassignment leaves ten operational systems to be divided between Greg Heitzman and Karla Teasley. This is to be done in a manner intended to give each of them some new areas of career development. When combined with BSO rotation, all of this is to be achieved on January 1, 2002 as follows:

Greg Heitzman's New Core Business System

Lab: Jack Wang (no change at this time)
Plant: Scott Potter
Facilities: Jim Asseff
Distribution Operations: Jim Brammell
Infrastructure Services: Ed Chestnut

Karla Teasley's New Core Business System

Infrastructure Planning: Jim Smith

Distribution Extension: Ralph McCord

Distribution Design & Construction: Steve Cooper (no change at this time)

Customer & Public Info: Susan Camp

Accounting/Billing/Collecting/Service: Kevin Grant (no change at this time)

Mr. Huber also commented about an article in the *Courier Journal* regarding the investment of water utilities into their infrastructure. He indicated that a response article describing LWC's significant investment in infrastructure had been prepared. Mr. Huber also announced that Ms. Rhonda Plunkett has accepted the position of Director of Diversity.

Financial Report

Income and Expense Summary

Mr. Miller gave the financial report. He reported that the owner of Diversified Sheet Metal is his brother-in-law. Page 25 of the claims indicates that the company was paid \$185 for performing work on the exhaust fan at Almond Avenue. Mr. Miller stated that he did not participate in the award of the contract to Diversified Sheet Metal. Mr. Miller reported that:

- 1) Total operating revenue of \$43,815,200 is \$2,427,500 or 5.87% more than budgeted and \$2,333,800 or 5.63% more than the same period in 2000. We sold 2.82% less water in 2001 than the same period in 2000. Water delivered to the mains was 0.42% less than 2000.
- 2) Operation and maintenance expense of \$19,418,300 is \$872,000 or 4.70% more than budgeted and \$1,548,100 or 8.66% more than 2000.
- 3) Operating deductions of \$30,317,400 are \$1,824,000 or 6.40% more than budgeted and \$3,347,600 or 12.41% more than 2000.
- 4) Net operating income of \$13,497,800 is \$603,400 or 4.68% more than budgeted.
- 5) Total non-operating income of \$2,702,700 is \$150,600 or 5.90% more than budgeted. Total non-operating expense of \$3,319,200 is \$477,800 or 12.59% less than budgeted.
- 6) Net income of \$12,881,200 is \$1,232,000 or 10.58% more than budgeted and \$702,700 or 5.17% less than 2000.

Operating and Engineering Report

Mr. Heitzman presented the Operations and Engineering Report.

Production

Pumping for the month of June averaged 139 MGD compared to a five-year average of 136.4 MGD. Year to date pumping is nearly the same as pumping for 2000, and approximately 2 percent above the five-year average.

Water Quality

392 distribution water samples for June yielded 14 positive total coliforms, representing 3.6 percent of the distribution system samples. The maximum level permitted by the Kentucky Division of Water is 5 percent of distribution samples. The warmer source water temperature of 80 degrees contributes to bacterial regrowth in the distribution system, increasing the number of positive sample results. A system wide flushing program has been initiated to address this annual occurrence with the objective to reduce the number of positive sample results. To date, 240 miles of the distribution system has been flushed.

Customer Service and Billing

The call center received 30,383 calls with an abandonment rate of 5.72 percent. Additional staffing in this area has reduced the abandonment rate below the high levels experienced in the second half of 2000. The goal is to reduce this level to fewer than 2 percent. 100 percent of the water bills were processed on time, with an accuracy rate of 99.9 percent.

Distribution Center

Work units accomplished for the year total 13,245 with a backlog of 994, well below the system 2000-year average of 1297. No significant main break activity occurred during the month.

City of Newport Water System

The City of Newport has issued a Request for Proposals to purchase the water system. Staff is monitoring this closely by participating in the RFP process, including site visits and system evaluation.

Bullitt County Advisory Board

The Advisory Board met on June 27 for the second quarter meeting. Financial results were presented along with a summary of the capital projects under design or construction. A meeting summary is provided under communications.

Litigation Report

After proper motion and second, the Board voted to go into closed session for the purpose of discussion litigation and acquisition of property. The Board reconvened into open session without taking any action.

Special Issues

2001 – 2003 Information Technology Strategic Plan Status

Tony Gregory gave the IT Strategic Plan update. The key Information Technology strategies for 2001 – 2003 include:

- Sustain investment in the four Information Technology Architectures:
 1. Information Supply Systems
 2. Technical
 3. Data
 4. Organizational
- Continue re-engineering and replacement of legacy Information Supply Systems to meet changing business and information needs.
- Invest in technologies to provide information to employees, customers, suppliers, and business partners quickly and efficiently, leveraging investment in existing Data and Technical Architectures.
- Design and deploy data marts for decision support and process based management information.
- Invest in continuous training to maintain appropriate skill base and competencies for providing quality products and services to meet the strategic business objectives of the LWC Strategic Plan and associated program plans.

Staff has made significant progress in implementing several of the strategies outlined in the plan within existing budgets and timeframes.

New Business

Mr. Huber and Mr. Heitzman reported on Projects 01-203, 01-204, and 01-205 for CWEP Engineering Service.

Project No. 01-203 Broad Run Road (Back Run Road to Markwell), Markwell Road, and Stout Road/Project No. 01-204 Broad Run Road (7901 Broad Run Road to Fairmount Rd.)/Project No. 01-205 Top Hill Road, Mitchell Hill Road, Goff Lane, Snawder Lane, Easement (Bearcamp Road to Snawder Lane), Easement (Forest Manor House to Mitchell Hill Road), and Bearcamp

This RFP will take the CWEP program through 2003. The evaluation process has been completed for the award of engineering design of approximately 11.8 miles of 6-inch and 8-inch water main in CWEP Area Three. Five (5) qualified consulting firms submitted proposals for RFP One and RFP Two. A cross-functional team evaluated all proposals. The three components included in the evaluation process, Technical Proposal, Interview, and Cost Proposal, were each given 30%, 40%, and 30% weightings, respectively, to produce the total ratings and rankings shown in the attached Table One. Firms invited to participate were: Quest, Mindel-Scott, Khafre, PEH and O'Brien & Gerl. From the evaluations, Quest Engineers Inc. had the highest rating for both RFP projects. Mindel, Scott & Associates, Inc. scored the same rating as Quest Engineers Inc. on RFP One. Based on the one RFP per consultant criteria, Mindel, Scott & Associates, Inc. is recommended to be awarded RFP One in the amount of \$153,981.82 and Quest Engineers Inc. is recommended to be awarded RFP Two in the amount of \$256,750.00. After proper motion and second, the Board voted to authorize the chief Engineer to award two Professional Services. Contracts in the amount of \$153,981.82 to Mindel, Scott & Associates, Inc. for RFP One, and \$256,750.00 to Quest Engineers Inc. for RFP Two for professional engineering services to design CWEP water facilities.

Bid Tabulations

01-509/Maylawn Avenue - Main Replacement Project

Mr. Heitzman reported that bids were received and opened Wednesday, June 20, 2001 to install 890 linear feet of 8-inch water main in Maylawn Avenue between Bradley Avenue and Ellsworth Avenue. Included with the project are the renewal or transfer of 3 fire hydrant and 36 customer services. An alternate bid was accepted to supply and install HDPE pipe. Bids were compared on total project cost since the Alternate Bid included supply of pipe materials. A total of 8 bids were received and opened from pre-qualified contractors. Southern Pipeline Construction Company submitted the lowest responsive bid in the amount of \$51,600 (Alternate Bid) resulting in a total project cost of \$63,940. The resulting total unit cost for this project is \$71.84/LF. After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$51,600 to Southern Pipeline Construction Company to install the water facilities associated with this project.

99-550/Hidden Creek Lane Water Main Extension Project

Mr. Heitzman reported that bids were received Wednesday, June 20, 2001, to install approximately 3,215 lineal feet of six-inch water main on Hidden Creek Lane from Thixton Lane south 3,215 feet. A total of four bids were received from qualified contracting firms. The low responsive base bid in the amount of \$212,432.00 was submitted by Debbie Sutherland Excavating. This amount, which is 48% greater than the Project Manger's estimate, is due to additional rock removal, road repairs, and erosion control, all exasperated by the extreme field conditions. After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$212,432.00 to Debbie Sutherland Excavating to install water facilities associated with this project.

00-306/Waterford Road Water Main Extension

Mr. Heitzman reported that bids were received Wednesday, June 13, 2001, to install approximately 1,530 lineal feet of 6-inch water main on Waterford Road. This project is identified in the County-Wide Water Extension Program in Extension Area 3. On March 6, 2001, D&G Plumbing & Excavating was awarded the contract for a bid contract amount of \$82,550.00. In late April D&G Plumbing & Excavating advised they could not complete the contract. The BOWW was notified on May 8th and the project was rebid. A total of five bids were received from qualified contracting firms. The low responsive base bid in the amount of \$80,000.00 was submitted by Debbie Sutherland Excavating, Inc. After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$80,000 to Debbie Sutherland Excavating, Inc. to install water facilities associated with this project.

98-673/LaGrange Road 24" Transmission Main and Chamberlain Lane Booster Pump Station.

Mr. Heitzman reported that bids were received and opened Wednesday, June 27, 2001 to furnish and install 510 linear feet of 24-inch Prestressed Concrete Cylinder Pipe and 7,240 linear feet of Ductile Iron Pipe in Chamberlain Lane and Old LaGrange Road. A total of six (6) bids were received and opened from pre-qualified contractors. Peters Contracting submitted the best-evaluated bid having a score of 93.09; the amount of the bid was \$1,251,850 resulting in a total project cost of \$1,551,850. The best-evaluated bid is almost 13% under the Project Manager's Estimate. After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$1,251,850 to Peters Contracting to install the water facilities associated with the project.

01-25/Security Service

Mr. Miller reported that on June 13, 2001, bids were opened to award a three-year contract for security service. This contract is for security related services for the Corporate Headquarters. A total of ten bids were submitted with the lowest, most responsive bid from Jefferson Special Police for an estimated three-year total of \$207,900. After proper motion and second the Board voted to authorize staff to award a three-year contract totaling an estimated \$207,900 to Jefferson Special Police. This bid represents a 10% decrease in unit prices from the previous bid three years ago.

Communications

Bullitt County Advisory Board Meeting Summary

Mr. Heitzman reported that the Bullitt County Advisory Board meeting was held on June 27. A financial summary was provided for the first quarter 2001 activities. The Bullitt County Reserve ended 2000 with a balance of \$2,450,338. A capital project summary was provided to the Advisory Board. Through June 15, \$7.4 million of projects are under design or construction. The Advisory Board was advised of the decision to purchase the Cedar Grove Business Park storage tank and property from the developer (SRDC-Flynn Brothers) with funding provided by LWC's \$5.0 million commitment to build the I-65 Transmission System. Several Advisory Board members voiced their disagreement with our decision to purchase the tank. The Advisory Board was advised of the Company's decision to drop the practice of collecting a \$150 tapping fee from all new customers in KT#1. This practice was reviewed by LWC legal counsel, which concluded this fee should be discontinued since the fee was not established in the District's 1995 tariff approved by the Kentucky Public Service Commission. All fees collected since the merger on September 29, 2000, (approximately \$7,500), will be refunded to customers. The Advisory Board was updated on negotiations with North Nelson Water District for a new wholesale water rate. North Nelson desires the standard LWC wholesale rate of \$1.35 per 1000 gallons, while the Advisory Board recommends a higher wholesale water rate that protects the revenue stream into the Bullitt County Reserve. LWC staff will develop some rate alternatives for the Advisory Board to review, prior to submittal to the North Nelson Water District. The Advisory Board was briefed on a request by Mr. Pat Burke to serve Dreams End Lane and Serene Meadows development along Highway 480. These projects were a subject of a PSC Order in case # 97-323 between Burke Realty and the Kentucky Turnpike Water District. Staff will review the facts of the PSC's final order and determine the course of action necessary to allow Burke to get water to the subject properties.

Old Business

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265 Scotts Gap Road: End of existing water main to County Line

Mr. Heitzman reported that an Apportionment Warrant public hearing was held for Scotts Gap Road: End of existing water main to County Line. The public hearing was held in response to receipt of a majority petition for this public road project. Following the formal presentation, an opportunity was provided for residents to ask questions and state their position with respect to their project. This project meets guidelines and recommendations outlined in the Task Force Report and Implementation Plan for County-wide Extension of Water Service. After proper motion and second, the Board voted to refer this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design, and advertisement for bid on this project.

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265/Top Hill Road: Snawder Lane to Mitchell Hill Road/Goff Lane: Top Hill Road south 3,000 feet (end of public portion)/Snawder Lane: Top Hill Road south 1,600 feet (end of public portion)/Mitchell Hill Road: From Top Hill Road south 1,100 feet

Mr. Heitzman reported that an Apportionment Warrant public hearing was held for Top Hill Road: Snawder Lane to Mitchell Hill Road, Goff Lane: Top Hill Road south 3,000 feet (end of public portion), Snawder Lane: Top Hill Road south 1,600 feet (end of public portion) and Mitchell Hill Road: From Top Hill Road south 1,100 feet. The public hearing was held in response to receipt of a majority petition for this public road project. Following the formal presentation, an opportunity was provided for residents to ask questions and state their position with respect to their project. This project meets guidelines and recommendations outlined in the Task Force Report and Implementation Plan for County-wide Extension of Water Service. After proper motion and second, the Board voted to refer this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design, and advertisement for bid on this project.

Issuance of Apportionment Warrants per KRS 96.265(11)/Upper River Road: Between River Edge Road and Woodside Road/Water Service/LWC Project No. 96-729

Mr. Heitzman reported that the Board of Water Works adopted a resolution for Upper River Road: between River Edge Road and Woodside Road on June 5, 1996 recommending the water service and fire protection extension upon agreement by a 2/3 majority of the residents participation. A public hearing was held August 22, 1996 for the extension of water service and fire protection service along Upper River Road: between River Edge Road and Woodside Road. Subsequently, a 2/3 majority was obtained from the property owners along this route agreeing to pay \$5,450 for water protection service (4 of 5 eligible properties). The construction contract was awarded to C Square in June 1998. With the completion of this public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265(11). In accordance with the recommendation cost of the water service, the equal assessment method for each participating petitioner is \$5,450. After proper motion and second, the Board voted to adopt a resolution for the issuance of Apportionment Warrants and liens against five (5) benefited properties along Upper River Road: between River Edge Road and Woodside Road in accordance with KRS. 96.265(11), as described.

Issuance of Apportionment Warrants per KRS 96.265(11)/Upper River Road: Between River Edge Road and Woodside Road/Fire Protection Service/LWC Project No. 96-729

The Board of Water Works adopted a resolution for Upper River Road: between River Edge Road and Woodside Road on June 5, 1996 recommending the water service and fire protection extension upon agreement by a 2/3 majority of the residents participation. A public hearing was held August 22, 1996 for the extension of water service and fire protection service along Upper River Road: between River Edge Road and Woodside Road. Subsequently, a 2/3 majority was obtained from the property owners along this route agreeing to pay \$3,000 for fire protection service. With the completion of this public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265(11). After proper motion and second, the Board voted to adopt a resolution for the issuance of Apportionment Warrants and liens against six (6) benefited properties along Upper River Road: between River Edge Road and Woodside Road in accordance with KRS.

96.265(11), as described. Note that per KRS 96.265(11) only those property owners actually signing the petition will be assessed the \$3,000. Those not signing who later want water will be charged the tapping fee of \$5450.

Project 94-792B, Phase I; Westport Road / I-264 Interchange Mains (Phase I) Change Action

Mr. Huber and Mr. Heitzman reported that on September 29, 2000, the Company entered into a contract in the amount of \$1,170,000 with MAC Construction & Excavating, Inc. to construct the first of two Phases of the Westport Road / I-264 interchange transmission main relocations. Subsequent to the award of this contract the Jefferson County Public Works and the KTC have changed their position with respect to allowing the water main to be installed in Washburn Avenue. As such, the KTC directed the LWC to re-design the layout of the 48-inch discharge main, so as to install it one block to the east of Washburn Avenue, along Fountain Avenue, and to extend it significantly beyond the boundaries of the KTC's interchange roadway project and into the boundaries of the KTC's Washburn Avenue-to-Lyndon Lane roadway project. At the direction of the LWC, MAC has submitted a cost proposal for the entire Phase I project, which includes the re-designed pipeline layout of the 48-inch discharge main. MAC's proposal is in the amount of \$1,574,348.24 which compares favorably with LWC's revised estimate of \$1,629,073. The entire change amount is expected to be reimbursed by the KTC. After proper motion and second, the Board authorized the Chief Engineer to extend the contract with MAC Construction & Excavating, Inc. to \$1,574,348.24 upon receipt of approval from the KTC.

New Business

Paint Crescent Hill Smokestack

Mr. Heitzman reported that the Crescent Hill smokestack, retired from service with retirement of the boilers many years ago, presently serves to support the Company radio repeater antenna, and cellular communications equipment under several lease agreements, generating approximately \$54,000 per annum. Due to corrosion of the surface, it is desired to paint the stack to extend the useful life of the facility and improve the aesthetic quality. The stack was placed into service with construction of the Crescent Hill Boiler House in the early 1900's. The date of last painting is unknown. The scope of work proposes to remove loose coatings and rust only, followed by top coating the resultant spot bare iron and remaining adherent coatings. The estimated project budget to accomplish this work is \$55,000, with a contract estimate of \$45,000. After proper motion and second the Board authorized the Chief Engineer to allocate \$55,000 in unbudgeted capital funds for Painting of the Crescent Hill Smokestack. Contract award recommendation, if in excess of \$50,000, will be presented to the Board at a future meeting.

Bullitt County Water Improvement Program – I-65 Transmission Main System – Hwy. 61 Extension, Project 01-304.

Mr. Heitzman reported that under the 2001 Capital Budget are funds for construction the I-65 Transmission Main System which is required to support system growth in Bullitt County. The proposed project will consist of installation of approximately 11,678 linear feet of 16-inch ductile iron water main along Highway 61 from Highway 245 to Highway 3219 and from Highway 480 to Highway 1494. After proper motion and second, the Board voted to authorize staff to proceed with engineering design and advertisement for bid for the subject project. The results of the bids will be presented to the Board with recommendation for contract award.

Fire Hydrants & Extension Kits – 4th and Final Renewal

Mr. Miller reported that On July 15, 1997, the Board of Water Works approved the recommendation to award a contract for fire hydrants to US Pipe. This contract contained a provision that allowed it to be renewed over a five year period at the sole discretion of the Company. All renewals would use the Producers Price Index to determine any adjustments to the original bid unit prices. Staff has reviewed the Producer Price Index and based on favorable market conditions, determined it would be in the best interest of the Company to exercise our right to renew the contract. After proper motion and second, the Board authorized staff to renew the contract with US Pipe and Foundry for an estimated amount of \$574,466. Based on the Producers Price Index, this contract represents a .1% increase over last year's unit costs.

Capital project 00-418, BEPWTP Expansion and Reliability Improvements

Mr. Heitzman reported that A request for proposal for engineering design and construction services for capital project 00-418, BEPWTP Expansion and Reliability Improvements, was issued May 9, 2001. Proposals were solicited from the following five firms: Arcadis, Black and Veatch, Camp, Dresser and McKee, CH2MHill, and Jordan, Jones and Goulding. The project scope was designed to meet the objective of increasing the capacity of B.E. Payne Water Treatment Plant (BEPWTP) to a firm, reliable 60 MGD in order to service the growth in water sales in the elevated service area. Proposals were received June 6, 2001 from the firms noted above and interviews were conducted the week of June 11, 2001. Consultant evaluations were based on the following criteria:

1. Technical proposal (60%)
2. Interview (20%)
3. MBE/WBE/HBE Utilization (5%)
4. Cost Proposal (15%)

Results of the evaluations indicate Camp, Dresser and McKee had the highest total, combined score resulting from the evaluation process. After proper motion and second, the Board voted to authorize staff to award a Professional Service Contract to Camp Dresser, and McKee for providing engineering design and construction services at a "not to exceed" cost of \$903,229.

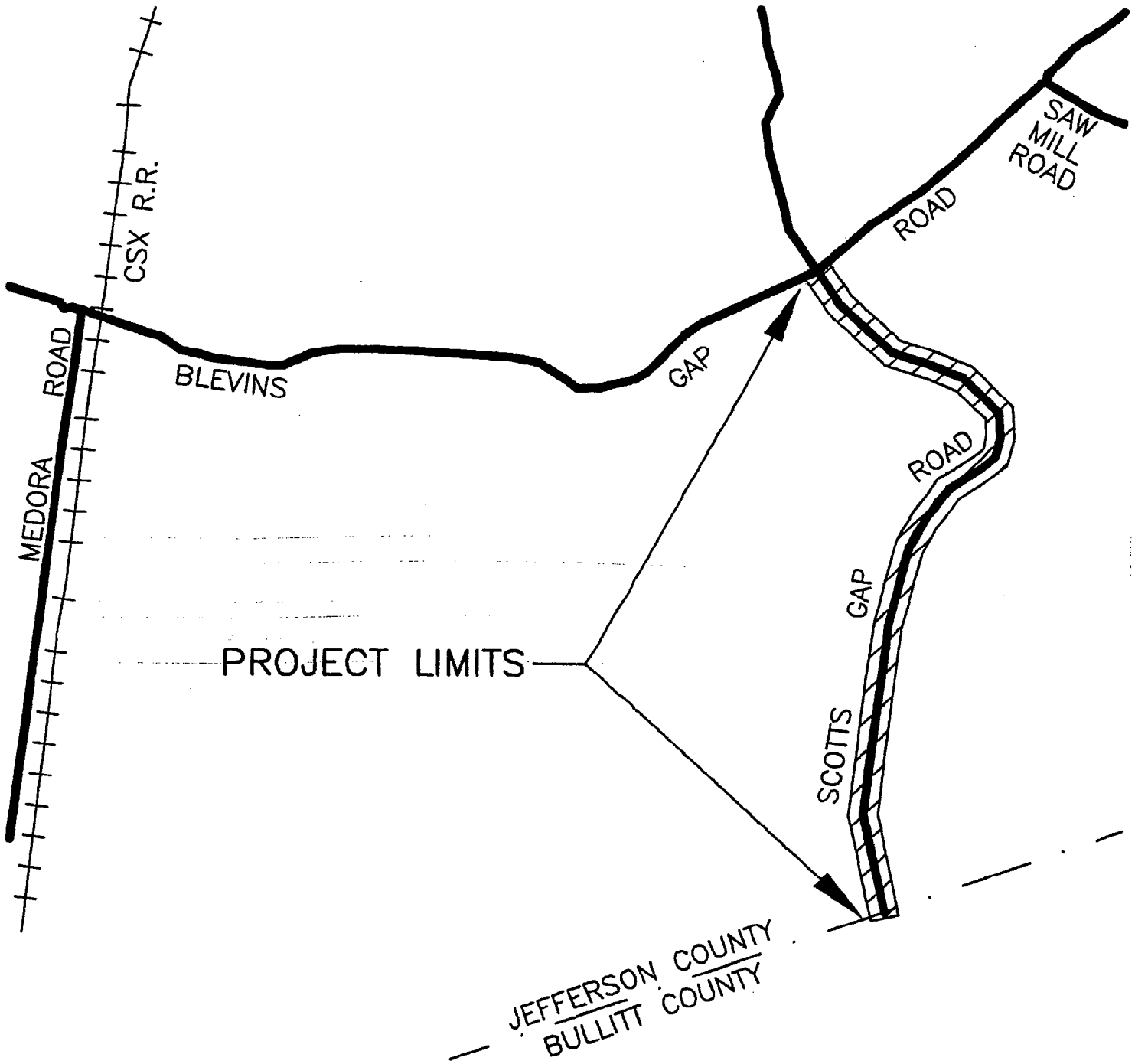
The meeting adjourned at 2:45 p.m.

**Board of Water Works
Resolution**

July 10, 2001

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Scotts Gap Road: End of existing water main to County Line**, a public way in Jefferson County, and acting thereon convened a public hearing on May 24, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Treasurer of the Company has recommended the extension of such water along **Scotts Gap Road: End of existing water main to County Line**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Scotts Gap Road: End of existing water main to County Line**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



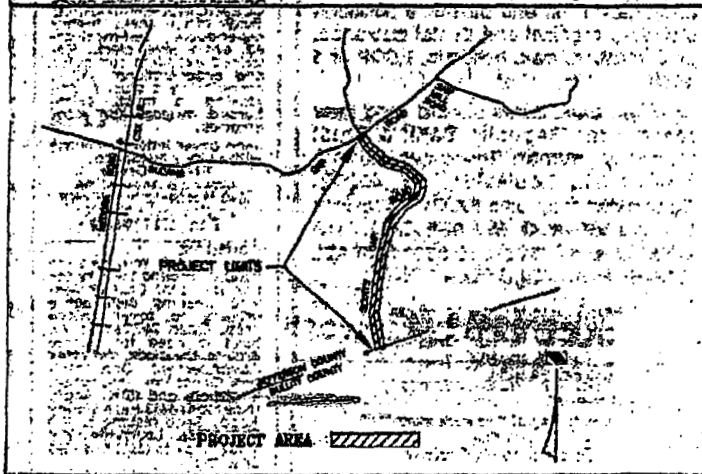
FILE NAME: SCOTTS GAP RD.

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Scotts Gap Road: End of Existing water main to County Line (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Scotts Gap Road: End of Existing water main to County Line.

This public hearing will be held on Thursday, May 24, 2001 at 6:00 p.m. at the Fairdale Fire Protection District, Station #1, 10015 Mitchell Hill Road.

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.

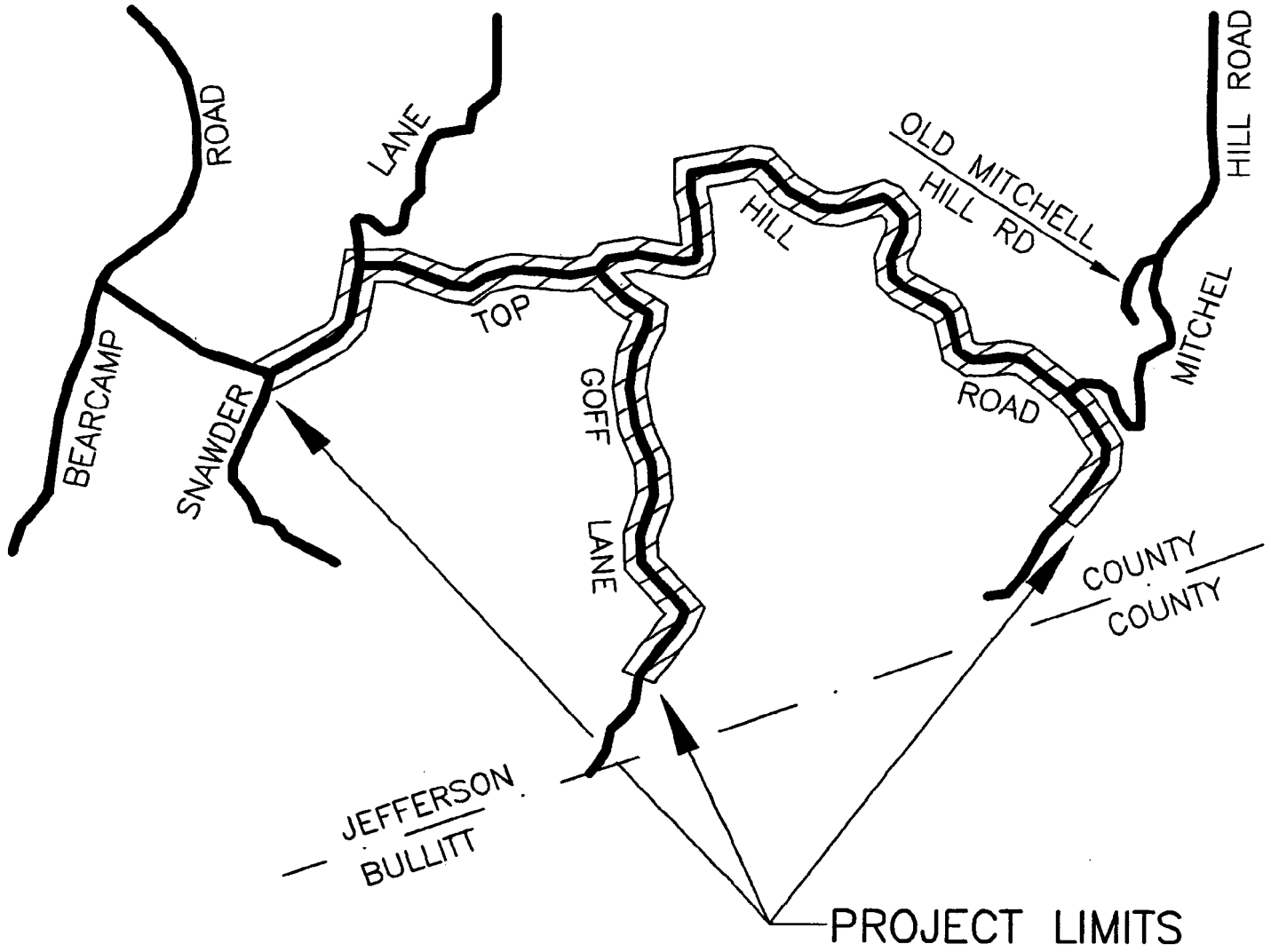


**Board of Water Works
Resolution**

July 10, 2001

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Top Hill Road: Snawder Lane to Mitchell Hill Road, Goff Lane: Top Hill Road south 3,000 feet (end of public portion), Snawder Lane: Top Hill Road south 1,600 feet (end of public portion) and Mitchell Hill Road: From Top Hill Road south 1,100 feet** a public way in Jefferson County, and acting thereon convened a public hearing on June 7, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Chief Engineer of the Company has recommended the extension of such water along **Top Hill Road: Snawder Lane to Mitchell Hill road, Goff Lane: Top Hill Road south 3,000 feet (end of public portion), Snawder Lane: Top Hill Road south 1,600 feet (end of public portion) and Mitchell Hill Road: From Top Hill Road south 1,100 feet** as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Top Hill Road: Snawder Lane to Mitchell Hill Road, Goff Lane: Top Hill Road south 3,000 feet (end of public portion), Snawder Lane: Top Hill Road south 1,600 feet (end of public portion) and Mitchell Hill Road: From Top Hill Road south 1,100 feet** and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



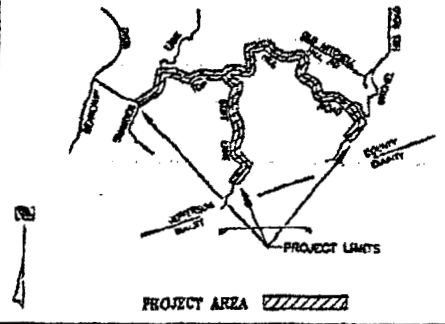
FILE NAME: TOP HILL RD: COMBINED

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Top Hill Road: Snawder Lane to Mitchell Hill Road, Goff Lane: Top Hill Road south 2,000 feet (end of public portion), Snawder Lane: Top Hill Road south 1,200 feet (end of public portion) and Mitchell Hill Road: From Top Hill Road South 1,100 feet (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Top Hill Road: Snawder Lane to Mitchell Hill Road, Goff Lane: Top Hill Road south 2,000 feet (end of public portion), Snawder Lane: Top Hill Road south 1,200 feet (end of public portion) and Mitchell Hill Road: From Top Hill Road south 1,100 feet.

This public hearing will be held on Thursday, June 7, 2001 at 6:00 p.m. at the Fairdale Fire Protection District, Station #1, 10015 Mitchell Hill Road.

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.



APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265(11) of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Upper River Road: between River Edge road and Woodside Road** main extension project for fire protection service such warrants to be against be against six (6) benefited properties identified by present ownership and official records set forth on Exhibit A, attached. Each apportionment warrant to be in the principal sum of \$3,000 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months. The President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0832625	KNIGHTS CORP 4417 UPPER RIVER ROAD LOUISVILLE KY 40222	4417 UPPER RIVER ROAD DEED-BK 5538 LIEN-DT DEED-PG 489 LIEN-BK TAX-DST LIEN-PG TAX-BLK 10 LOT-NO.	3,000.00		RELS-DT RELS-BK RELS-PG
0832626	ARCH & CHARLYN STALLARD 4410 UPPER RIVER ROAD LOUISVILLE KY 40222	4410 UPPER RIVER ROAD DEED-BK 6265 LIEN-DT DEED-PG 225 LIEN-BK TAX-DST LIEN-PG TAX-BLK 10 LOT-NO.	3,000.00	57	RELS-DT RELS-BK RELS-PG
0832628	HOLLIS D & KIM RAY SMITH 4500 UPPER RIVER ROAD LOUISVILLE KY 40222	4500 UPPER RIVER ROAD DEED-BK 6978 LIEN-DT DEED-PG 447 LIEN-BK TAX-DST LIEN-PG TAX-BLK 10 LOT-NO.	3,000.00	115	RELS-DT RELS-BK RELS-PG
0832631	R GENE SMITH PARTNER, LIMITED 101 SOUTH FIFTH STREET, SUITE LOUISVILLE KY 40202	4406 UPPER RIVER ROAD DEED-BK 6325 LIEN-DT DEED-PG 343 LIEN-BK TAX-DST LIEN-PG TAX-BLK 10 LOT-NO.	3,000.00	1	RELS-DT RELS-BK RELS-PG
0832635	STEPHEN LANGFORD P O BOX 32970 LOUISVILLE KY 40232	4424 UPPER RIVER ROAD DEED-BK 7543 LIEN-DT DEED-PG 275 LIEN-BK TAX-DST LIEN-PG TAX-BLK 10 LOT-NO.	3,000.00	60	RELS-DT RELS-BK RELS-PG
0832646	R GENE SMITH PARTNER, LIMITED 101 SOUTH FIFTH STREET, SUITE LOUISVILLE KY 40202	4400 UPPER RIVER ROAD DEED-BK 6315 LIEN-DT DEED-PG 923 LIEN-BK TAX-DST LIEN-PG TAX-BLK 10 LOT-NO.	3,000.00	160	RELS-DT RELS-BK RELS-PG

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
	6 NUMBER OF CUSTOMERS LISTED				
	TOTAL PRINCIPAL REMAINING		18,000.00		
1					
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LWC 0766

APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265(11) of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Upper River Road: between River Edge road and Woodside Road** main extension project for water service such warrants to be against be against five (5) benefited properties identified by present ownership and official records set forth on Exhibit A, attached. Each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months. The President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0832618	ARCH & CHARLYN STALLARD 4410 UPPER RIVER ROAD LOUISVILLE KY 40222	4410 UPPER RIVER ROAD DEED-BK 6265 DEED-PG 225 TAX-DST TAX-BLK 10	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 115	RELS-DT RELS-BK RELS-PG
0832619	CHRISTOPHER C IOVENKO 7521 LOLINA LANE LOS ANGELES CA 90046	4609 UPPER RIVER ROAD DEED-BK 6531 DEED-PG 259 TAX-DST TAX-BLK 11	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 208	RELS-DT RELS-BK RELS-PG
0832621	GEORGE & MARGIE HOFERKAMP 911 GAGEL AVENUE LOUISVILLE KY 40216	4403 UPPER RIVER ROAD DEED-BK 7474 DEED-PG 625 TAX-DST TAX-BLK 10	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 61	RELS-DT RELS-BK RELS-PG
0832622	PETER C MARCUM 4501 UPPER RIVER ROAD LOUISVILLE KY 40222	4501 UPPER RIVER ROAD DEED-BK 5803 DEED-PG 372 TAX-DST TAX-BLK 10	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 46	RELS-DT RELS-BK RELS-PG
0832624	ISABEL H & T BALLARD MORTON 4502 UPPER RIVER ROAD LOUISVILLE KY 40222	4502 UPPER RIVER ROAD DEED-BK 5489 DEED-PG 95 TAX-DST TAX-BLK 11	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 23	RELS-DT RELS-BK RELS-PG

PROGRAM ID, AWCSR002

THE LOUISVILLE WATER COMPANY

BOOK

RUN DATE 06/26/01

APPORTIONMENT WARRANT CONTRACT D807W REGISTER

PAGE 2

RUN TIME 22:06:04

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

5 NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 27,250.00

**MINUTES OF REGULAR MEETING
BOARD OF WATER WORKS
August 14, 2001**

Board Members Present

Mr. Stewart Conner
Mr. Jack Segell
Mr. Stephen Gault
Ms. Wendy Welsh
Mr. Phillip Bond
Mr. Owen Hammons

Board Members Absent

The Hon. David L. Armstrong, Mayor

Others Present

Mr. John Huber, President
Ms. Laura Douglas, V. P. General Counsel & Secretary
Mr. Robert Miller, V. P. Treasurer
Mr. Gregory Heitzman, V. P. Chief Engineer
Mr. Don McKay
Mr. Frank A. Appelfeller, P.E.
Ms. Karla Teasley
Ms. Kay Ball
Mr. Steve Hubbs
Mr. James Wehrle
Ms. Rhonda Plunkett (briefly)
Ms. Jane Driskell

The Board Meeting convened at 12:30 p.m.

The consent agenda was approved:

- Approve minutes of previous meetings.
- Approve claims paid during the previous month.
- Approve petitions and applications for water main extensions (when in full compliance with Service Rules and Regulations).

Developer Installed Refunding Main Extension Projects	Total Project Cost	Net Cost to LWC
Prologis Park (Project No. 00-107)	\$ 188,460.00	
Forest Springs North Section 3 (Project No. 01-005)	\$ 77,710.00	
Hunters Creek Subdivision Phase 2 (Project No. 01-006)	\$ 56,820.00	
South English Station Road Relocation Main Extension (Project No. 01-032)	\$ 95,355.00	\$ 39,040.00
Southgate Apartments (Project No. 01-034)	\$ 52,960.00	
Moser Farm Subdivision Section 5 & 6 (Project No. 01-042)	\$ 145,610.00	\$ 30,150.00
Miles Place Subdivision (Project No. 01-043)	\$ 25,800.00	
Old Brownsboro Gardens Phase II (Project No. 01-044)	\$ 28,135.00	
Oakhurst Subdivision Phase 8 (Project No. 01-045)	\$ 24,685.00	
Keeling Place Section 2 (Project No. 01-046)	\$ 50,920.00	
The Summit At Polo Fields (Project No. 01-047)	\$ 50,920.00	\$ 8,375.00
Mill Stream Subdivision (Project No. 01-048)	\$ 19,380.00	

LWC Refunding Main Extensions Brent Street Condominiums (Project No. 00-041)	Total Project Cost \$ 6,000.00	
Surcharge/LWC Tapping Fee Water Main Extension Contracts Seibel Court (Project No. 01-208)	Total Project Cost \$ 25,700.00	
Apportionment Warrant KRS 96.265 Petition Broad Run Road Lonesome Hollow Road	Total Project Cost \$ 322,500.00 \$ 240,800.00	
Jefferson County Public Works Stonestreet Road & Valley Station Road Intersection Improvements	Total Project Cost \$ 167,000.00	Net Cost to LWC \$ 113,000.00
Metropolitan Sewer District Relocation Projects Pope Lick Interceptor Project No. 01-549 Primrose Drive Sanitary Sewer Assessment (Project No. 01-532) Illinois Avenue/Selinda Avenue Drainage Improvement (Project No. 01-543) Kilmer/Ilex Drainage Improvement (Project No. 01-527) Quinton Drive Drainage Improvement (Project No. 01-542) Susan Lane Box Culvert Drainage Improvement (Project No. 01-538)	Total Project Cost \$ 9,000.00 \$ 47,000.00 \$ 22,500.00 \$ 5,300.00 \$ 5,800.00 \$ 14,800.00	
Developer Requests Keeling Place (Project No. 01-046) Roy Wilkins Boulevard (Project No. 01-1409D) Creekwood Condominiums (Project No. 01-1409D) Brooks Road Widening (Project No. 01-544)	Total Project Cost \$ 82,725.00 \$ 17,000.00 \$ 4,550.00 \$ 99,500.00	Net Cost to LWC \$ 11,000.00

Item D: Authorization for design and bid of projects (estimated to cost less than \$200,000)

Project No.	Project Name	Total Project Cost
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Item E: Bid tabulations (award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid.)

Project No.	Project Name	Total Project Cost
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Item F: Award of contracts less than \$50,000

Procurement of Goods and Services

Project No.	Project Name
01-26	Printing of Pipeline Map, Valve Location HURT PRINTING, CIN.
01-31	Personal Computer Equipment NETGAIN TECHNOLOGIES

Emergencies

Project No.	Project Name
Certificate of Emerge	Polyaluminum Chloride (PACL) STERNSON

Professional Services

Project No.	Project Name
01-454	Low Lift Pump Station Roof Replacement at B.E. Payne ROOF RESOURCES, INC.
01-455	Main Office Roof Replacement at Crescent Hill Filter Plant ROOF RESOURCES, INC.
01-742	Highway 329 North of I-71 PDR ENGINEERS

Mr. Huber asked the Board to remove one item from the consent agenda. The Stonestreet Road & Valley Station Road Intersection Improvement Project will be handled as item C under New Business.

PRESIDENT'S REPORT

Mr. Huber reported that the hot weather did not produce any adverse events for LWC employees working outside. Mr. Huber reported that the women's tapping team won 2nd place nationally. Mr. Huber also stated that the men's and women's team will be going to the state competition. Mr. Huber and Mr. Wehrle introduced Ms. Rhonda Plunkett, the new Diversity Director.

FINANCIAL REPORT

Mr. Miller gave the Income and Expense Summary report as of July, 2001.

- 1) Total operating revenue of \$52,319,300 is \$2,799,800 or 5.65% more than budgeted and \$1,694,000 or 3.35% more than the same period in 2000. We sold 5.15% less water in 2001 than the same period in 2000. Water delivered to the mains was 0.30% less than 2000.
- 2) Operation and maintenance expense of \$22,744,400 is \$708,100 or 3.21% more than budgeted and \$1,690,100 or 8.03% more than 2000.
- 3) Total non-operating income of \$3,068,200 is \$106,700 or 3.60% more than budgeted.

CAPITAL PROJECTS SUMMARY - The capital program as shown on the Capital Projects Summary reflects net expenditures of \$22,065,066 against a budget of \$79,484,167 including noncompleted previous year projects carried forward.

CONSTRUCTION FUND EXPENDITURES - The construction fund from the Series 2000 bond issue was established in September 2000 in the amount of \$78,500,000. Through July 2001 Louisville Water Company has spent \$53,347,288 for 68%.

Mr. Miller reported that as the result of two claims, the company will operate at \$2000,000 over budget for 2001.

OPERATING AND ENGINEERING REPORT

Mr. Heitzman presented the Operations and Engineering Report for July 2001.

WATER QUALITY - The high levels of positive samples during the summer warm water season continued in July. 503 water samples were collected in July, with 14 positive samples and 5 positive re-check samples. One sample was positive for E Coli and a boil water advisory was issued for the area. Subsequent sampling indicated no contamination of the distribution system. New challenges have developed based upon the surface water temperature of the Ohio and low demand.

PARKING GARAGE LEASE WITH PNC – PNC has contacted the Company and requested a modification to the parking garage lease. PNC currently leases 60 day spaces and 40 night spaces from LWC for an annual lease fee of \$51,000. The 5 year lease was originally signed November 26, 1996, and expires October 31, 2001. The original lease allowed three additional 5-year extension terms for a total of 20 years. PNC desires to renew the lease for one year. Staff has negotiated a annual fee of \$67,477 which is \$16,447 or 32 percent higher than the current annual lease fee. This premium is justified due to early termination where LWC will need to find another tenant for the unused parking spaces.

Mr. Heitzman reported that the Route Smart meter reading results will go to customers for the first time in October. This meter reading process is intended to read meters more efficiently.

LITIGATION REPORT

After proper motion and second, the Board adjourned to closed session in order to discuss litigation, acquisition of property and a personnel item. The Board reconvened into open session without taking any action.

COMMITTEE REPORTS

AUDIT COMMITTEE – Mr. Bond gave the report from the Audit Committee, which was held on July 10, 2001 at 10:45 A.M. The minutes from that Committee meeting are recorded on page 83 of the August 2001 Board book. Mr. Segell suggested that the code of conduct and ethics questionnaire be completed by employees each year. Mr. Huber indicated that he will talk to Roger LeMaster, the Internal Auditor, so that he can make a recommendation regarding questionnaire completion frequency.

COMPENSATION COMMITTEE – Mr. Conner reported on the Compensation Committee meeting that was held on August 14, 2001 at 11:15 A.M. Mr. Conner reported on the proposed 2002 Performance Matrix. He indicated that the Compensation Committee is comfortable with moving forward and adopting the 2002 Performance Matrix as presented in the Committee Meeting. (See the minutes of the August 14, 2001 Compensation Committee behind these minutes in the September, 2001 Board Book). Staff was asked to come back with additional detail for the 2003 Performance Matrix. A matrix for this period was not approved.

SPECIAL ISSUES

STRATEGIC PLAN 2001 MID-YEAR RESULTS – Mr. Miller reported that the Louisville Water Company identifies specific measurable goals for four key constituent areas in the 2001-2005 Strategic Plan:

Customer Satisfaction	Customer Satisfaction Index Overall Customer Satisfaction Index Serviced Accounts Water Rate Changes
Financial Results	Return on Equity Operations and Maintenance Cost per Customer Water Sales Quantity Water Revenue
Employee Quality of Worklife	Human Resources Effectiveness Index Employee Safety Preventable Vehicular Accidents Diversity
Product Quality	Distribution Water Quality <ul style="list-style-type: none"> • Coliform Bacteria • Chlorine Residual • Turbidity

We are pleased to report mid-year results that indicate that the majority of these measurements are on target to achieve their 2001 goals. The increases in Customer Satisfaction are particularly noteworthy. 2 of the 14 measurements will not be taken until later this year. And, the measurement for Operations and Maintenance Cost per Customer is not on target at this time. Specific results include:

Measure	Goal	Result
1. Customer Satisfaction Measures	Increase overall CSI to 875 by 2004.	Mid-year 2001 average = 834.5 . On target
2. Financial Measures	Earn a ROE at a target level of 1% less than the 5-year moving average ROE for the benchmark group of investor-owned utilities. 2001 Target YTD = \$11,649,227.	Net income through June exceeds target \$1,232,999. On target.
	Control increases in O&M cost per metered customer to be no higher than \$160 per customer by 2004. 2001 Target O&M cost per customer: Level 1=\$155.40, Level 2=\$153.85.	Mid-year 2001 O&M cost per customer \$156.29 (12 month moving average at Ji 2001). Not on target.
	Increase water sales to 40 billion gallons by 2004. 2001 Target water sales at 39 billion gallons. 2001 Mid-year target water sales at 17.8 billion gallons.	Mid-year 2001 sales = 18.5 billion gallons. On Target.
	Increase revenue to \$89 million by 2004(in 2004 dollars). 2001 Target operating revenue YTD = \$39,795,900.	Operating revenue YTD = \$41,451,300. On Target.
3. Employee Quality of Worklife Measures	Improve employee perception component of Human Resources Effectiveness Index to 636	Survey to be conducted annually beginning the fall of 2001.

by 2004.

Reduce lost time injury frequency rate to 4.0 by 2004.

Lost time injury frequency rate for mid-y 2001 = 2.9. Actual number of lost time inju for mid-year 2001 = 6.
On target.

Reduce rate of preventable vehicular accidents to 1.0 by 2004.

Actual number of vehicular accidents = 14 Y1
On Target.
Preventable vehicular accident rate Mid-y 2001 = 1.0.

4. Product Quality

Meet annual LWC goals for distribution water quality regarding coliform bacteria, chlorine residual, and turbidity.

- No Coliform Bacteria in 99.0% of samples and no monthly coliform mel violation. ➤ 2001 Mid-year result = 99.4% and monthly coliform mel violation.
On target.
- Chlorine > 0.5 ntu in 99.0% of samples. ➤ 2001 Mid-year results = 99.9%.
On target.
- Turbidity < 0.5 ntu in 99.0% of samples ➤ 2001 Mid-year results = 99.2%
On Target.

BID TABULATIONS

01-07/STONE, SOIL & DELIVERY - Mr. Miller reported that bids were opened to award a two-year contract for stone, soil and delivery. These materials are used as backfill at various LWC job sites. This was an evaluated bid using price, delivery and utilization of M/W/HBE subcontractors as criterion. A total of seven bids were submitted with the lowest, most responsive bids submitted by Earth First and Louisville Topsoil. Staff disqualified KY Transfer Line for failure to submit proposal and acceptance sheet and disqualified Sellersburg Stone for not bidding all stone line items as required in the specifications. After proper motion and second, the Board authorized staff to award a two-year contract, for an estimated \$471,779 to Earth First for stone and a two-year contract estimated at \$8,300 to Louisville Topsoil for soil.

01-30/CONTINGENCY CONTRACT FOR DISTRIBUTION SYSTEM REPAIRS - Mr. Miller reported that the Louisville Water Company solicited bids to perform emergency repairs to the distribution system. This is a contingency contract to be executed by the President, if and when emergency repairs are necessary for the distribution system. Six (6) bids were opened on Wednesday, July 10, 2001. Bids were submitted by: Hall Contracting, James Parsons Construction Company, Miller Pipeline Corporation, Southern Pipeline Construction Company, T & C Contracting, and Tom Brown Construction. This contract shall be in effect for one (1) year, from October 19, 2001 to October 18, 2002, and shall be renewable for one (1) additional year at the sole discretion of the Louisville Water Company. After proper motion and second, the Board voted to authorize the President to award contracts, if and when necessary for emergency repairs to the distribution system. The basis of the award depends upon the Contractor's unit price bid, work history, and availability to perform the specified work at the time of emergency.

01-35 / COPPER TUBING - Mr. Miller reported that on August 1, 2001, bids were opened to award a contract for a six-month supply of copper tubing. Copper tubing is used throughout the distribution system in the installation, renewal and repair of domestic service lines. A total of eight bids were submitted with the lowest, most responsive bid from Plumbers Supply Co. for a total of \$117,126. After proper motion and second, the Board voted to ratify staff's purchase of a six-month supply of copper tubing totaling \$117,126 from Plumbers Supply Co.

01-508/ LIBERTY STREET - MAIN REPLACEMENT PROJECT - Mr. Heitzman reported that bids were received and opened Wednesday, July 18 to install approximately 490 linear feet of 8 and 12-inch ductile iron water main using traditional trenching techniques and to supply and install 1,610 linear feet of 12-inch HDPE water main using static main-bursting techniques in Liberty Street and Brook Street in the Central Business District of Louisville. A total of 4 bids were received and opened from pre-qualified contractors. Portland Utilities Construction Company submitted the lowest responsive bid in the amount of \$197,950 resulting in a total project cost of \$249,450. The bid is 4% over the Project Manager's Estimate. After proper motion and second, the Board authorized the Chief Engineer to award a contract in the amount of \$197,950 to Portland Utilities Construction Company to install the water facilities associated with this project.

BULLITT COUNTY WATER IMPROVEMENT PROGRAM/ PROJECT 01-531: MARTIN HILL ELEVATED WATER STORAGE TANK - Mr. Heitzman reported that bids for the subject water tank were received Wednesday, June 27. The single bid submitted, in the amount of \$546,800, exceeded the engineer's estimate of \$370,000. Review of the engineer's estimate in consideration of a presently high-demand tank market and based on unit steel costs required to construct the facility (instead of capacity-unit basis) determined a revised construction estimate of \$480,000. Upon determining re-bidding offered limited opportunity to improve competition, discussions were held with Caldwell Tanks to review construction items offering cost savings, plus consideration was given to relocating Evergreen elevated water tank. Caldwell proposed an alternative exterior coating system which reduces painting cost by \$42,900, revising the bid price to \$503,900 (coatings life would be reduced from 20 to 18 years). After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$503,900 to Caldwell Tanks, Inc. for construction of Martin Hill Elevated Water Tank, and to increase the total project budget from \$450,000 to \$583,900.

COMMUNICATIONS

2002 ANNUAL BUDGET AND RETURN ON EQUITY TARGET – Mr. Miller reported that Louisville Water Company staff has begun the development of the Preliminary 2002 Annual Budget. During the course of this work, eight key issues have been identified for consideration as the budget is prepared.

Preliminary 2002 Annual Budget Issues

- Chemical usage to produce higher quality finished water
- Contingency fully funded by elimination of vacancy credit
- Business development resources to increase sales
- Customer education resources to improve customer satisfaction
- Compensation scale adjustment to market scale for recruitment and retention
- Facilities management resources to optimize asset lives
- Leadership Institute for manager development
- Address continued underestimate of budget resources

This communication is provided for information only. No action is requested at this time.

2002 Return on Equity Target

Louisville Water Company has established a return on equity target in the Annual Budget to provide the sole stockholder, the City of Louisville, with a reasonable return on invested capital. This target is set at one percent less than the five year moving average returns for a benchmark group of eight investor-owned utilities. The return on equity target recommended to be included in the 2002 Annual Budget has been computed as 9.02%, down from the current year target of 9.13%.

COMPUTER SECURITY AND VIRUS PROTECTION – Mr. Miller reported that computer networks and the Internet have revolutionized how companies utilize computers and information systems to conduct their daily business. However, a higher degree of risk in ensuring information security has emerged as a result of tapping into global communication networks to gain the efficiencies and benefits provided by these systems that presents several challenges to Information Technology managers and staff. Louisville Water Company has developed processes to manage the risk of our computer systems being attacked via the Internet or other public communication networks. The Code Red Worm is an Internet Worm that affects Windows XP/NT/2000 computer systems that are running Internet web server services. Desktop computers and computers with Microsoft Windows 98/95/ME operating systems are not at high risk, since the worm only attacks machines running Internet services generally installed only on servers. The worm uses a popular port (80), which is the standard port for web browsers and web servers. This allows the worm to spread quickly and avoid many firewalls or security scanners since port 80 is generally allowed. Once the worm has infected a computer, it compromises system security, which could allow for an attacker to gain complete control of the victim system. LWC staff have subscribed to a number of information security forums and associations and generally receive timely information regarding such computer viruses, security issues, and steps to minimize risks to the company via local affiliates with the National Infrastructure Protection Center (NIPC). LWC currently maintains eleven Microsoft Windows NT based servers of which eight are vulnerable to the Code Red Worm since they are running web based services for multiple business applications. Microsoft has developed security patches to protect against the worm and staff has installed them on the eight servers at risk. Staff will continue to monitor LWC computer systems and take appropriate actions to protect these valuable resources.

OLD BUSINESS

ACCEPTANCE OF WATER EXTENSION PROJECT AND REFERRAL TO JEFFERSON COUNTY FISCAL COURT PURSUANT TO KRS 96.265/STOUT ROAD: BROAD RUN ROAD TO NORTH 7,800 FEET - Mr. Heitzman reported that An Apportionment Warrant public hearing was held for Stout Road: Broad Run Road to North 7,800 feet. The public hearing was held in response to receipt of a majority petition for this public road project. Following the formal presentation, an opportunity was provided for residents to ask questions and state their position with respect to their project. From commitments at the public informational meeting, 13 attending property owners advised they were in favor of extension of water service along Stout Road: Broad Run Road to North 7,800 feet as proposed at the hearing. After proper motion and second, the Board determined that the proposed extension of water service as feasible and beneficial in accordance with KRS 96.265 and refers this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design, and advertisement for bid on this project.

WATER EXTENSION PROJECT PURSUANT TO KRS 96.265/WOLF RUN ROAD: KEYS FERRY ROAD SOUTH 1,700 FEET - Mr. Heitaman reported that an Apportionment Warrant public hearing was held on May 24, 2001 for Wolf Run Road: Keys Ferry Road south 1,700 feet. The public hearing was structured to provide a brief background on the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains will be extended using Apportionment Warrants as prescribed in KRS 96.265. Questions were asked on how much it would be to run the water lines to the houses, and how much it would cost the property owners at an unsubsidized rate. Staff explained in detail their procedures and the cost amounts pertaining to their questions. At the conclusion of the public hearing, five (5) attending property owners advised they were not in favor of extension of water service along Wolf Run Road: Keys Ferry Road south 1,700 feet as proposed at the hearing. The Vice President – Chief Engineer, recommends the Board of Water Works take no action on this project at this time. The project will be placed on hold until a majority of the property owners desire to proceed with the project. The extension cost will be reevaluated at that time and presented to the property owners for making their decision. No motion was made and no vote was taken by the Board on this matter.

WATER EXTENSION PROJECT PURSUANT TO KRS 96.265/FARMERS WAY (PRIVATE ROADWAY): FAIRMOUNT ROAD TO THE END OF THE ROAD - Mr. Heitzman reported that an Apportionment Warrant public hearing was held on July 13, 2000 for Farmers Way: Fairmount Road to the end of the road. The public hearing was held in response to receipt of a 100% majority petition (3 of 3 properties) for this private road project. The public hearing was structured to provide a brief background on the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains will be extended using Apportionment Warrants as prescribed in KRS 96.265. Questions were asked on the costs of the road and what would be done with the trees that ran alongside the road. Questions were also asked on how costs would vary if their road went from private to public. Staff explained in detail and answered all questions accordingly. At the conclusion of the public hearing, the three (3) attending property owners advised they were not in favor of extension of water service along Farmers Way: Fairmount Road to the end of the road as proposed at the hearing. This project does not meet guidelines and recommendations outlined in the Task Force Report and Implementation Plan for County-wide Extension of Water Service. The Vice President - Chief Engineer, recommends the Board of Water Works take no action on this project at this time. The project will be placed on hold until a majority of the property owners desire to proceed with the extension. The extension cost will be reevaluated at that time and presented to the property owners for making their decision. No motion was made and no vote was taken by the Board on this item.

AMENDMENT OF APPORTIONMENT WARRANTS PER KRS 96.265/TAYLORSVILLE ROAD: HWY 155 TO 15903

TAYLORSVILLE ROAD - Mr. Heitzman reported that a public hearing was held March 4, 1999 for the extension of water service along Taylorsville Road: Hwy 148 to Hwy 155 which includes Taylorsville Road: Hwy 155 to 15903 Taylorsville Road. The Board of Water Works adopted a resolution for Taylorsville Road: Hwy 148 to Hwy 155 on March 16, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 14, Series 1999 on April 27, 1999 (a copy of which is attached) for the Taylorsville Road: Hwy 148 to Hwy 155 project. The construction contract was awarded to Reynolds, Inc. in March, 2000. Apportionment Warrants were issued on this project against forty-one (41) benefited properties in accordance with KRS 96.265. Since that time, staff was notified that three (3) parcels had been omitted from the initial assessment. After proper motion and second, the Board voted to adopt an amending resolution for the issuance of Apportionment Warrant and liens against three (3) additional benefited properties along Taylorsville Road: Hwy 155 to 15903 Taylorsville Road in accordance with KRS. 96.265, as described.

PROFESSIONAL SERVICE CONTRACT FOR CONSTRUCTION INSPECTION AND TECHNICIAN SERVICES - Mr. Heitzman reported that a professional service contract with Quest Engineers, Inc. to provide Construction Inspection and Technician Services for the Constructing Capital Improvements Processes was approved by the July 2000 Board. This approval authorized staff to supplement existing LWC in-house inspection forces with Quest Engineers consultant personnel to provide quality assurance and insure adherence to LWC Standard Specifications for work permitted by its pre-approved contractor workforce. After proper motion and second, the Board voted to renew the existing professional service contract with Quest Engineers a second year for the not-to-exceed amount of \$455,058 for Construction Inspection and Technician Services.

TRANSMISSION EXPANSION PROGRAM; EVALUATION OF CONSULTANT PROPOSALS - Mr. Heitzman reported that the 2001 Capital Improvement Program identifies transmission projects having a total value of nearly \$40 million to be constructed over the next five years. By leveraging the consultant community, staff expects to significantly improve project cycle time and to be much more responsive in completing the transmission improvements necessary for the growing Louisville Water Company system. Communication was made to the Board in June 2001 with regard to solicitation of proposals from qualified consultants. Qualifications and unit prices were requested from the consultants to be used as the basis for project specific negotiations. Consultants were evaluated based on predetermined criteria. That criteria included: technical expertise- 50%, references- 10%, interview presentation- 10%, minority and woman owned business utilization- 10%, and project team cost - 20%. The four firms identified for possible use in transmission design were: CHWM Hill, Gresham Smith and Partners, PDR Engineers, Inc., and PEH Engineers, Inc. As projects are identified for possible outsourcing, independent estimates will be developed prior to requesting a cost proposal from the above-mentioned firms. Contracts will be negotiated, based on the unit prices presented in their proposals. Utilization of this method of procurement will be for 1 year, renewable up to 4 additional years for a total of 5 years. After proper motion and second, the Board voted to allow staff to utilize this method of procurement and to proceed with project specific negotiations, as needed, with the consultants identified above. Any contract that exceeds \$50,000 will be submitted to the Board of Water Works for approval.

NEW BUSINESS

PROJECT 98-794C, KNOB CREEK ROAD – BULLITT COUNTY - Mr. Heitzman reported that in 1999, the Kentucky Turnpike Water District asked the Louisville Water Company to design and manage the installation of a water main along Knob Creek Road (Highway 1526/2672) in Bullitt County – KT District #1. Construction contract bids were received by KTWD in February of 2000. The successful bidder was Northstar Utilities with a bid of \$239,700. At the time of merger between KTWD and LWC in the fall of 2000, a revised estimate for construction contract labor was \$265,639. This resulted in a total project estimate of \$811,739. Pursuant to the terms of the contract, a Notice of Termination was issued by LWC. The staff proceeded with plans for the LWC Capital Crews to complete the clean-up and complete the unfinished installation of pipe as designed. The total cost to LWC is \$289,728. Of the \$265,639 construction contract, \$186,000 was paid to the contractor. After proper motion and second, the Board voted to authorize staff to increase the project budget to \$1,021,828. These funds will come from the Bullitt County Reserve.

HURSTBOURNE PARKWAY WATER FACILITIES RELOCATION PROJECT/LWC PROJECT No. 98-668 - Mr. Heitzman reported that water facility relocations are necessary to accommodate the Kentucky Transportation Cabinet's (KTC) project entitled "Hurstbourne Parkway" in Jefferson County. KTC is proposing to extend Hurstbourne Parkway from Bardstown Road to Fern Valley Road. Additional roadway improvements are proposed for portions of Fegenbush Lane, Poplar Level Road, and Fern Valley Road. Existing water facilities within the limits of the project shall be relocated and subsequently extended. The total project cost is estimated to be \$2,175,800, of which engineering/supervision is estimated at \$75,000, materials are estimated at \$615,300, and contract labor is estimated at \$1,485,500. Betterment in the amount of \$846,400 shall be paid to KTC when the project is complete. After proper motion and second, the Board authorized staff to design the distribution water facility relocations and to enter into an agreement with KTC for the construction of the distribution water facility relocations as described above.

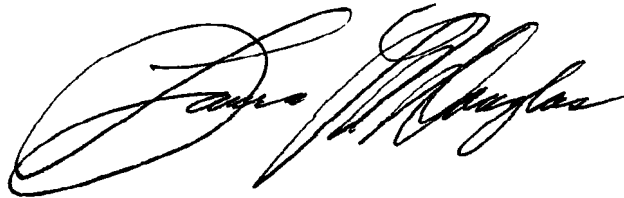
STONESTREET ROAD & VALLEY STATION ROAD INTERSECTION IMPROVEMENTS – SECTION 1/WATER FACILITIES RELOCATION PROJECT/LWC PROJECT No. 01-534 - Mr. Heitzman reported that water facility relocations are necessary to accommodate Jefferson County Public Works' "Stonestreet Road & Valley Station Road Intersection Improvements – Section 1" project in Jefferson County. LWC is utilizing this opportunity with the County to deliver more water to the south side of the Gene Snyder Freeway and to improve fire flow for an elementary school in the area. The total project cost is estimated to be \$167,000, of which engineering/supervision is estimated at \$9,000, materials are estimated at \$18,000, and contract labor is estimated at \$140,000. Betterment in the amount of \$113,000, approximately 68% of the total project costs, shall be paid to Jefferson County Public Works by LWC when the project is completed. After proper motion and second, the Board voted to authorize staff to enter into an agreement with Jefferson County Public Works for the construction of the distribution water facility relocations described above.

The meeting was adjourned at 3:10 p.m.

CERTIFICATION

This is to certify that the following: Stout Road: Broad Run Road to North 7,800 feet, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on August 14, 2001, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas". The signature is fluid and cursive, with a large initial "L" and "D".

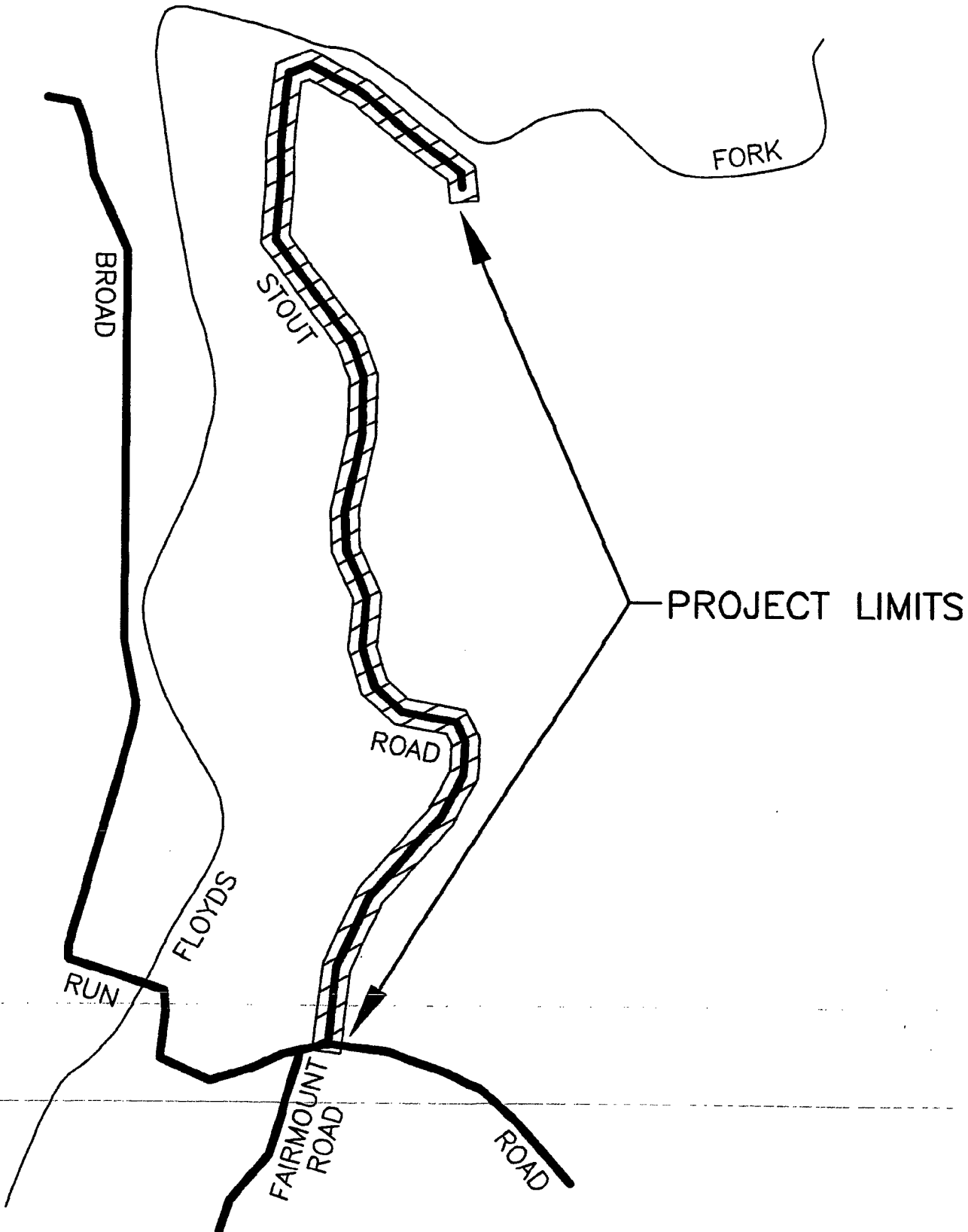
Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
August 14, 2001

**Board of Water Works
Resolution**

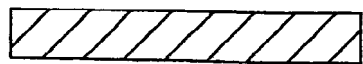
August 14, 2001

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Stout Road: Broad Run Road to North 7,800**, a public way in Jefferson County, and acting thereon convened a public hearing on July 12, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Chief Engineer of the Company has recommended the extension of such water along **Stout Road: Broad Run Road to North 7,800 feet**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Stout Road: Broad Run Road to North 7,800 feet**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



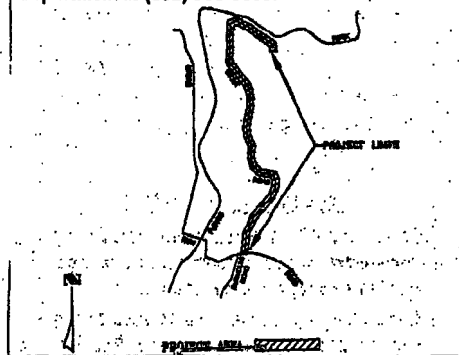
FILE NAME: STOUT RD.

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Stout Road: Broad Run Road to North 7,800 feet (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Stout Road: Broad Run Road to North 7,800 feet.

This public hearing will be held on Thursday, July 12, 2001 at 7:00 p.m. at the Fern Creek Fire Protection District, Station #3, 7700 Routh Road.

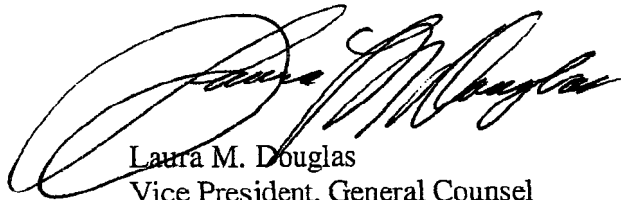
Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.



CERTIFICATION

This is to certify that the following *Taylorsville Road: Hwy 155 to 15903 Taylorsville Road*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on August 14, 2001, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary
August 14, 2001

**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on March 13, 2001, directing the issuance of Apportionment Warrants against properties located on Taylorsville Road: Hwy 155 to 15903 Taylorsville Road, to add the following properties listed in the names of William & Lisa Allgeier; Chris & Barbara Tharp, John P & Angela M Tucker and James & Julia Bradley:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assesment</u>
AW46511019	William & Lisa Allgeier Chris & Barbara Tharp	15897 Taylorsville Road Deed Book <u>7193</u> , Pg. <u>697</u> Tax Block <u>0049</u> , Lot <u>0003</u>	\$5,450
AW46512019	John P & Angela M Tucker	15899 Taylorsville Road Deed Book <u>7235</u> , Pg. <u>839</u> Tax Block <u>0049</u> , Lot <u>0059</u>	\$5,450
AW46510019	James & Julia Bradley	15901 Taylorsville Road Deed Book <u>5328</u> , Pg. <u>880</u> Tax Block <u>0049</u> , Lot <u>0060</u>	\$5,450

it appearing that such property should have been included in the November 14, 2000 assessment.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797478	RICHARD A. & MARY A. THOMPSON	TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	16415 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 7103 DEED-PG 489 TAX-DST TAX-BLK 55	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 69		RELS-DT 02/15/2001 RELS-BK 627 RELS-PG 314
0797480	ROBERT E. & CHRISTI VAN BUREN	16600 TAYLORSVILLE ROAD	5,450.00	01/2001	
(PAID-UP)	5812 SOUTHLAND TERRACE LOUISVILLE KY 40214	DEED-BK 6546 DEED-PG 443 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 97		RELS-DT 04/18/2001 RELS-BK 635 RELS-PG 685
		16620 TAYLORSVILLE ROAD	5,450.00	01/2001	
		DEED-BK 7137 DEED-PG 158 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 96		RELS-DT 04/18/2001 RELS-BK 635 RELS-PG 685
0797483	J.T. & J.U. WHITAKER	17515 TAYLORSVILLE ROAD	5,450.00		
	581 POUND LANE SIMPSONVILLE KY 40067	DEED-BK 2352 DEED-PG 147 TAX-DST TAX-BLK 55	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 7		RELS-DT RELS-BK RELS-PG
0797485	JOHN & ESTHER WOLFE	16115 TAYLORSVILLE ROAD	5,450.00		
129	280 SECOND AVENUE S NAPLES FL 33940	DEED-BK 6573 DEED-PG 838 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 4		RELS-DT RELS-BK RELS-PG
0797487	TINA WOLFE	17302 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	17302 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 7327 DEED-PG 213 TAX-DST TAX-BLK 54	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 179		RELS-DT 02/15/2001 RELS-BK 627 RELS-PG 314
0797489	E PRESTON YOUNG	18205 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	413 OREAD ROAD LOUISVILLE KY 40207	DEED-BK 3883 DEED-PG 14 TAX-DST TAX-BLK 55	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 32		RELS-DT 02/15/2001 RELS-BK 627 RELS-PG 314
0815412	MICHAEL G & LINDA L THOMPSON	17210 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	17210 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 5718 DEED-PG 717 TAX-DST TAX-BLK 54	LIEN-DT 04/18/2001 LIEN-BK 635 LIEN-PG 666 LOT-NO. 39		RELS-DT 06/06/2001 RELS-BK 641 RELS-PG 77
0830292	JAMES & JULIA BRADLEY	15901 TAYLORSVILLE ROAD	5,450.00		
	15901 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 5328 DEED-PG 880 TAX-DST TAX-BLK 49	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 60		RELS-DT RELS-BK RELS-PG

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0830293	WM. & L CHRIS & BARBARA THARP	15877 TAYLORSVILLE ROAD	5,450.00		
	5310 MILLWOOD COURT	DEED-BK 7193	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 697	LIEN-BK		RELS-BK
	40293	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	3	
0830305	JOHN & ANGELA TUCKER	15899 TAYLORSVILLE ROAD	5,450.00		
	15899 TAYLORSVILLE ROAD	DEED-BK 7235	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 839	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	59	
130					

LWC 0788

**MINUTES OF REGULAR MEETING
BOARD OF WATER WORKS
September 11, 2001**

Board Members Present

Mr. Phillip Bond
Mr. Jack Segell
Mr. Stephen Gault

Board Members Absent

The Hon. David L. Armstrong, Mayor
Mr. Stewart Conner
Ms. Wendy Welsh
Mr. Owen Hammons

Others Present

Mr. John Huber, President
Ms. Laura Douglas, V. P. General Counsel & Secretary
Mr. Robert Miller, V. P. Treasurer
Mr. Gregory Heitzman, V. P. Chief Engineer
Mr. Frank A. Appelfeller, P.E.
Ms. Kay Ball
Mr. Steve Hubbs
Mr. Brent Russell
Mr. Larry Lenahan

The Board Meeting convened at 12:30 p.m.

Mr. Huber noted that a quorum was not present for the meeting. Per the advice of counsel, Mr. Huber proceeded with the meeting with the intention of seeking a ratification of all action taken at the October 9, 2001 Board Meeting.

Approval of the consent agenda was recommended.

- Minutes of previous meetings.
- Claims paid during the previous month.
- Petitions and applications for water main extensions
- Authorization for design and bid of projects under \$200,000
- Bid tabulations for contracts under \$500,000
- Listing for award of contracts less than \$50,000

Item A: Minutes of Regular Meeting Held **August 14, 2001**
Request: Approve Minutes

Item B: Claims Paid During **August 2001**
Request: File claims for future audit.

Item C: Petitions and applications for Water Main Extensions and Relocations
(when in full compliance / SR&R)

<u>Developer Installed Refunding Projects</u>	<u>Total Project Cost</u>	<u>Net Cost To LWC</u>
Woods of St. Andrews (Project No. 00-097)	\$25,400.00	
Cooper Farms Section 6 (Project No. 00-100)	\$60,785.00	
Wolf Trace Section 3 (Project No. 01-026)	\$100,180.00	
Chieftain Ridge Section 1 (Project No. 01-040)	\$35,760.00	
Memory Place (Project No. 01-049)	\$8,695.00	
Hardwood Forest Subdivision Section 2 (Project No. 01-050)	\$52,395.00	\$11,075.00
Austinwood Place (Project No. 01-062)	\$4,930.00	

<u>Tapping Fee Main Extension Projects</u>	<u>Total Project Cost</u>
East Burnett Avenue (Project No. 01-038)	\$12,300.00
Estelle Court (Project No. 01-063)	\$12,700.00
Leeland Farm Lane (Project No. 01-211)	\$26,970.00

<u>Apportionment Warrant KRS 96.265 Petition</u>	<u>Total Project Cost</u>
Bearcamp Road: End of Extension Water Main to County Line	\$299,200.00

<u>Metropolitan Sewer District Relocation Projects</u>	<u>Total Project Cost</u>	<u>Net Cost To LWC</u>
Woodbark Lane Drainage Improvement Project – Birchwood Wastewater Treatment Plant Elimination Project (Project No. 01-550)	\$15,600.00	
Melody Lane/Cardinal Hill Pump Station Removal and Collector Project (Project No. 01-1409M)	\$15,500.00	\$15,500.00

Item D: Authorization for design and bid of projects (estimated to cost less than \$200,000)

Item E: Bid tabulations (award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).

Item F: Award of contracts less than \$50,000

Capital Program

<u>Project No.</u>	<u>Project Name</u>	
01-532	Primrose Drive Water Facilities Relocations Project SOUTHERN PIPELINE CONSTRUCTION CO. (CWBE)	\$29,283.00

Procurements of Goods and Services

<u>Project No.</u>	<u>Project Name</u>	
01-12	Meter Plug Locks MCGARD, INC. (Two-Year Contract)	\$34,092.00
01-36	GIS Workstations ACCENT SYSTEMS	\$11,376
20-HVAC01-B	Inspection, Maintenance & Repair of HVAC Systems ACCO, INC.	\$11,376.00

Procurement of Sole Source Materials and Services

<u>Project No.</u>	<u>Project Name</u>	
<u>Sole Source</u>	<u>Appraisal Software System – Performance Impact 2.9 KNOWLEDGE POINT</u>	\$25,000.00
<u>00-479</u>	<u>Automated Mapping/ Facilities Management System</u>	\$13,750.00
<u>Sole Source</u>	<u>GIS Technician Training ESRI</u>	
<u>Sole Source</u>	<u>Quanti-tray and colilert media for Total Coliform testing IDEXX DISTRIBUTION CORP.</u>	\$49,500.00

ADMINISTRATIVE REPORT

Mr. Huber stated that he would make his comments as individual agenda items were presented. He would not make a separate administrative report.

FINANCIAL REPORT

Mr. Miller gave the Financial Report.

1. Total operating revenue of \$60,988,300 is \$3,289,100 or 5.70% more than budgeted and \$3,083,800 or 5.33% more than the same period in 2000. We sold 2.32% less water in 2001 than the same period in 2000. Water delivered to the mains was 0.20% more than 2000.
2. Operation and maintenance expense of \$25,824,600 is \$626,300 or 2.49% more than budgeted and \$1,363,800 or 5.58% more than 2000.
3. Operating deductions of \$40,866,100 are \$2,130,300 or 5.50% more than budgeted and \$3,884,800 or 10.50% more than 2000.
4. Net operating income of \$20,122,200 is \$1,158,700 or 6.11% more than budgeted.
5. Total non-operating income of \$3,626,600 is \$229,900 or 6.77% more than budgeted.
6. Net income of \$19,248,200 is \$1,951,300 or 11.28% more than budgeted and \$334,700 or 1.71% less than 2000.

The capital program reflects net expenditures of \$23,798,132 against a budget of \$79,484,167 including non-completed previous year projects carried forward.

OPERATIONS AND ENGINEERING REPORT

Mr. Heitzman gave the Operations and Engineering report for August, 2001.

Production

Production for the month averaged 145.4 MGD, slightly less than the August five-year average of 148.7 MGD. Pumpage for the year is 1.2 percent above the five-year average. Although metered consumption is down, the flushing program has contributed to slightly higher pumping levels.

Water Quality

Twelve of the 558 total water quality samples taken during August tested positive for coliform. This 2.1 % rate of positive samples is less than the regulatory target of 5%. There were no positive recheck samples for the month. The southwest service area of the distribution system experienced low chlorine residuals during the month. Lower system demand in the City system contributed to lower chlorine levels in Cardinal Hill Reservoir.

Call Center

The new Customer Information system has been on line for one complete year (since August 2000) and the benefits of the system are beginning to show. The abandonment rate has dropped to a level of 4.36% for August, compared to a 17.4% rate in August 2000.

Distribution Maintenance

August was a typical summer month for repair activity. Mr. Heitzman stated that discretionary O & M work was being placed on hold in order to address budget concerns.

LITIGATION REPORT

After proper motion and second, the Board adjourned to closed session for the purpose of discussing litigation, acquisition of property and a personnel matter. The Board reconvened into open session without taking any action.

2002-2006 STRATEGIC PLAN

Mr. Miller reported on the update of the 2002-2006 Strategic Plan

The 2002-2006 Strategic Plan has been drafted and is submitted to the Board of Water Works for its approval. This planning document represents an update of the 2001-2005 Strategic Plan and will be used as the basis for the Preliminary 2002 Annual Budget upon approval by the Board. Following is a summary of changes to key items:

Vision, Mission and Values. The vision, mission and values were unchanged.

Assumptions. Three assumptions were added: *No additional borrowing will be needed to fund the capital plan during the next five years; Continuing as an employer of choice will require an appreciation for cultural diversity and an employee base which mirrors the diversity in our community; and Metro government ownership will not change the structure or organization of LWC.*

Strengths, Weaknesses, Opportunities and Threats. The strengths were unchanged. Five weaknesses were removed due to accomplishments during the past year, and six weaknesses were added: *Difficulty in optimizing TQO Principles; Legacy information systems do not support systems-based management structure; Difficulty in recruiting technical and professional personnel; Lack of management training and career development; Gaps in timely execution of the Capital Plan; and, Overspending Operations and Maintenance Budget.* Two opportunities were added: *Full implementation of TQO; and Develop and expand new competencies in the workforce.* No threats were materially changed.

Constituent Goals and Objectives. A water quality goal was added: *Operate the distribution system consistent with the distribution water quality requirements of best management practices within the industry.* The remaining constituent goals and objectives were not materially changed.

Strategy I: Invest in treatment and delivery systems and technologies that deliver a quality of water service proven to assure public health, meet customer expectations, and exceed regulatory standards. This strategy was not materially changed.

Strategy II: Operate the systems and culture of the Company as that of a competitive organization; an organization that centers on the customer's needs and expectation for quality product, service, and value and demonstrates leadership in a competitive marketplace. A new substrategy was added: *Improve Economies of Scale and Benchmarking.*

Strategy III: Increase water revenue by selling more water. This strategy was unchanged.

Strategy IV: Achieve and maintain a high quality of work life as defined in the Next Level Plan II. This is a new strategy, developed to emphasize the importance of employee contributions to the success of Louisville Water Company.

Strategy V: Enhance Customer Satisfaction and achieve best in class customer service by sufficiently resourcing and implementing the Enhancing Customer Satisfaction and Customer Confidence Program Plan. This is also a new strategy, developed to emphasize the importance of customer satisfaction to the success of Louisville Water Company.

Mr. Huber indicated that the Strategic Plan would not be updated again until 2003. A consultant will be used.

The Board indicated through an expression of consensus that they agreed with the updated plan.

BID TABULATIONS

Mr. Heitzman reported on several projects/bids:

99-414B Modifications and Liner Installation for South Basin of Crescent Hill Reservoir -- Bids were received Wednesday, August 22 for rehabilitation of the Crescent Hill Reservoir South Basin. This work will include installation of a flexible membrane liner and stabilization of the basin embankment and concrete drainage structures. The scope of this work was modified after approval by the Board on October 10, 2000 to re-bid the project.

Seven responsive bids were received for this project, ranging \$1,337,000 - \$1,787,830. Bids for this project were evaluated by comparison against established criteria of the base bid, project completion time, MBE participation, and WBE participation (see attachment).

Board members present recommended that the Chief Engineer award a contract in the amount of **\$1,337,000** to **Arnold, Dugan and Meyers Inc.** for Modifications and Liner Installation for South Basin of Crescent Hill Reservoir. This project will begin this fall, since winter weather may require a delay in construction during winter months.

01-502 Chestnut Street Area – Main Replacement Project -- Bids were received and opened Wednesday, August 8, 2001 to install approximately 3,490 linear feet of 8 and 12-inch water main in the Chestnut Street area. A total of 7 bids (4 base and 3 alternate bids) were received from 4 pre-qualified contractors.

Selection of the Contractor was based upon an evaluation of the bids submitted, with weight given to bid amount (85%), completion time (5%), MBE utilization (7%), and WBE utilization (3%). A tabulation of the bids is attached and the project financial summary is provided as follows:

	<u>Budget Estimate of Record</u>	<u>Budget After Bids</u>
Contract Cost	\$239,000	\$282,224.60
Total Project Cost	\$342,000	\$385,224.60

Board members present recommended that the Chief Engineer award a contract in the amount of **\$282,224.60** for the alternate bid to **M&A Construction** to install the water facilities associated with this project.

LWC Contingency Contract No. L-01 Transmission System Emergency Repairs and/or Capital Improvements – Annually the Company solicits bids to perform emergency repairs to the transmission system. Beginning this year with L-01, the annual document will also provide for capital improvement work. This contract can be executed upon authorization by the President, when emergency repair work and/or capital improvement work exceeds the capacity and/or capability of the LWC crews. Five bids were received and opened on Wednesday, August 15. Four local firms submitted a bid for transmission main repair/capital work.

Board members present recommended that the President award contracts, if and when needed, for emergency repair work and/or capital improvement work to the transmission system. The basis of award would be: the Contractor's unit price bid entries, the Contractor's work history, and the Contractor's availability to perform the specified work at the time of the emergency/improvement. Work estimated to exceed the President's authorization level (currently \$50,000) will be presented to the Board for approval.

Mr. Miller and Mr. Hubbs reported on:

01-33 Treatment Chemical Bids -- Bids were received on Wednesday, August 1, 2001 for the annual supply of water treatment chemicals to the Crescent Hill Filter Plant (CHFP) and BE Payne Water Treatment Plant (BEPWTP). Staff recommends contracts be awarded to the best-evaluated bidders identified in the bid process. A recommendation for a contracts supplier of organic polymers cannot be made at this time as evaluation testing, utilizing a new extensive protocol, has yet to be completed.

Based upon annual usage levels anticipated, the recommended contracts for treatment chemicals total \$1,397,295. This amount represents a 7.9% (\$120,183) decrease in costs compared to current contract prices.

Board members present recommended that staff purchase the following chemicals from the bidders indicated:

<u>Chemical Name</u>	<u>Recommended Bidder</u>	<u>2002 Price</u>	<u>2001 Price</u>
Ammonia	HVC, Inc.	\$ 355.00	\$ 335.00
Copper Sulfate	HVC, Inc.*	\$1,118.00	\$1,118.00
Fluoride	Solvay Fluorides	\$ 131.00	\$ 124.00
Liquid Alum	General Chemical*	\$ 150.00	\$ 125.00
Chlorine - Rail Car (CHFP)	HVC, Inc.	\$ 107.00	\$ 239.00
Chlorine - Cylinders (BEPWTP)	HVC, Inc.	\$ 170.00	\$ 280.00
Ferric Chloride	Eaglebrook, Inc	\$ 196.50	\$ 207.00
Lime	Dravo	\$ 72.80	\$ 68.90
Poly Aluminum Chloride	Westwood Chemical Corp.	\$ 460.00	\$ -
Organic Polymers	Under Evaluation	\$ -	\$ 290.00
Potassium Permanganate	Sweetwater Technologies	\$2,664.00	\$2,442.00
Activated Carbon	Acticarb	\$ 604.64	\$ 702.74
Activated Carbon - T&O	Norit Americas, Inc.	\$ 860.00	\$ 900.00
Soda Ash, CHFP	Brenntag Mid-South, Inc.	\$ 165.50	\$ 153.50
Sodium Hydroxide	HVC, Inc.*	\$ 417.08	\$ 225.00
Hydrated Lime	Mississippi Lime*	\$ 100.64	\$ -

Mr. Miller reported on several bids:

01-34 Office Supplies -- On August 29, 2001, bids were opened to award a three-year contract for office supplies. These are supplies that are used company-wide at LWC. A total of four bids were submitted with the lowest, most responsive bid from Corporate Express for a total of \$81,332.01.

Corporate Express is the largest business-to-business supplier in the office products industry with over \$2 million per day in Internet and various forms of EDI transactions.

Board members present recommended that staff award a contract for the purchase of office supplies in the amount of **\$81,332.01** to **Corporate Express**.

01-41/Microsoft Office Site Licenses -- LWC purchased a site license of Microsoft's industry leading desktop office software, MS Office, in 1998. The site license allowed the Company to standardize on a single platform for general office use and meet Year 2000 compliance for our desktop software.

The Microsoft Office desktop software is generally updated on an 18-24 month cycle to take advantage of new and enhanced technology. Staff has identified the need to stay on the current release of our desktop software and the IT Strategic Plan and capital budget have identified this item for update in the 2001 budget year. This project provides funding in the amount of \$60,000 for upgrading our standard desktop software suite to the current, supported version.

On August 29, 2001 bids were opened to purchase Microsoft Office Site Licenses. These licenses allow LWC to own and operate certain software programs as contained in the bid. A total of 12 bids were submitted with the lowest, most responsive bid from Insight Inc. for a total of \$59,062.00.

Board members present recommended that staff purchase Microsoft Office Site Licenses from **Insight Inc.** for a total of **\$59,062.**

COMMUNICATIONS

Mr. Miller discussed 2002 Annual Budget Issues with the Board. This report was presented for information purposes only.

During the course of development of the Preliminary 2002 Annual Budget, the Executive Leadership Team has reviewed the history of performance against the Operations and Maintenance budget. Louisville Water Company has overspent its Operations and Maintenance budget each year since 1994. Following is a summary of findings on the nature of the overspending.

Historical O&M Budget vs. Actual Expenses When financial performance is reviewed on a year-by-year basis, it appears that there have been operations-related issues (such as winter emergency costs, chemical costs for taste and odor problems, claims expense costs) that can explain all or part of the variance. However, when the financial performance as reviewed as a trend over time, it appears that there is a consistent pattern of variance since that time

Water Rates vs. Consumer Price Index A key element of the Strategic Plan is to keep water rate increases at or below the change in the Consumer Price Index. During that same time of overspending the Operations and Maintenance budget, water rates have tracked the CPI closely with the exceptions of 1997 and 1998 when the CPI was less than two percent.

Cost Control vs. Enhanced Organizational Capabilities Louisville Water Company has successfully completed many cost reduction initiatives. These cost reductions have not resulted in budget reductions. Instead, these savings have been reallocated to create new capabilities towards customer and stockholder satisfaction.

Depreciation vs. Infrastructure Replacement Reserve The Infrastructure Replacement Reserve was initiated at Louisville Water in 1993 to provide an additional funding mechanism for supporting the Main Replacement and Rehabilitation Program. This funding concept has been benchmarked by utilities throughout the country. The initial funding was \$600,000 in 1993. The largest incremental increase occurred in 1994, when the Infrastructure Replacement Reserve was increased by \$1,650,000 to a total of \$2,250,000.) During that same year, the Operations and Maintenance budget was increased by only \$57,600.

Funding of 2002 Annual Budget The Executive Leadership Team is currently evaluating the funding requirements for the Preliminary 2002 Operations and Maintenance budget, as well as how the funding requirements will be met. The key issues on evaluating these funding requirements are: providing adequate support for implementation of the strategic plan; capturing cost reductions wherever possible;

keeping water rate changes at or below the CPI; and appropriate adjustments to the Infrastructure Replacement Reserve.

It appears that the underfunding of the Operations and Maintenance budget may date back to 1994 when the preponderance of the water rate increase was used to fund the Infrastructure Replacement Reserve. Since that time; the annual spending has exceeded the budget by approximately \$700,000 to \$750,000 each year. The Executive Leadership Team is contemplating a shift of a like amount of funding from the Infrastructure Replacement Reserve to the Operations and Maintenance Budget in order to provide adequate funding for a more realistic budget.

OLD BUSINESS

Mr. Heitzman reported on several items:

Amendment to Issuance of Apportionment Warrants per KRS 96.265 Project 97-574 Thomas Grove Road: Private Roadway off Oak Grove Road – A request for a water main extension was received in 1997 from the three property owners along a private roadway off Oak Grove Road known as Thomas Grove Road. Due to the unusual property configurations and ownership patterns, and the request of the property owners, application of KRS 96.265(11) was utilized. On January 13, 1998 the Board authorized proceeding with the above project and established a 'not-to-exceed' equal share assessment of \$11,000 per property.

The project was completed by D&G Plumbing and Excavating and on December 14, 1999 the Board of Water Works issued the Apportionment Warrants against the properties assessed in accordance with KRS 96.265 in the amount of \$11,000. The total project cost was \$41,046.56.

After the Apportionment Warrants were issued, the property owners questioned the 'not-to-exceed' cost. An evaluation of the total costs charged to the project revealed three areas where adjustments can be justified. These include material charges for 200 psi pressure class PVC; incorrect contractor and LWC labor charges; and expenses associated with easement plat preparation for a future grid tie to Heritage Estates subdivision.

Board members present recommended that the Apportionment Warrants issued by the Board of Water Works on December 14, 1999 be revised to the amount of \$10,094.93.

Bullitt County Advisory Board – August 31, 2001 Meeting Summary -- The quarterly meeting of the Bullitt County Advisory Board was held on August 31, 2001 at the Bullitt County office. The Advisory Board members attending the meeting were Mr. Larry Hatfield, Mr. George Miller, and Mr. Dan Thibodeaux. Mr. Hatfield was recently appointed by Judge Kenneth Rigdon to serve on the Advisory Board beginning July 1, 2001. The following are key discussion items at the meeting:

- The second quarter financial report was provided to the Advisory Board members. Total income for the second quarter was \$424,664.46, while total expense for the quarter was \$132,331.21. As of June 30, 2001, the Bullitt County Reserve bank balance was \$2,777,895.72. Total debt of the Bullitt County Reserve is \$4,441,880.

- A Capital Project summary was reported, including \$7.5 million under design or construction.
- A summary of the Bullitt County Information meetings on county-wide water service was discussed. Two public information meetings have been held, with attendance of over 500.
- An update on the applications for both Community Development Block Grants and KIA 2020 Water Service Grants was provided. These grants may reduce the connection fee below \$5,450, based on project costs and constraints placed by the funding agency.
- The Board was advised of the vehicle disposition policy, with proceeds from the sale of any vehicles, equipment, or land owned by the District to be deposited into the Bullitt County Reserve.
- A proposal to provide additional water to North Nelson Water District was discussed. North Nelson has requested the LWC wholesale rate of \$1.35 per 1,000 gallons, while the current billing rate is \$1.75 per 1,000 gallons. The Advisory Board desires to protect the existing cash flow from North Nelson into the Bullitt County Reserve.
- An update on the Public Service Commission (PSC) Case 97-323-Burke Realty was provided. Mr. Burke has requested some variations to the requirements of the PSC ruling, specifically related to water service to Dreams End Lane and Serene Meadows. The Advisory Board recommended LWC follow the rulings of the PSC in this matter. Mr. Heitzman summarized the PSC ruling and will meet with Mr. Burke regarding these requirements.

The Advisory Board agreed to establish a regular meeting schedule for the fourth Thursday of the month following the end of the quarter. The next meeting is scheduled for Thursday, October 25, 2001.

The report was advisory only; no Board action was requested.

Project 00-337, I-65 Transmission Main System, Bullitt County; Highway 61 – Coopers Run to Highway 480 – On April 25, 2001, a contract was awarded to Tom Brown Construction Co. in the amount of \$294,348 for the above project. Since then, two change actions have been added to this project. The second has resulted in the total cost of these changes to exceed 10% of the original contract.

Board members present recommended that the Chief Engineer increase the contract amount for Project 00-337 by \$30,204.00 for a new contract amount of \$324,552.00. These funds will come from the \$5.0 million committed to the I-65 Transmission Main System in the KT Merger Agreement and a \$100,000 Community Development grant issued to Bullitt County to supply water to the new County Corrections Facility.

NEW BUSINESS

Mr. Miller reported on: **Declaration of Dividend to the City of Louisville** -- Section 508 of the Series 1992 Water System Revenue Bond Resolution provides that the Louisville Water Company will pay to the

Commissioners of the Sinking Fund an annual dividend on the Louisville Water Company stock owned by the City.

Board members present recommended that a third quarter 2001 dividend in the amount of \$3,026,750 be given to the owner and a resolution so stating be adopted.

Apple Patch Community, Inc. Property, Tank – Mr. Heitzman requested approval to purchase property for the future construction of a new elevated storage tank on Hwy. 329 in Oldham County, KY. Construction of the tank will improve the system pressure and flow in the 940 pressure zone serving Oldham County.

Staff has been involved in negotiations with a number of property owners along Hwy. 329 in an attempt to locate a parcel that meets both the size and elevation requirements.

An offer was made to purchase a 1.42 (+/-) acre tract and necessary easements located in Oldham County, KY for the sum of \$68,760. In addition, the chief engineer authorized \$5,000 reimbursement for engineering costs associated with the redesign of their retention basin to accommodate storage overflow volume. The offer of purchase requires:

1. a clear title examination and/or survey to determine there are no restrictions, easements, or regulations that will inhibit the intended use
2. an environmental audit to determine the property is free of hazardous or toxic substances
3. a geo-technical survey and core drillings to determine the property is suitable for the purchaser's intended use
4. an appraisal to confirm the property value
5. a survey and mapping of the property to confirm there are no encroachments
6. approval of the purchase by the LWC BOWW

Board members present recommended that staff purchase land and easements owned by Apple Patch Community Inc. for the purpose of constructing an elevated storage tank on Hwy. 329 in Oldham County, KY and that engineering fees incurred by the property owner for design of the retention basin be approved.

Mr. Heitzman reported on: **Gilmore Lane Water Facilities Relocation Project LWC Project 01-555 –** Water facility relocations are necessary to accommodate Jefferson County Public Work's "Gilmore Lane Road Improvements" project in Jefferson County. Approximately 1,370 l.f. of 8" DIWM shall be relocated on Gilmore Land and about 128 l.f. of 6" DIWM on adjoining streets. Also, three (3) fire hydrants shall be relocated along with 83 5/8"-3/4" domestic services and four (4) larger services. Staff intends to joint bid this project with the County. A sketch of the project is attached for reference purposes.

The total project cost is estimated to be \$220,000, of which engineering/supervision is estimated at \$11,000, materials are estimated at \$31,000, and contract labor is estimated at \$178,000. This project is being federally funded therefore LWC shall be fully reimbursed for all water facility relocation costs. The net cost to the LWC shall be \$0.

Board members present recommended that staff design the Gilmore Lane distribution water facility relocations and enter into an agreement with Jefferson County Public Works for the construction of the distribution water facility relocations as described above.

Mr. Heitzman and Mr. Appelfeller reported on: **2001 Annual Inspection** -- In May of 2001, the Board of Water Works authorized engineering consultants Black & Veatch to perform the 2001 Annual Inspection Report on the Adequacy and Condition of the Water Works System. Professional services provided by the consultant included an inspection and review of the water works system as required by the Water System Revenue Bond Resolution, Series 1992, Article IV, Section 612.

Board members present recommended that the 2001 Annual Inspection Report be accepted and filed with the Board Trustees. The 2001 Annual Inspection Report, furnished by Black and Veatch, has been included in its entirety with the Board Secretary's original minutes.

Mr. Miller reported on: **Property & Casualty Insurance** -- The Louisville Water Co. policies for excess utility liability, excess workers' compensation, blanket property and crime insurance will expire September 30. Because of rate guarantees negotiated in the past two years, we will review our excess liability and excess workers' compensation policies with the incumbent carriers. The actual premiums may show slight increases due to an increase in our payroll upon which the premiums are based.

Board members present recommended that staff renew LWC's excess liability policy with AIG at an estimated annual premium of \$160,000. This policy provides \$35 million in coverage in excess over our \$500,000 self-insured retention.

The property insurance market has hardened dramatically with 30% - 40% premium increases being the norm for even highly-protected risks. Our broker is continuing to negotiate with several insurance carriers at this time including the incumbent, Allianz, with whom we are in the final year of a rate guarantee. Allianz currently provides policy limits of \$154 million at an annual premium of \$57,828.

Board members present recommended that staff accept the best combination of coverage and price up to an estimated annual premium of \$75,000. The matter, when acted on, will be brought back to the Board for ratification.

The annual premiums for our excess workers' compensation and crime insurance policies are below values requiring Board approval. We intend to renew the workers' compensation coverage at an annual premium of approximately \$15,000 and the crime insurance coverage at an annual premium of approximately \$1,700.

The meeting was adjourned at 3:15 p.m.

Louisville Water Company

ABULATION FOR BIDS: 99-414B, Modifications & Liner
Installation for South Basin of
Crescent Hill

TIME: 11:00 A.M. LOCAL TIME

ID OPENING DATE: August 22, 2001

Project Manager: Tom Raderer

PROJECT MANAGER'S

Consulting Engineer: Fuller Mossbarger Scott & May

ESTIMATE: \$1,497,000.00

PREVAILING WAGE: Yes

BIDDER	BASE BID	START/ COMPLETE DATES	BID SIGNED	NON-COLLUSION AFFIDAVIT COMPLETE	RECEIPT OF ADDENDUM #1	Evaluated Bid		
						MBE	WBE	SCORE
Arnold, Dugan & Meyers, LLC 712 River Green Circle Louisville, KY 40206-1085	\$1,337,000.00	Complete work w/in 215 calendar days (not to exceed 265 calendar days).	Yes	Yes	Yes	\$210,000 15%	\$54,675 4.09%	1
Bel Construction Company, Inc. 401 Bashford Avenue Court Louisville, KY 40218-3162	\$1,399,085.00	Complete work w/in 250 calendar days (not to exceed 265 calendar days).	Yes	Yes	Yes	\$0 0%	\$30,000 2.14%	2
Ball Contracting of Kentucky 800 Crittenden Drive Louisville, KY 40233-7270	\$1,416,780.00	Complete work w/in 260 calendar days (not to exceed 265 calendar days).	Yes	Yes	Yes	\$0 3.18%	\$45,000	3
MAC Construction & Excavating 908 Unruh Court Law Albany, IN 47151-6787	\$1,489,000.00	Complete work w/in 250 calendar days (not to exceed 265 calendar days).	Yes	Yes	Yes	\$20,000 1.34%	\$26,000 1.75%	4
McC & C Contracting, Inc. P.O. Box 72398 Louisville, KY 40272-0398	\$1,639,090.00	Complete work w/in 265 calendar days (not to exceed 265 calendar days).	Yes	Yes	Yes	\$0 0%	\$0 0%	5
Mardaway Construction * P.O. Box 10 Menderson, KY 42419-0010	\$1,721,304.00	Complete work w/in 200 calendar days (not to exceed 265 calendar days).	Yes	Yes	Yes	\$0 0.00%	\$24,350 1.41%	6
Mavid Engineering & Construction * 330 West Breckinridge Street Louisville, KY 40201	\$1,787,852.00	Complete work w/in 265 calendar days (not to exceed 265 calendar days).	Yes	Yes	Yes	\$0 0.00%	\$0 0.00%	7
Moupe Construction Company, Inc. P.O. Box 37087 Louisville, KY 40233-7087	No Bid	Complete work w/in ___ calendar days (not to exceed 265 calendar days).						

*Bidders that did not submit a bid:

Smith Contractors, E-Z Construction Co, Pressure Concrete Inc., American Contracting, Reynolds, Inc., Edwin Brady Construction, Building Crafts, Inc., Triden Const. Supply, Midessa Industrial Vinyl Co., New Lining Solutions, ISCO Industries, Colorado Lining International, Engineered Textile Products, Inc., Serrot International, Inc., Water Saver Company, Inc., JH Water Systems, Northwest Linings, Western Industries, Nicholson Construction Co., Schnabel Foundation Co., Hayward Baker, Inc., Richard Goettle, Inc.

*Mathematical Error - Base bid corrected for this report.

Mardaway Construction did not submit page BP-3.

Evaluation of Bids

Project Number: **88-414B**

Project Name: **Modifications & Liner Installation for South Basin of Crescent Hill Reservoir**

Evaluation Criteria	Submittal	Criteria Ratio Calculation	Weight (%)
Contractor Bid (\$)	1,337,000	Lowest Bid / Contractor Bid	85
Completion Time (days)	250	Shortest Completion / Contractor completion	5
Certified MBE Utilization (%)	15	Contractor % Utilization / 15% (maximum ratio 1.0)	7
Certified WBE Utilization (%)	5	Contractor % Utilization / 5% (maximum ratio 1.0)	3
		Total (%)	100

	Bid Submittals	Proposed Subcontractors	Criteria Ratio	Weighted Score	Ranking
Contractor	Arnold, Dugan & Meyers				
Contractor Bid (\$)	1,337,000	America's Finest Filters	1.00	85.00	1
Complete Date (days)	215	Advance Ready Mix	0.93	4.65	
Certified MBE Utilization %	15.00	Kentucky Industrial Metals	1.00	7.00	
Certified WBE Utilization %	4.09		0.82	2.45	
				99.11	
Contractor	Abel Construction Co.				
Contractor Bid (\$)	1,399,085	Advance Ready Mix	0.96	81.23	2
Complete Date (days)	250		0.80	4.00	
Certified MBE Utilization %	0.00		0.00	0.00	
Certified WBE Utilization %	2.14		0.43	1.28	
				86.51	
Contractor	Hall Contracting of Kentucky				
Contractor Bid (\$)	1,416,780	Advance Ready Mix	0.94	80.21	3
Complete Date (days)	260		0.77	3.85	
Certified MBE Utilization %	0.00		0.00	0.00	
Certified WBE Utilization %	3.18		0.64	1.91	
				85.97	
Contractor	MAC Construction & Excavating				
Contractor Bid (\$)	1,489,000	Contractor Services	0.90	76.32	4
Complete Date (days)	250	Kentucky Transfer	0.80	4.00	
Certified MBE Utilization %	1.34	Advance Ready mix	0.09	0.63	
Certified WBE Utilization %	1.75		0.35	1.05	
				82.00	
Contractor	T + C Contracting				
Contractor Bid (\$)	1,639,090		0.82	69.33	5
Complete Date (days)	265		0.75	3.77	
Certified MBE Utilization %	0.00		0.00	0.00	
Certified WBE Utilization %	0.00		0.00	0.00	
				73.11	
Contractor	Hardaway Construction				
Contractor Bid (\$)	1,721,304	Advance Ready Mix	0.78	66.02	6
Complete Date (days)	200		1.00	5.00	
Certified MBE Utilization %	0.00		0.00	0.00	
Certified WBE Utilization %	1.41		0.28	0.85	
				71.87	
Contractor	David Engineering & Construction				
Contractor Bid (\$)	1,787,852		0.75	63.57	7
Complete Date (days)	265		0.75	3.77	
Certified MBE Utilization %	0.00		0.00	0.00	
Certified WBE Utilization %	0.00		0.00	0.00	
				67.34	
Contractor	Coupe Construction Co.				
Contractor Bid (\$)	NO BID		#VALUE!	#VALUE!	8
Complete Date (days)	NO BID		#VALUE!	#VALUE!	
Certified MBE Utilization %	NO BID		#VALUE!	#VALUE!	
Certified WBE Utilization %	NO BID		#VALUE!	#VALUE!	
				#VALUE!	

Contractor Bid - The lump sum base bid amount presented in the Bidders Proposal for this project.

Completion Time - The completion days as presented in the bidders proposal.

Certified MBE Utilization % - The percent of the lump sum base bid designated as subcontractor(s) with Certified Minority Business Enterprises. (Maximum 15% used in calculation)

Certified WBE Utilization % - The percent of the lump sum base bid designated as subcontractor(s) with Certified Women Business Enterprises. (Maximum 5% used in calculation)

**RESOLUTION TO DECLARE THIRD QUARTER DIVIDEND
TO THE CITY OF LOUISVILLE**

WHEREAS, it has been the long established policy of the 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 1992 Water System Revenue Bond Resolution set 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 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, the Board passed a resolution on March 13, 2001 to adjust the 2000 annual dividend by \$100,256 from \$12,776,425 to \$12,876,681, the difference to be added in equal quarterly installments to the quarterly 2001 dividend payments, and

WHEREAS, the 1992 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 2001 Louisville Water Company budget contemplates the 2001 annual dividend to be \$12,107,000 it would be in order at this time to declare a regular second quarter dividend of \$3,026,750.

RESOLVED, the regular third quarter 2001 dividend of \$3,026,750 is hereby declared.

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,051,814 to the Louisville and Jefferson County Revenue Commission on September 28, 2001, this being the second quarterly dividend for 2001 plus one quarter of the dividend adjustment for 2000, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

**MINUTES OF REGULAR MEETING
BOARD OF WATER WORKS
October 9, 2001**

Board Members Present

Mr. Phillip Bond
Mr. Jack Segell
Mr. Stephen Gault
Ms. Wendy Welsh
Mr. Stewart Connor

Board Members Absent

The Hon. David L. Armstrong, Mayor
Mr. Owen Hammons

Others Present

Mr. John Huber, President
Ms. Laura Douglas, V. P. General Counsel & Secretary
Mr. Robert Miller, V. P. Treasurer
Mr. Gregory Heitzman, V. P. Chief Engineer
Mr. Frank A. Appelfeller, P.E.
Ms. Karla Teasley
Mr. Steve Hubbs
Mr. Jim Wehrle
Ms. Jane Driskell, Deputy Mayor
Mr. Don McKay

The Board Meeting convened at 12:30 p.m.

Mr. Huber opened the meeting by asking for a motion to ratify all action taken by Board members present at the September 11, 2001 meeting. After proper motion and second, the Board agreed to ratify all action taken on September 11, 2001 by the Board members present.

Approval of the consent agenda was recommended.

- Minutes of previous meetings.
- Claims paid during the previous month.
- Petitions and applications for water main extensions
- Authorization for design and bid of projects under \$200,000
- Bid tabulations for contracts under \$500,000
- Listing for award of contracts less than \$50,000

Item A: Minutes of Regular Meeting Held **September 11, 2001**
Request: Approve Minutes

Item B: Claims Paid During **September, 2001**
Request: File claims for future audit.

Item C: Petitions and applications for Water Main Extensions and Relocations
(when in full compliance / SR&R)

Developer Installed Refunding Projects	Total Project Cost	Net Cost To LWC
Grey Hawk Phase 2 (Project No. 98-095)	\$13,275.00	
Troon At Landis Lakes (Project No. 01-052)	\$112,435.00	\$4,250.00
South English Station Rd. Bore (Project No. 01-053)	\$9,350.00	\$2,100.00
Willowgate Subdivision Section 1 (Project No. 01-057)	\$98,280.00	\$8,615.00
Arbor Ridge Section 2 (Project No. 01-070)	\$56,320.00	\$10,700.00
Tapping Fee Main Extension Projects	Total Project Cost	Net Cost To LWC
Shepherdsville Business & Industrial Center (Project No. 01-022)	\$61,750.00	
Visser Drive (Project No. 01-027)	\$32,570.00	
Apportionment Warrant KRS 96.265 Petition	Total Project Cost	Net Cost To LWC
Broad Run Rd: Fairmount Rd. to Back Run Rd.	\$192,340.00	
Jefferson County Public Works	Total Project Cost	Net Cost to LWC
St. Anthony Church Road Improvements (LWC Proj. No. 01-546)	\$70,000.00	\$70,000.00
Metropolitan Sewer Districts	Total Project Cost	Net Cost to LWC
Joy Drive Drainage Improvement Project (LWC Proj. No. 01-661)	\$3,500.00	\$0.00
Noah Drive Drainage Improvement (LWC Proj. No. 01-1409M)	\$7,400.00	\$0.00
Developer Projects	Total Project Cost	Net Cost To LWC
North Pope Lick Rd. Improvements (LWC Proj. No. 01-496)	\$108,000.00	\$0.00
Old LaGrange Road (LWC Proj. No. 01-558)	\$5,000.00	\$0.00
Grenden Fields (LWC Proj. No. 01-554)	\$59,000.00	\$0.00
Woodbridge Place (LWC Proj. No. 01-660)	\$52,100.00	\$10,300.00

Item D: Authorization for design and bid of projects *(estimated to cost less than \$200,000)*

Item E: Bid tabulations *(award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).*

Item F: Award of contracts less than \$50,000

Capital Program

Project No.	Project Name	
01-455	Crescent Hill Water Treatment Plant Main Office Roof Replacement	\$45,520.00

Procurement of Goods and Services

Project No.	Project Name	
State Contract No. C-01058161	Two Digital Copiers	\$19,148.00

Professional Services

Wolf Pen Branch Preliminary Design Contract Gresham Smith & Partners	\$19,652.00
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ADMINISTRATIVE REPORT

Mr. Huber reported that Scott Potter has left LWC to direct water and wastewater services for Nashville.

FINANCIAL REPORT

Mr. Miller reported on the Income and Expense Summary for the month of September.

- 1) Total operating revenue of \$69,883,800 is \$3,539,400 or 5.34% more than budgeted and \$3,704,300 or 5.60% more than the same period in 2000. We sold 1.61% less water in 2001 than the same period in 2000. Water delivered to the mains was 0.31% more than 2000.
- 2) Operation and maintenance expense of \$28,853,000 is \$485,600 or 1.71% more than budgeted and \$1,815,700 or 6.72% more than 2000.
- 3) Net operating income of \$24,039,500 is \$1,428,300 or 6.32% more than budgeted.
- 4) Net income of \$23,052,500 is \$2,269,800 or 10.92% more than budgeted and \$396,200 or 1.69% less than 2000.

OPERATIONS AND ENGINEERING REPORT

Mr. Heitzman gave the Operations and Engineering Report for September 2001.

Production and Water Quality

Production for September averaged 131.8 MGD, significantly lower than the five-year September average of 143.3 MGD. September 1998 and 1999 were dry periods with high demands on the system compared to the wet months of September 2000 and 2001. During September, 425 distribution water quality samples were analyzed. Ten samples tested positive for coliform and two recheck samples tested positive for coliform. Subsequent water sampling in the area indicated no contamination of the system and a boil water advisory was not issued.

Distribution System

Main breaks were up slightly during the month of September with 66 main breaks repaired compared to 27 in September 2000.

Call Center

The call abandonment rate for September was 5.03 percent compared to 24.5 percent in September 2000. This reduction is attributed to full staffing in the call center and one year of experience with the new Customer Information System. The (IVR) System went on line Monday, September 24, 2001. In the first week of implementation, the IVR processed an overall average of 16 percent (973) of completed incoming calls (6,180). The call abandonment rate for the week was 3.1 percent.

Customer Satisfaction Index

The third quarter total Customer Satisfaction Index (CSI) score reflected an increase of two points to 845, or 0.24 percent. The third quarter score for Service Accounts decreased nine points to 785, or 1.13 percent. The 2001, average (838) total CSI score is 13 points above the Level II Executive/BSO Incentive

Award Goal of 825. The 2001 average (779) Service Accounts score is nine points above the Level III Corporate Performance Award Goal of 770.

System Security

In light of terrorist attacks on the World Trade Center, Risk Management is performing a system-wide risk assessment of all Louisville Water Company facilities. The President has issued Emergency Response Level I, which places all employees on alert and provides additional levels of security at production facilities and critical remote storage and pumping facilities. Daily water samples are being tested to assure water quality. Distribution system chlorine levels have been raised as a precautionary measure. The Company has engaged additional security guards to monitor key facilities. Public access has been restricted to production facilities and reservoirs. Plant tours have been suspended until further notice. We are working closely with the Emergency Management Agency to coordinate local efforts to prevent, monitor, and detect any unusual activities in the community.

LITIGATION REPORT

After proper motion and second, the Board adjourned to closed session for the purpose of discussing litigation and a personnel matter. The Board reconvened into open session without taking any action.

SPECIAL ISSUES

Preliminary 2002 annual Budget-File with Trustees and the City of Louisville

Mr. Miller presented the Preliminary 2002 Annual Budget to the Board.

- The Preliminary 2002 Annual Budget was developed consistent with the financial plans presented during the preparation for the Series 2000 and 2001 Bond Issues.
- Staff recommends a rate increase of 3.75% effective January 1, 2001. Over the past twelve months, the Consumer Price Index has increased 2.7%. Over the next ten years, increases in revenue requirements are held at the anticipated long-term rate of inflation at 3.0%.
- Operations and maintenance expenses of \$41,780,700 are up \$2,713,200 or 6.9% from the 2001 Budget. The main drivers of the increase in operations and maintenance expenses for 2002 are:
 - Distribution Operations and Maintenance increased by \$326,000 to address previous under budgeting and by an additional \$135,000 for work added in Kentucky Turnpike area.
 - Vacancy Credit eliminated requiring \$315,000 for full funding of contingency.
 - Fuel costs have increased by \$160,000.
 - Compensation Performance Matrix increased by \$140,000.
 - General Liability claims increased by \$125,000.
 - Leadership Institute implementation added \$99,000.
 - Telephone customer service staffing added \$121,000.
 - Human Resources/Organization Effectiveness increased by \$105,600 for improved support for compliance issues and quality initiatives.
 - Meter reading and billing expenses increased by \$184,500.
- Depreciation and amortization expense of \$15,871,000 is up \$2,570,200 or 19.3% from the 2001 Budget.
- Infrastructure Replacement Reserve funding of \$2,650,000 is lower than 2001 Budget by \$350,000.

- 2002 Return on Equity Target established at 9.02%, slightly decreased from the previous level of 9.13%. Budgeted dividend of \$12,255,500 is up \$148,500 from 2001 Budget as a result of increased equity.
- 2002 Capital Budget of \$74,218,807 is up \$8,212,705 or 12.4% from the previous budget.
- The key programs in the 2002 Capital Budget are:
 - Riverbank Infiltration Program
 - Main Replacement and Rehabilitation Program
 - Jefferson County Water Extension Program
 - Transmission Improvements
 - Distribution System Improvements
 - Information Technology Improvements

Recommendations

- Recommended rate increase is 3.75%. Over ten year planning horizon, increases in revenue requirements are held at anticipated rate of inflation of 3%.
- Staff requests permission to file the Preliminary 2002 Annual Budget with the Trustees and the City.
- Full review of the Preliminary Annual Budget by the Board of Water Works will be scheduled later in October or November.

Mr. Segell suggested that part of the budget narrative be devoted to how LWC is planning to control costs. He believes it is important to have a cost containment plan. Mr. Huber responded by stating that there is a LWC team addressing this issue.

Mr. Huber asked the board whether it would be willing to meet in special session in October or November in order to address the Budget, RBI, INNAP and Goshen. Board members expressed their preference for holding a special meeting in late October to address these issues. The Board Secretary will work with Mr. Huber and contact Board members in order to select a meeting date.

After proper motion and second, the Board voted to file the Preliminary 2002 Budget with the Trustees and with the City.

BID TABULATIONS

Mr. Heitzman discussed:

01-454 B. E. Payne Water Treatment Plant River Pump Station Roof Replacement

Bids were received Wednesday, September 19 to replace the roof on the B. E. Payne WTP River Pump Station. This project represents the first replacement of the 26-year old roof which is failing in many areas, potentially permitting moisture intrusion on the electrical and mechanical systems.

Three bids were received for this project ranging 7.8%, \$112,684-\$121,500. The low bid exceeds the engineer's estimate by 25%. Comparison of the estimate and bid determined the square footage of masonry wall restoration and linear footage of masonry joint restoration were underestimated by 50%, plus the amount of asbestos abatement was also underestimated. The competitiveness of the three bids indicates the fair market value of the work.

After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$112,684 to Highland Roofing Company, Inc. for B. E. Payne WTP River Pump Station Roof Replacement.

97-403B Installation of Shady Acres Lane Booster Pump Station

Bids were received Wednesday, September 19 for installation of a pre-fabricated underground booster pump station on Shady Acres Lane. This pump station, in conjunction with recently-completed water tank construction and transmission main installation will serve a new 900-foot pressure zone in southeastern Jefferson County, improving system pressure and flow to this area.

Five bids were received for this project ranging 13%, \$147,268-\$166,580. The project budget is recommended to increase to \$338,668 for increased costs for engineering, easement acquisition, and power supply to the site.

After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$147,268 to Southern Pipeline Construction Company for Installation of Shady Acres Booster Pump Station, and to increase the project budget to \$338,668.

Mr. Miller discussed:

01-42 Butterfly Valves

On September 19, 2001, bids were opened to award a contract for one 24", two 36" and two 48" butterfly valves. These valves will be used for the Westport Road/I-264 Interchange Transmission Main Project (Phase II).

A total of three bids were received, with the lowest, most responsive bid from Hughes Supply for an amount of \$56,803.

After proper motion and second, the Board voted to authorize staff to award a contract to Hughes Supply for \$56,803.

01-34 Office Supplies

On August 29, 2001, bids were opened to award a three-year contract for Office Supplies. These supplies are used company-wide. A total of four bids were submitted with the lowest, most responsive bid from Boise Cascade Office Products for a total of \$89,679.57.

Due to an error, this is being re-presented to the Board of Water Works to award to Boise Cascade Office Products. Staff has disqualified Corporate Express for failure to use the LWC Price and Delivery form and omitting their signed Proposal & Acceptance sheet.

After proper motion and second, the Board voted to authorize staff to award a contract for the purchase of Office Supplies in the amount of \$89,679.57 to Boise Cascade Office Products. This reflects a less than 0.1% decrease from the project estimate.

COMMUNICATIONS

Mr. Heitzman presented:

Oldham County Advisory Board – September 25, 2001 Meeting Summary

The Oldham County Advisory Board met at Louisville Water Company on September 25, 2001 to review progress on the Oldham County Water System Improvements and the Oldham County Extension Program.

A mid-year financial summary was provided to the Advisory Board members. Through June 30, 2001, the Oldham County Reserve had a bank balance of \$343,248.76. From July 1 through September 21, 2001 the Oldham County Reserve had interest income of \$4,977.15 and expenses of \$89,275.00, leaving a balance of \$258,950.91. Projects under design or construction total an estimated \$180,000, leaving an estimated \$79,000 available for new project considerations. Since the Oldham County Water District merger in 1996, Louisville Water Company has completed capital construction projects totaling \$1,271,370.52 funded from the Oldham County Reserve.

A Capital project summary was provided of all Oldham County projects funded by the Reserve.

Staff advised of Louisville Water Company projects to enhance water supply in Oldham County. These include the construction of a new storage tank at the Applepatch development on Highway 329 at Interstate 71 and the extension of a 12-inch water main to the tank. These projects are funded from the Louisville Water Company System Development Reserve.

Staff updated the Advisory Board on a draft Memorandum of Understanding with Oldham County Public Works regarding future water facility relocations and also advised of the pending acquisition of Goshen Utilities from Aquasource. The next meeting will be scheduled in six months, for March 2002.

No Board action is requested at this time.

Mr. Miller presented a report regarding:

Computer Security and Virus/Worm Protection- NIMDA Update

Computer networks and the Internet have revolutionized how companies utilize computers and information systems to conduct their daily business.

Louisville Water Company has developed operating procedures to manage the risk of our computer systems being attacked via the Internet or other public communication networks by the introduction of malicious computer viruses or worms, the most recent being the NIMDA Worm. These include the use of network firewalls, virus protection software, strong password standards, and information backup and recovery processes.

The worm was introduced in the Company via the Internet and affected several desktops and servers. Staff was notified of the impending worm and updated virus protection software on the Company's firewall and servers, however, the initial version of the software patch did not fully prevent infection by the worm.

Staff has cleaned all servers and firewalls infected and has installed specific virus protection software updates to prevent re-infection.

The worm infection did not significantly impact critical business operations, however, six desktop machines were significantly impacted, requiring staff to pull the machines from production for several days to clean them of the worm and other viruses and re-install company software. IT staff has made a "sweep" of desktop machines to clean them of the worm and install virus protection software updates to prevent future infection.

No board action is requested at this time.

OLD BUSINESS

Mr. Heitzman discussed:

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265 Brush Run Road: Dawson Hill Road to Routt Road

An Apportionment Warrant public hearing was held for Brush Run Road: Dawson Hill Road to Routt Road. The public hearing was held in response to receipt of a majority petition for this public road project. The public hearing was structured to provide a brief background on the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains will be extended using Apportionment Warrants as prescribed in KRS 96.265.

Questions were asked about water pressure, the apportionment warrant process, and the payment options. Staff explained in detail and went over their procedures as it pertained to this project. From commitments at the public informational meeting, 20 attending property owners advised they were in favor of extension of water service along Brush Run Road: Dawson Hill Road to Routt Road as proposed at the hearing.

After proper motion and second, the Board voted to refer this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design and advertisement for bid on this project.

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265 Broad Run Road: Existing Water Main to Stout Road

An Apportionment Warrant public hearing was held for Broad Run Road: Existing Water Main to Stout Road. The public hearing was held in response to receipt of a majority petition for this public road project. The public hearing was structured to provide a brief background on the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains will be extended using Apportionment Warrants as prescribed in KRS 96.265.

Questions were asked about joint trenching and design of the project. Staff explained in detail and went over their procedures as it pertained to this project. From commitments at the public informational meeting, 8 attending property owners advised they were in favor of extension of water service along Broad Run Road.

After proper motion and second, the Board voted to refer this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design and advertisement for bid on this project.

Mr. Miller discussed:

99-414B Increase in Scope and Cost for Modifications and Liner Installation for South Basin of Crescent Hill Reservoir

On February 1, 1999, the Company entered into a contract in the amount of \$198,291 with Fuller, Mossbarger, Scott & May Engineers, Inc. (FMSM) for design and construction phase monitoring of sediment removal and liner installation for the South Basin of the Crescent Hill Reservoir.

The liner installation project was originally bid in June, 2000. At its October, 2000 meeting, the Board approved re-bidding this project to incorporate additional stabilization of the embankment and concrete drainage structures. The revised project was re-bid in August, 2001 and an award for the construction contract was approved by the Board in September, 2001.

As requested, FMSM has prepared a list of engineering services performed to date, services currently ongoing, and additional services to be provided during the construction phase.

After proper motion and second, the Board voted to authorize the Chief Engineer to increase the not-to-exceed amount for the contract with Fuller, Mossbarger, Scott & May Engineers, Inc. for Engineering Services for the Liner Installation Project for the South Basin of the Crescent Hill Reservoir 31 percent, from \$198,291 to \$259,791.

Project 20-J01-B General Office Cleaning & Housekeeping Services at Louisville Water Company

On December 1, 2000, the Company entered into contract with National Janitorial & Building Services Corporation and Adams Cleaning, Inc. for janitorial services. The initial contract period for both companies began 12/1/2000, with provision to renew the contracts up to two additional years. Per the provisions of the contracts, both are proposed to be renewed for 2001.

National Janitorial provides janitorial services at Allmond Avenue Distribution Center, B. E. Payne Plant, Middletown Distribution Center, Crescent Hill Water Treatment Plant, Zorn Pumping Station, and Kentucky Turnpike District Office. Adams Cleaning provides janitorial services at the Corporate Headquarters only.

Based on the contractors' satisfactory performance evaluations and quality inspections, staff recommends that the contracts with National Janitorial and Adams Cleaning, Inc. be renewed for the period December 1, 2001 through November 30, 2002.

After proper motion and second, the Board voted to authorize the Chief Engineer to renew two contracts for janitorial services at Louisville Water Company. One contract would be awarded to National Janitorial & Building Services Corporation for the not-to-exceed amount of \$142,683. The second contract would be awarded to Adams Cleaning, Inc. (CMBE) for the not-to-exceed amount of \$66,499.

98-52 System Improvement Projects under 200 sq. feet

98-53 Operations & Maintenance Projects over 200 sq. feet

98-54 Operations & Maintenance Projects under 200 sq. feet

98-55 System Improvement Projects over 200 sq. feet

98-56 Finished Concrete Paved Surfaces

On October 13, 1998, the Board of Water Works authorized renewal of five contracts for paving to the Stoll Construction and Paving Company. These contracts contained provisions that allowed renewals over a

five-year period at the sole discretion of the Louisville Water Company. Rather than renew these contracts for a full year, the Louisville Water Company has decided to extend the current contract for six (6) months to see us through the upcoming winter season, and thereafter to re-bid the contract; Stoll Paving has agreed to this proposed six-month extension.

It is likely that the new bid will be at the prevailing hourly wage.

After proper motion and second, the Board voted to authorize staff to extend the above listed contracts through the next six months.

NEW BUSINESS

Mr. Heitzman reported on:

North Lakeview Drive 16" Transmission Main Project No. 01-316

A project is proposed to install 6,000 +/- feet of 16" water main in North Lakeview Drive between a 16" main in National Turnpike and a 12" main at Blue Lick Road. The project also includes installation of a 3" boosted pressure main to increase pressures along Lakeview Drive for elevations above 550 feet and transfer 20 services from an undersized 2" water main. The original budget of \$330,000 was allocated for 5,500 feet of 12" main.

The project will improve system pressures on North Lakeview and improve flow availability in the North Bullitt County area.

The project budget and scope has been revised to reflect current system needs. The original budget of \$330,000 plus \$102,000 for system upgrades will be funded through the Bullitt County Reserve fund. After proper motion and second, the Board voted to authorize funding in the amount of \$642,000 from the 2001 capital budget and for staff to proceed with engineering design and advertisement for bid for this project.

New Cut Road Water Facilities Relocation and Extension Project LWC Project No. 99-463

LWC Project 99-463 entails relocating LWC distribution water facilities on New Cut Road and adjoining roads in order to accommodate the Kentucky Transportation Cabinet (KTC), Department of Highway's "New Cut Road" construction project (KTC Item 5-248.00).

The project consists of relocating approximately 245 l.f. of 30" DIWM, 5,875 l.f. of 12" DIWM, 865 l.f. of 8" DIWM and 148 l.f. of 12" HDPE. Betterment for this project primarily consists of installing 4,690 l.f. of 24" DIWM and 820 l.f. of 8" DIWM. Staff intends to joint bid this project with KTC.

The total project cost is estimated to be \$1,709,200, of which engineering/supervision is estimated at \$98,700, materials are estimated at \$586,600, and contract labor is estimated at \$1,023,900.

After proper motion and second, the Board voted to authorize staff to design the distribution water facility relocations and to enter into an agreement with KTC for the construction of the distribution water facility relocations as described above.

Project 00-479(B): Automated Mapping/Facilities Management (AM/FM) System Data Collection/Conversion

LWC initiated work on the Automated Mapping/Facilities Management System (AM/FM) project (#00-479) in March of this year. The primary component of the AM/FM project involves the migration of LWC pipeline and service facility data into a Geographic Information Systems (GIS). This phase of the project will employ Global Positioning System (GPS) technology to locate visible LWC water features within one meter of actual location.

A total of five proposals were submitted from qualified firms for the data collection/conversion and application development. LWC conducted a team-based evaluation of the proposals and conducted interviews with two of the proposing firms, GRW Engineers, Inc. and Woolpert LLP. After the preliminary evaluation, fee proposals were opened and scored. Upon review of the complete evaluation criteria, LWC determined GRW Engineers to have the proposal offering the best overall value to LWC.

In an attempt to maximize the efficiency of the data collection/conversion process, staff has negotiated a revised fee proposal with GRW to GPS field survey only large meters throughout the LWC system (20,700 points) and all meters in Bullitt County (10,583 points). All remaining meters will be positioned using location codes found in the LWC service history file. The negotiated fee of \$2,761,300 represents a \$186,000 increase in total project cost while providing LWC with the desired accuracy for critical portions of the distribution system. This will bring the revised project budget to \$4,373,165.

After proper motion and second, the Board voted to authorize staff to award the data collection/conversion and applications development contract to GRW Engineers Inc., in the amount of \$2,761,300, and establish the project budget at \$4,373,165.

Bullitt County Water Improvement Program – Installation of Martin Hill Road Booster Pump Station

Proposed under the 2001 Capital Budget are funds for construction of storage tanks, booster pump stations, and water main improvements required to support system growth in Bullitt County.

The proposed facility, in conjunction with the new Martin Hill elevated storage tank and new transmission mains (each presently under construction), will serve a new 1030-foot pressure zone in northwestern Bullitt County.

The budget for the proposed project is \$315,000. The source of funding for this project is the Bullitt County Water Reserve.

After proper motion and second, the Board voted to authorize staff to proceed with engineering design and advertisement for bid for the subject project. Any significant change in project scope or budget identified during bidding will be presented to the Board for review and re-authorization to proceed.

Consulting Engineering Services – National Turnpike LWC Project 00-495

A cost proposal was requested, from PEH Engineers Inc., for engineering services for 16" and 12" mains in National Turnpike and South Park Roads. The main will extend from the existing 16" main in National Turnpike near Fairdale Road, south to Lakeview Drive in northern Bullitt County.

The cost proposal is based on unit prices as submitted in consulting proposals which was communicated to the Board in the August 2001 meeting.

PEH Engineers submitted a cost proposal in the amount of \$198,034.56, which is \$5,205 less than the independent estimate of \$203, 239.54.

After proper motion and second, the Board voted to authorize staff to enter into an engineering service contract with PEH Engineers in the amount of \$198,034.56 and advertise for bid for Project 00-495 National Turnpike 16" transmission main.

Mr. Miller reported on:

Property Insurance Renewal Premium Increase

At the September 11, 2001 meeting of the Board of Water Works, staff was authorized to renew the property insurance up to a new premium of \$75,000. When final pricing negotiations were complete, the premium was established at \$76,030 with our current policy limits intact at \$150,000,000.

After proper motion and second, the Board voted to ratify staff's renewal of our property insurance through Allianz for the period of October 1, 2001 through September 30, 2002 at a premium of \$76,030.

Mr. Heitzman reported on:

Bullitt County Water Improvement Program—Bullitt County Extension Program

Mt. Elmira Road Extension, Project 01-308

Proposed under the Bullitt County Extension Program are several backbone mains required to support system growth. This correspondence presents a proposed project to construct a portion of this system, and requests authorization for engineering design and advertisement for bid.

The proposed project will consist of installation of approximately 15,725 linear feet of 8-inch PVC water main along Mt. Elmira Road from Highway 44 north to the existing water main just south of Brooks Hill Road. The project will supply to the Gospel Kingdom/Fort Knox area as well as supply service and fire protection to Mt. Elmira Road.

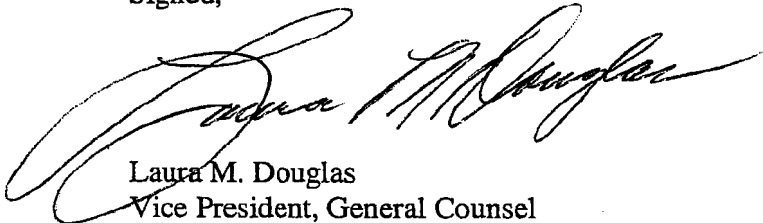
After proper motion and second, the Board voted to authorize staff to proceed with engineering design and advertisement for bid for the subject project. The results of the bids will be presented to the Board with recommendation for contract award.

The Meeting was adjourned at 3:10 P.M.

CERTIFICATION

This is to certify that the following *Brush Run Road: Dawson Hill Road to Routt Road*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on October 9, 2001, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas". The signature is fluid and cursive, with a large initial "L" and "D".

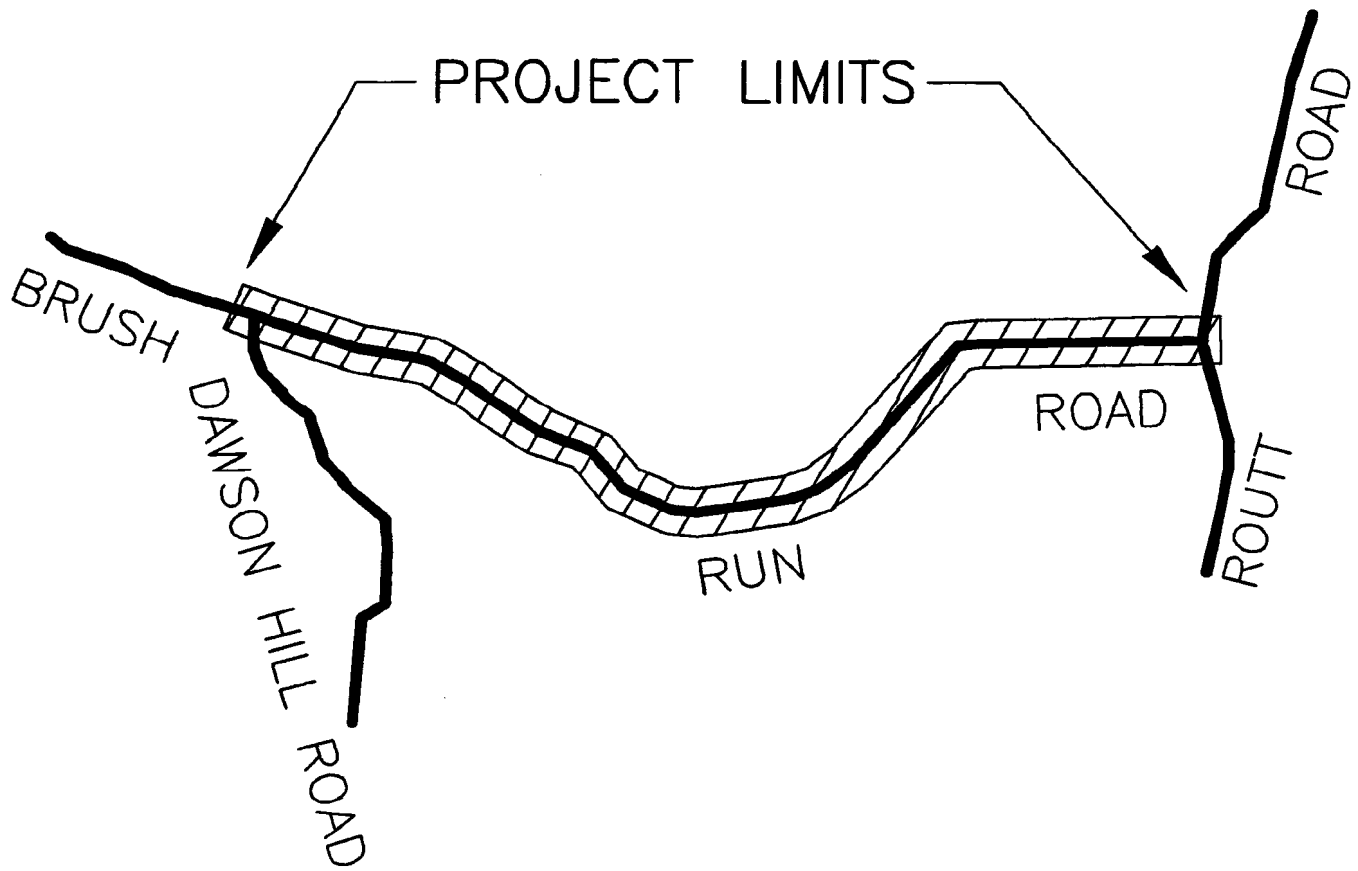
Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary

**Board of Water Works
Resolution**

October 9, 2001

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Brush Run Road: Dawson Hill Road to Routt Road**, a public way in Jefferson County, and acting thereon convened a public hearing on September 6, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Treasurer of the Company has recommended the extension of such water along **Brush Run Road: Dawson Hill Road to Routt Road**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Brush Run Road: Dawson Hill Road to Routt Road**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA

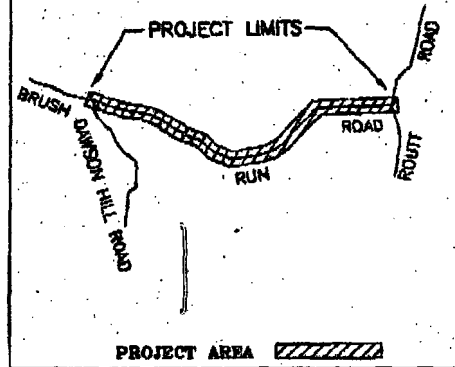


FILE NAME: BRUSH RUN (DAWSON HILL TO ROUTT)

ADVERTISEMENT FOR PUBLIC HEARING
Pursuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Brush Run Road: Dawson Hill Road to Routt Road (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Brush Run Road: Dawson Hill Road to Routt Road.

This public hearing will be held on Thursday, September 6, 2001 at 6:00 p.m. at the Fern Creek Fire Protection District, Station #3, 7700 Routt Road.

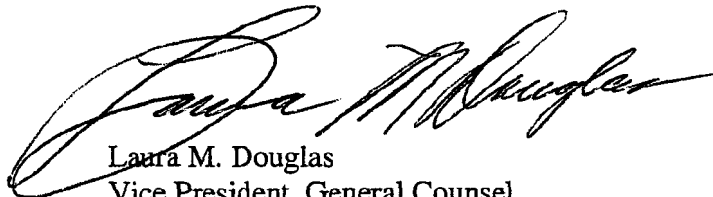
Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.



CERTIFICATION

This is to certify that the following *Broad Run Road: Existing Water Main to Stout Road*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on October 9, 2001, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas". The signature is fluid and cursive, with a large initial "L" and "D".

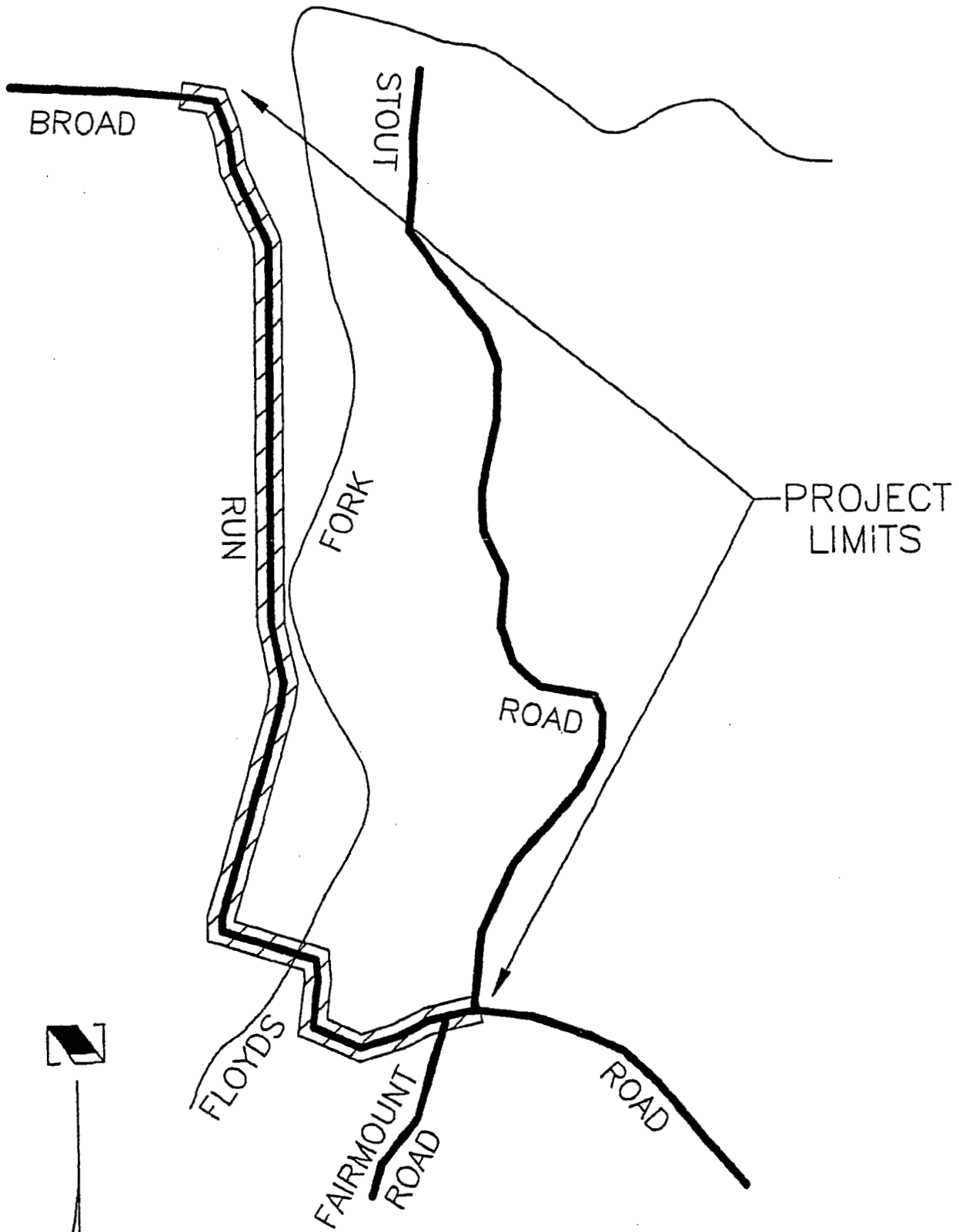
Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary

**Board of Water Works
Resolution**

October 9, 2001

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Broad Run Road: Existing Water Main to Stout Road**, a public way in Jefferson County, and acting thereon convened a public hearing on September 13, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Chief Engineer of the Company has recommended the extension of such water along **Broad Run Road: Existing Water Main to Stout Road**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Broad Run Road: Existing Water Main to Stout Road**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



FILE NAME: BROAD RUN ROAD (END OF W.M. TO STOUT)

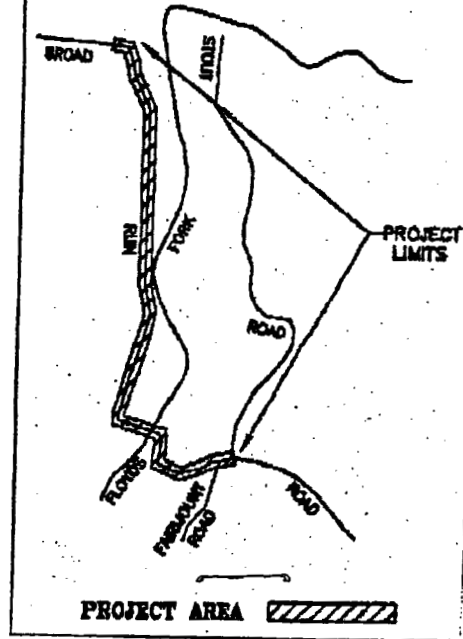
Was published in Sept. 2, 2001
Courier Journal

ADVERTISEMENT FOR PUBLIC HEARING

Persuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Broad Run Road: Existing Water Main to Stout Road (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Broad Run Road: Existing Water Main to Stout Road.

This public hearing will be held on Thursday, September 13, 2001 at 6:00 p.m. at the Fern Creek Fire Protection District, Station #3, 7700 Routt Road.

Further information can be obtained by calling the Louisville Water Company Customers Service Department at (502) 569-3600.



**MINUTES OF SPECIAL MEETING
BOARD OF WATER WORKS
NOVEMBER 2, 2001**

Board Members Present

Mr. Phillip Bond
Mr. Stephen Gault
Mr. Owen Hammons
Mr. Jack Segell
Ms. Wendy Welsh

Board Members Absent

The Hon. David L. Armstrong
Mr. Stewart Connor

Others Present

Mr. John L. Huber, President
Mr. Gregory C. Heitzman, Vice President and Chief Engineer
Mr. Robert Miller, Vice President and Treasurer
Ms. Karla Teasley, Vice President
Mr. Steve Hubbs, Vice President
Mr. Jim Wehrle, Vice President
Ms. Mary-James Young, Corporate Attorney
Mr. Ralph McCord
Mr. Richard Royse
Ms. Kay Ball
Mr. Larry Lenahan
Mr. Frank Appelfeller

The Board Meeting convened at 12:30 p.m.

Mr. Huber noted that a quorum was present for the meeting.

Presentation of the 2002 Preliminary Annual Budget for Approval

Mr. Miller reported on the 2002 Preliminary Annual Budget and presented the 2002 Budget Resolution

Upon motion of Ms. Welsh and second by Mr. Bond, the Board voted unanimously to adopt the 2002 Budget Resolution.

Mr. Huber stated that he and Mr. Wehrle would meet with the BOWW Compensation Committee for further discussion of the compensation matrix element of the proposed budget, with the outcome of that discussion to be either the Committee's approval of the business case for approval of the matrix or the replacement in the Infrastructure Replacement Reserve of those funds formerly designated for the matrix.

Acquisition of Property

Upon motion of Mr. Hammons and second by Ms. Welsh, the Board voted unanimously to go into closed session for the purpose of considering acquisition of property.

The Board resumed open session deliberation without taking any action in closed session.

Upon motion of Mr. Segell and second by Mr. Hammons, the Board voted unanimously to adjourn the meeting.

The meeting was adjourned at 3:10 p.m.

**MINUTES OF REGULAR MEETING
BOARD OF WATER WORKS
November 13, 2001**

Board Members Present

Mr. Phillip Bond
Mr. Jack Segell
Mr. Stephen Gault
Ms. Wendy Welsh

Board Members Absent

The Hon. David L. Armstrong, Mayor
Mr. Owen Hammons
Mr. Stewart Connor

Others Present

Mr. John L. Huber, President
Ms. Laura Douglas, V. P. General Counsel & Secretary
Mr. Robert Miller, V. P. Treasurer
Mr. Gregory Heitzman, V. P. Chief Engineer
Ms. Karla Teasley, V.P. Serving Customers & Business Development
Mr. Frank A. Appelfeller
Mr. James Wehrle
Ms. Kay Ball
Mr. Larry Lenahan

The Board Meeting convened at 12:30 p.m.

Approval of the consent agenda was recommended.

- Minutes of previous meetings.
- Claims paid during the previous month.
- Petitions and applications for water main extensions
- Authorization for design and bid of projects under \$200,000
- Bid tabulations for contracts under \$500,000
- Listing for award of contracts less than \$50,000

Item A: Minutes of Regular Meeting Held **October 9, 2001**
Minutes of Special Meeting Held **November 2, 2001**
Request: Approve Minutes

Item B: Claims Paid During **October, 2001**
Request: File claims for future audit.

Item C: Petitions and applications for Water Main Extensions and Relocations
(when in full compliance / SR&R)

Developer Installed Refunding Projects	Total Project Cost	Net Cost To LWC
Bells Mill Road Industrial Park (Project No. 01-054)	\$62,635.00	
Polo Fields Section 11 (Project No. 01-058)	\$113,290.00	\$13,675.00
Ford/UAW Family Learning Center (Project No. 01-061)	\$78,428.00	\$19,816.00

Bardstown Woods Section 3 (Project No. 01-073)	\$89,270.00	\$17,900.00
Briar Hill Estates Section 7 (Project No. 01-074)	\$138,205.00	\$19,400.00
Billtown Farms Section 1B (Project No. 01-078)	\$23,310.00	
Woodbridge Place (Project No. 01-079)	\$44,515.00	
Locust Creek Section 2A (Project No. 01-085)	\$19,260.00	
Surcharge Main Extension Projects	Total Project Cost	Net Cost To LWC
Woodside Road (Project No. 01-214)	\$21,700.00	
Apportionment Warrant KRS 96.265 Projects	Total Project Cost	
Deer Run Place: 4590 Deer Run Pl. to 4630 Deer Run Pl.	\$34,240.00	
Mitchell Hill Road: From County Line to North 1,100 Feet	\$55,500.00	
City of Louisville Projects	Total Project Cost	Net Cost To LWC
2 nd Street Widening- Phase II (Project No. 01-662)	\$175,000.00	\$35,000.00
Developer Projects	Total Project Cost	Net Cost To LWC
11303 Yandell Drive Fire Hydrant Relocation (Project No. 01-676)	\$4,680.00	\$0.00

Item D: Authorization for design and bid of projects *(estimated to cost less than \$200,000)*

Item E: Bid tabulations *(award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).*

Item F: Award of contracts less than \$50,000

Capital Program

Project No.	Project Name	
01-316	North Lakeview Drive 16-inch Water Main PDR Engineers	\$19,573.00
99-451	Fire Alarm System @ Allmond Distribution Center, Marine Electric Company	\$21,998.00
98-793	Heritage Estates Grid Tie (Evaluated Bid) C-Squared, Inc	\$24,222.00
00-479	Purchase of the Arc IMS Software ESRI	\$10,011.95
	To be purchased from the State of Kentucky, Master Purchase agreement (#99P4182)	
01-732	Installation of CO & NO2 Monitoring System and Exhaust Fans @ Allmond Avenue Garage	\$33,550.00
02-298A	Installation of Fire Hydrants @ Various Locations, Tom Brown Construction	\$49,763.00

Procurement of Materials and Services

Project No.	Project Name	
01-43	Drafting Printing Services George Marr Company	\$11,250.00
01-39	Saddles for Tapping PVC Pipe Wemhoener Waterworks	\$13,691.00

Procurement of Sole Source Materials and Services	
Software Subscription Maintenance for ECIS Application Servers, Orcom Solutions	\$33,120.00
Procurement of Professional Services	
Brokerage/Consulting Services: Health/Dental/Disability Insurance AON Consulting	\$45,000.00
Engineering Design: Pavement Restoration Allmond Avenue Distribution Facility Mindel, Scott, and Associates, Inc.	\$15,375.00
Engineering Services: Preliminary design of 30-inch Main PDR Engineers, Inc.	\$17,650.00

ADMINISTRATIVE REPORT

Mr. Huber gave an oral administrative report.

He asked the Board to ratify Management's agreement with Local 1683 to extend the contract for three more years. The extension will create a 2% increase in wages for the first year and a 1½ % increase for each six-month period thereafter. All other terms and conditions remain unchanged. After proper motion and second, the Board voted to ratify Management's agreement with Local 1683 to extend the collective bargaining agreement for three more years with an annual 2% increase for the first year and a 1½ % increase for each six-month period thereafter. The contract will now expire on February 1, 2006.

Mr. Huber also stated that ORSANCO has installed a river monitor in the Louisville area. This monitor is the first of its kind.

FINANCIAL REPORT

Mr. Miller presented the Income and Expense Summary through October 2001.

- 1) Total operating revenue of \$77,720,800 is \$3,015,400 or 4.04% more than budgeted and \$4,038,000 or 5.48% more than the same period in 2000. We sold 1.66% less water in 2001 than the same period in 2000. Water delivered to the mains was 0.29% more than 2000.
- 2) Operation and maintenance expense of \$31,727,700 is \$593,700 or 1.87% more than budgeted and \$2,087,900 or 6.91% more than 2000.
- 3) Operating deductions of \$51,139,000 are \$2,225,600 or 4.55% more than budgeted and \$4,949,700 or 10.72% more than 2000.
- 4) Net operating income of \$26,581,900 is \$789,800 or 3.06% more than budgeted.
- 5) Total non-operating income of \$4,686,500 is \$404,300 or 9.44% more than budgeted.
- 6) Net income of \$25,646,500 is \$1,903,700 or 8.02% more than budgeted and \$259,300 or 1.00% less than 2000. 1.1% of this amount is from non-operating income.

Security Costs

Staff is tracking costs related to the increased security at LWC pumping stations, treatment plants, water storage facilities, and office buildings. Invoices recorded in October totaled \$53,642; the year-to-date amount is \$167,294.

Government Accounting Standards Board Statement 34

Staff is finalizing the reporting formats for the Balance Sheet and Income Statement for compliance with GASB Statement 34. The existing financial reporting system requires fairly minimal changes in order to provide the reports in the new format as well as the current format.

Staff has also collaborated with the Kentucky Infrastructure Authority, the Kentucky Department for Local Government, and the Kentucky Public Service Commission to draft a uniform process for Kentucky water utilities to assist in compliance on this matter.

2001 Year-End Closing

In the past, the financial statements were produced in mid to late February; with the newly developed method, the statements are expected to be ready in time for review at the January 15, 2002 board meeting.

OPERATIONS AND ENGINEERING REPORT

Mr. Heitzman presented the Operations and Engineering Report for October 2001.

Production and Water Quality

Distribution Water Quality improved during the month of October. Three positive coliform tests results were received with all recheck samples testing negative for coliform. Flushing crews continue to work in Southwest Jefferson County and Bullitt County to restore distribution chlorine levels above 0.5 ppm.

System Security

The Board has authorized an additional \$750,000 for security in the 2002 Operations Budget, including improvements for monitoring, detection, and ready response in the event of a breach in security. Initially, investments in monitoring will be man-power based. Over the next several months, technology driven security systems and practices will be implemented. The Company also retained Black and Veatch for a security assessment of our critical facilities. Recommendations from this assessment will be considered for implementation at critical operating facilities.

Customer Service and Billing

The Call Center received 27,312 calls during the month, with an abandonment rate of 3.4 percent. Adequate staffing, training on the new E-CIS system, and implementation of the new IVR system has contributed to the significant reduction from the 13.2 percent abandonment rate in October 2001.

Distribution Center

The Winter Emergency Plan has been rolled out to all employees. The backlog of work activity is 1,162 work units, and positions the Company well heading into the winter season. Total breaks in 2001 are 542, compared to 446 in 2000. The additional 96 breaks were experienced during January and February 2001.

Landscaping Award

The Beautification League of Louisville and Jefferson has once again awarded Louisville Water Company second place in the Class II – 11 to 15 Acre Category for outstanding grounds maintenance at our Crescent Hill facility on Frankfort Avenue. Mr. O'Dell Henderson, Process Owner of Buildings, Facilities, and

Grounds, accepted the award at the League's annual presentation ceremony on October 17, 2001. Mr. Henderson and his staff are to be commended for their efforts.

LITIGATION REPORT

After proper motion and second, the Board adjourned to closed session for the purpose of discussing litigation, acquisitions of property, and a personnel matter. The Board reconvened into open session without taking any action in closed session.

SPECIAL ISSUES

Mr. Huber and Ms. Douglas reported:

Rescheduling January, 2002 BOWW Meeting

Section 1.2 of the Board of Water Works Bylaws provides that all monthly meetings of the Board must be held on the second Tuesday of the month, unless 1) the second Tuesday falls on a legal holiday, or 2) the President determines that a quorum will not be present on that date. Staff within Supplying Business Resources have requested that the January 2002 Board meeting be held on the third Tuesday rather than the required second Tuesday in order to provide sufficient time to close the fiscal year 2001 books and present complete 2001 financial performance data to the Board at its January 2002 meeting.

After proper motion and second, the Board voted to suspend the rules and authorize the Board Secretary to schedule the January 2002 Board Meeting for January 15, 2002.

Board Officer Designation—Vice President, Serving Customers and Business Development

As part of his plan to reorganize Core Business Systems and rotate Business System Owners, the President has identified a need for an additional Board Officer. The Vice President of Serving Customers and Business Development will now attend and preside over apportionment warrant public hearings and will make recommendations to the BOWW regarding the feasible and beneficial nature of such apportionment warrant projects. Traditionally, the LWC representative presiding over such hearings has been a Board member or Board officer.

After proper motion and second, the Board voted to suspend the rules, establish the Board officer position of Vice President, Serving Customers and Business Development at the November 13, 2001 meeting, adopt the attached Bylaw amendment evincing such action, and name Karla Olson Teasley to fill such position until the April 9, 2002 Board Annual Meeting where her re-appointment will be reviewed along with that of all other Board officers.

BID TABULATIONS

Mr. Huber and Mr. Miller reported on:

01-39 Service Saddles for Tapping PVC Pipe

On October 3, 2001, bids were opened to award a two-year contract for service saddles. A total of five bids were submitted with the lowest, most responsive bids from Mueller Company for an estimated two-year total of \$218,579 and Wemhoener Waterworks for an estimated two-year total of \$13,691.

After proper motion and second, the Board voted to award a two-year contract totaling an estimated \$218,579 to Mueller Company and an estimated \$13,691 to Wemhoener Waterworks.

Mr. Miller reported on:

01-40 Vehicular Wash Chemical Supplies and Maintenance

On October 3, 2001, bids were opened to award a two-year contract for vehicular wash chemical supplies and maintenance for the large vehicular wash equipment at Allmond Avenue. A total of four bids were received, with the lowest, most responsive bid from Air To Ground Services for an estimated two-year amount of \$68,440.

After proper motion and second, the board voted to award a two-year contract to Air To Ground Services for an estimated amount of \$68,440.

01-47 Contingency Contract for Heavy Equipment Rental

On October 31, 2001, bids were opened to award a three-year contingency contract for heavy equipment rental. This contract is for rental of heavy equipment on an as-needed basis to supplement operations. A total of six bids were received. The most responsive bidders were Sunbelt Rentals, United Rentals, Americon - The Cat Rental Store, and Vermeer Sales and Service.

After proper motion and second, the Board voted to award a three-year contract, totaling an estimated \$102,000, to Sunbelt Rentals, United Rentals, Americon – The Cat Rental Store, and Vermeer Sales and Service. This bid represents an approximate 1.23% decrease from the previous contract pricing of similar equipment. The contracts will be awarded if and when needed.

98-63 Tapping Sleeves (3rd PPI Renewal)

On December 8, 1998, the Board of Water Works approved the recommendation to award contracts for tapping sleeves to Harco, Viking Environmental and Mueller Co. These contracts contained a provision that allowed them to be renewed over a four (4) year period at the sole discretion of the Company. All renewals would use the Producer Price Index to determine any adjustments to the original bid unit prices.

After proper motion and second, the board voted to renew the Tapping Sleeves contracts for the 3rd PPI Renewal, totaling \$110,478, to Harco, Inc., Viking Environmental, and Mueller Co.

Mr. Heitzman reported on:

00-302 Brush Run Rd., Dawson Hill Rd., Back Run Rd., Broad Run Rd., and Fairmount Road Water Main Extension

Bids were received Wednesday, October 25, 2001, to install approximately 34,260 lineal feet of 12-inch water main on Brush Run Road, Dawson Hill Road, Back Run Road, and Broad Run Road for the base bid, and approximately 5,130 lineal feet of 12-inch water main on Fairmount Road for the alternate bid. A total of five bids were received from qualified contracting firms. The low responsive base bid in the amount of \$599,120.00 and low responsive alternate bid in the amount of \$65,560.00 were both submitted by James Parson Construction Company, Inc. (JPCC). The low bid (Base + Alternate) is less than the engineer's estimate by \$609,320 or 47.8 %. JPCC submitted a unit price for 3" HDPE service sleeve of \$600 per linear feet compared to a unit price range of \$15 to \$42 per linear feet for other bidders.

After proper motion and second, the Board voted to award a contract for the Base Bid in the amount of \$599,120 to James Parson Construction Company, Inc.

01-206 Williams Road Water Main Extension Project

Bids were received Wednesday, October 31, 2001, to install approximately 1,120 lineal feet of 8-inch water main on Williams Road from Dry Ridge Rd to the Bullitt County Line. This project is identified in the County-Wide Water Extension Program in Extension Area 3. Apportionment Warrants will be issued to five properties fronting the water main. A total of five bids were received from qualified contracting firms. The low responsive base bid in the amount of \$15,342.00 was submitted by Tom Brown Construction, Inc.

After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$15,342.00 to Tom Brown Construction, Inc. to install water facilities associated with this project.

01-304 I-65 Transmission System, Highway 61 Extension

Bids were received Wednesday, October 17, 2001 to furnish and install approximately 11,735 lineal feet of 16-inch water main along Highway 61 from Highway 480 to Highway 1494, and from Highway 3219 to Highway 245 in Bullitt County. This project will provide additional water capacity along the I-65 corridor to Lebanon Junction. Eight (8) bids were received from qualified contracting firms. Tom Brown Construction Company submitted the responsive bid in the amount of \$518,000.

After proper motion and second, the Board voted to award a contract in the amount of \$518,000 to Tom Brown Construction Company to install water facilities associated with this project.

01-308 Mount Elmira Road Backbone Tapping Fee Extension

Bids were received and opened Wednesday, October 31, 2001 to furnish and install 15,725 linear feet of 8-inch water line along Mt. Elmira Road between Highway 44 and Brooks Hill Road. A total of eight (8) bids were received and opened from pre-qualified contractors. The apparent low bidder, Three T Construction Co., submitted a bid amount exceeding their prequalification limit. In accordance with LWC guidelines for bid informalities / irregularities, the bidder is to be disqualified. Tom Brown Construction submitted the lowest responsive bid in the amount of \$281,377.20 resulting in a total project cost of \$395,637. The bid is 40% under the Project Manager's Estimate.

After proper motion and second, the Board voted to award a contract in the amount of \$281,377.20 to Tom Brown Construction to install the Tapping Fee water main extension. The standard \$5,450 tapping fee for service connection will be applied to this project.

01-501 Brownsboro Road—Main Replacement Project

Bids were received and opened Wednesday, October 31, 2001 to install 3,155 linear feet of 8 and 12-inch water line along Brownsboro Road between Herr Lane and Greenlawn Road. A total of 4 bids (base and alternate) were received and opened from three pre-qualified contractors. Southern Pipeline Construction Company submitted the lowest responsive bid in the amount of \$152,800 resulting in a total project cost of \$246,200. The bid is 32% under the Project Manager's Estimate.

After proper motion and second, the board voted to authorize the Chief Engineer to award a contract in the amount of \$152,800 to Southern Pipeline to install the water facilities associated with this project.

- 02-296 Installation of Water Services ¾" & 1"**
- 02-298A Installation of Fire Hydrants**
- 02-298B Installation of Water Services 1 ½" & 2"**
- 02-298C Installation of Water Services 4" & Larger**
- 02-299A Installation of Fire Services**
- 02-447 Renewal of Water Services ¾" & 1"**
- 02-1405A Discontinue of Small Water Services**

Annually, the Company solicits bids to perform various service installations. An invitation to bid was advertised for 3 year renewable service contracts. Five prequalified contractors picked up the contract document books. Bids were opened on Wednesday, October 17th. Five contractors submitted unit price bids for the various contracts.

After proper motion and second, the Board voted to authorize the Chief Engineer to award a unit price contract to Tom Brown Construction for ¾" & 1" services, Fire Hydrants, Fire Services and 1 ½" & 2" services, DSE for 4" & Larger Services and ¾" & 1" Renewals and Miller Pipeline for Discontinues.

COMMUNICATIONS

Ms. Douglas presented:

Consolidated Local Government—Proposed Amendment of LWC Governing Statute

The General Counsel and Government Affairs Officer have under taken an extensive review of LWC's governing statutes, KRS Chapter 96, to determine how such statutes have been impacted by the enactment of KRS 67C.101 et seq, the local government consolidation statutes. As a result of such review, it has been determined that several minor revisions should be made in Chapter 96 in order to clarify such issues as ownership of the Company and LWC Board appointment post consolidation. In all instances, the proposed modifications have been made in a manner consistent with both the requirements of Kentucky law and current LWC practices.

That is, specific Board of Water Works action is not requested at this time. It is anticipated that, at the request of Mayor Armstrong, the General Counsel and Government Affairs Officer will make a presentation to the Subcommittee on Finance, part of the work group the Mayor has established to review consolidated government issues.

Mr. Miller reported on the:

Revised Purchasing Policy

The Board of Water Works approved a resolution on November 2, 2001 to adopt the 2002 Annual Budget. As part of that resolution, the Board delegated to the President of Louisville Water Company, among other things, *"the authority to proceed to completion for those Projects in the 2002 Capital Budget (and Prior year Capital Budgets) with an estimated cost of \$100,000 or less"*. The Board also resolved that *"all contract expenditures greater than \$100,000 must be submitted for approval to the Board of Water Works prior to award and execution of the contract"*. Since that time, staff has evaluated the LWC Purchasing Policy that provides the basis for initiation, evaluation, and execution of purchasing transactions. Following are the Purchasing Authorization Levels included in the recently updated Purchasing Policy:

- Level I – Authorized Employee Level**
- for transactions valued at between \$0 to \$2,500

Level II – Process Owner Approval

--for transactions valued at \$2,500 to \$5,000

Level III – Purchasing Manager Quote Approval

--for transactions valued at \$5,001 to \$10,000 each after first submitting quotes from three vendors to Purchasing Manager, with at least one such quote being obtained from an M/W/HBE vendor

Level IV – Bids and Awards Committee Quote Approval

--for transactions valued at \$10,001 to \$20,000 each after first submitting quotes from three vendors to Bids and Awards Committee, with at least one such quote being obtained from an M/W/HBE vendor

Level V – President Approval

--for transactions valued at \$20,001 to \$100,000 each after: Involvement of the Purchasing Manager, advertised bid; review by the Bids and Awards Committee and signature by the President, in that order

Level VI – Board of Water Works Approval

--for transactions valued over \$100,000 each after: Involvement of the Purchasing Manager, advertised bid; review by the Bids and Awards Committee; signature by the President and approval of the Board of Water Works, in that order

In addition, annual renewal of multi-year contracts based on the Producer Price Index or the Consumer Price Index must be reviewed and approved by the Bids and Awards Committee and the appropriate subsequent approvals. The President must authorize a sole source procurement for contracts anticipated to be \$20,000 or higher at the beginning of the procurement process.

Mr. Anthony Gregory presented the:

2001 – 2003 Information Technology Strategic Plan Status

The Information Technology Strategic Plan provides strategies to meet the challenges and achieve the objectives set forth in the LWC Strategic Plan by using Information Technology as a strategic enabler to leverage technology investments. The key Information Technology strategies for 2001 – 2003 include:

- Sustain investment in the four Information Technology Architectures:
 1. Information Supply Systems
 2. Technical
 3. Data
 4. Organizational
- Continue re-engineering and replacement of legacy Information Supply Systems to meet changing business and information needs.
- Invest in technologies to provide information to employees, customers, suppliers, and business partners quickly and efficiently, leveraging investment in existing Data and Technical Architectures.
- Design and deploy data marts for decision support and process based management information.
- Invest in continuous training to maintain appropriate skill base and competencies for providing quality products and services to meet the strategic business objectives of the LWC Strategic Plan and associated program plans.

Staff has made significant progress in implementing several of the strategies outlined in the plan within existing budgets and timeframes.

OLD BUSINESS

Mr. Heitzman reported on:

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265 Bearcamp Road: End of Existing Water Main to County Line

An Apportionment Warrant public hearing was held for Bearcamp Road: End of existing water main to county line. The public hearing was held in response to receipt of a majority petition for this public road project. Following the formal presentation, an opportunity was provided for residents to ask questions and state their position with respect to their project. Questions were asked about financial assistance and the length of time required to complete the project. Twelve of thirteen attending property owners advised they were in favor of extension of water service along Bearcamp Road: End of existing water main to county line as proposed at the hearing. One property owner stated opposition to the water main extension and stated that his property is assessed at \$5000, and was concerned that the Louisville Water Company is going to take his property from him.

After proper motion and second, the Board voted to recognize the proposed extension of water service as feasible and beneficial in accordance with KRS 96.265 and refer this project to the Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design and advertisement for bid on this project.

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265 Broad Run Road: Fairmount Road to Back Run Road

An Apportionment Warrant public hearing was held for Broad Run Road: Fairmount Road to Back Run Road. The public hearing was held in response to receipt of a majority petition for this public road project. The public hearing was structured to provide a brief background on the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains will be extended using Apportionment Warrants as prescribed in KRS 96.265. From commitments at the public informational meeting, 4 of the 4 attending property owners advised they were in favor of extension of water service along Broad Run Road: Fairmount Road to Back Run Road as proposed at the hearing.

After proper motion and second, the Board voted to recognize the proposed extension of water service as feasible and beneficial in accordance with KRS 96.265 and refer this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design, and advertisement for bid on this project.

Amendment of Apportionment Warrant Register

Upper River Road: Between River Edge Road and Woodside Road

Apportionment Warrant # AW46513019, 4410 Upper River Road (Tax Block 10 Lot 115)

Apportionment Warrant # AW46517019, 4502 Upper River Road (Tax Block 11 Lot 23)

Addition of Patrick and Alice K. Lancaster (Tax Block 1516 Lot 30)

The Board approved a resolution for the issuance of Apportionment Warrants for Upper River Road: Between River Edge Road and Woodside Road at it's July 10, 2001 meeting in accordance with KRS 96.265. In response to a phone conversation initiated by Mr. T. Ballard Morton of 4502 Upper River Road, a review of the project file identified that Mr. Morton did not sign the petition for water service. In reviewing the file it was also revealed that Mr. Arch Stallard, 4410 Upper River Road, had not signed the petition for water service. Should either of these properties request water service from this main in

the future a Tapping Fee of \$5450.00 will be charged. It was also revealed that Mr. Patrick Lancaster, 4620 Upper River Road, did sign the petition and was omitted from the register. It should be noted that Mr. Lancaster has paid his fee of \$5450.00 in full.

After proper motion and second, the Board voted to adopt the Amended Resolution (Exhibit C) and the amendment of the Apportionment Warrant Register of July 10, 2001 to reflect Exhibit D; thereby, voiding Apportionment Warrant # AW46513019, 4410 Upper River Road (Tax Block 10 Lot 115) and Apportionment Warrant # AW46517019, 4502 Upper River Road (Tax Block 11 Lot 23), and adding to the Apportionment Warrant register Mr. Patrick and Mrs. Alice K. Lancaster, 4620 Upper River Road (Tax Block 1516 Lot 30) in accordance with KRS. 96.265.

Issuance of Apportionment Warrants per KRS 96.265

Private Road off South Pope Lick Road

A request was received from the property owners along a private roadway off S. Pope Lick Road. Due to the unusual property configurations and ownership patterns, and the request of the property owners, application of KRS 96.265(11) was utilized. At the Board of Water Works meeting on August 11, 1998, the Board agreed to allow these property owners to participate in a Private Petition/Agreement. The notice to proceed was given in March 2000 and construction was completed by May 2000. The contract for this method of extension provides lien rights and financing similar to the Apportionment Warrant process.

As outlined in the Private Petition/Agreement, the cost of the extension will be by the equal assessment method based upon actual costs incurred, not to exceed \$5750.00 per property based on four properties. Since the time of petition the Property Valuation Administrator has made corrections to their property lines to reveal that there are only three eligible properties from which to collect an assessment (Exhibit B).

Furthermore, at the time of petition, lots 139, 140, and 146 were owned by Rosemary and William Hutchinson, Sr. and were assessed with the Rehl Road project. Subsequently the property was divided and ownership has changed to reflect Exhibit C, creating two land locked parcels lots 139 and 140. The original Rehl Road assessment stays with lot 146 and the remainder of the project cost may be collected from said land locked parcels that would pay a tapping fee equal to the assessment value. A final cost of \$5,750 has been determined for each lot or tract abutting this extension and currently not served.

After proper motion and second, the Board voted to adopt a resolution for the issuance of Apportionment Warrants and liens against 3 properties along Private Road off S. Pope Lick Road in accordance with KRS. 96.265, as described.

Ms. Kay Ball reported on the:

Project 0-1830 Evaluation of the INAAP Wellfield

On May 9, 2001 staff was granted authorization to initiate a contract with Jordan, Jones & Goulding, Inc. (JJ&G) in the amount of \$50,000 to perform due-diligence of the collector wellfield on the Indiana Army Ammunition Plant (INAAP). Due to the complexity and potential costs of evaluating the INAAP, the project has been conducted in a phased approach eliminating unnecessary expenditures. To date existing information has been collected pertaining to the history of the operations at the plant, the environmental assessments completed by the U.S. Army, the physical conditions of the facilities, and the hydrogeologic capacity of the wellfield.

Currently, the second phase of due-diligence is underway which includes the interpretation and hydraulic modeling of the collected data, an assessment of the environmental conditions and additional water quality data collection. These costs are estimated to be an additional \$47,900 for a revised contract of \$97,900 to JJ&G.

After proper motion and second the board voted to approve the revised contract with Jordan, Jones & Goulding, Inc in the amount of \$97,900 for the due-diligence of the INAAP water facility. It is anticipated that staff will return at the end of the year with the final recommendation.

Mr. Miller reported on:

Project 00-559 Pure Tap Bottling Facility

Louisville Water Company (LWC) opened its Pure Tap Bottling Facility in the spring of 2001 to accommodate and expand our production of 8-ounce filled bottles. The bottles are provided, free of charge, to civic and charitable groups in our community. In May 2000 the Board of Water Works approved a capital budget of \$196,500. The project was completed in May of 2001 at a cost of \$230,176 – a difference of \$33,676 (17%). The Board is advised of the revised budget of \$230,176 for project 00-559, the Pure Tap Bottling facility.

No Board action is requested at this time.

NEW BUSINESS

Mr. Heitzman reported on:

Billtown Road 12" Secondary – Transmission Main Project No. 01-484

A project is proposed to install 4,000 +/- feet of 12-inch water main in Billtown Road between Ruckriegle Parkway and St. Rene Road. The project will improve fire flow availability and improve system pressures in the Jeffersontown area. This project is included in the 2002 budget for \$340,000. Design work is to be accomplished by Louisville Water Company staff.

After proper motion and second, the Board voted to finalize the design and advertise for bid Project No. 01-484, Billtown Road 12" Secondary – Transmission Main.

Chamberlain Lane 12" Grid-Tie Secondary – Transmission Main Project No. 01-552

A project is proposed to install 915 +/- feet of 12-inch water main in Chamberlain Lane south of Westport Road. The project will tie an existing 12" main, connected solely to the 60" main (860 Pressure plane), with a 12" main served from the 940 pressure plane. The connection to the 860 pressure plane system will be maintained as a backup connection. The connection to the 940 pressure plane system will improve reliability, supply and improve system pressures in the project area, which currently includes Ford truck plant, an office complex and mini-warehouses.

After proper motion and second, the Board voted to fund the Chamberlain Lane 12" Grid-Tie Secondary – Transmission Main, Project No. 01-552 from available 2001 capital funds and proceed with engineering design and advertisement for bid of this project.

National Turnpike Water Facilities Relocation Project LWC Project No. 99-663

LWC Project 99-663 entails relocating LWC distribution water facilities on National Turnpike and adjoining roads in order to accommodate the Kentucky Transportation Cabinet (KTC), Department of Highway's "National Turnpike" construction project (KTC Item 5-93.00). Existing water facilities shall be relocated from Outer Loop to Southside Drive/Old Third Street. The facilities shall be upsized from 12" to 16" in order to provide additional fire hydrant support to the area.

The project consists of installing approximately 11,500 l.f. of 16" DIWM, about 360 l.f. of 12" DIWM, 880 l.f. of 8" DIWM and 2,200 l.f. of 6" DIWM. Staff intends to joint bid this project with KTC. Contract labor shall be paid directly to the contractor by KTC. The total project cost is estimated to be \$1,941,000, of which engineering is estimated at \$100,000, materials are estimated at \$586,000, and contract labor is estimated at \$1,255,000. KTC shall be responsible for 87% of the total relocation project costs, or \$1,680,920, while LWC shall be responsible for 13%, or \$260,080, to upsize this water main from 12" to 16".

After proper motion and second, the Board voted to finalize the design of the distribution facility relocations and to enter into an agreement with KTC for the construction of the distribution facility relocations as described above.

**Bullitt County Water Improvement Program – Bullitt County Extension Program
KT #2 Community Development Block Grant Application**

Proposed under the Bullitt County Extension Program is the extension of water mains to existing unserved residents of Bullitt County. The Community Development Block Grant (CDBG) program is a Federal grant program that is administered by the State to assist communities in constructing infrastructure improvements affecting low to moderate income areas.

Total Estimated Project Cost	\$3,672,000
CDBG Grant	<u>(\$1,000,000)</u>
Net Cost to Bullitt County Reserve	\$2,672,000

The Bullitt County Extension Program Workgroup has reviewed the selected routes and has agreed that CDBG funding should be pursued. The source funding for any portions of this project not covered by the proposed CDBG grant is the Bullitt County Reserve.

After proper motion and second, the Board voted to proceed with the preparation of an application for CDBG funding for the subject project, with the balance of funding for the project from the Bullitt County Reserve and customer connection fees.

**Bullitt County Water Improvement Program – Bullitt county Extension Program
2/3 Majority Petition Mains**

Proposed under the Bullitt County Extension Program are four (4) non-backbone mains for which we have received a 2/3 majority petition. The proposed Tapping Fee projects will provide fire protection and water service to previously unserved areas. Descriptions are as follows:

<u>Project #</u>	<u>Description</u>	<u>Footage & Size</u>	<u>Est. Project Cost</u>	<u>Petitions Received / Total Customers</u>
01-317	Cow Branch Rd.	5,600 ft, 8-inch	\$210,000.00	11 / 14
01-318	Cupio Ln. / Cupio Lodge	6,600 ft, 8-inch	\$241,500.00	12 / 18
01-324	Weavers Run	16,500 ft, 8-inch	\$490,000.00	34 / 50
01-325	Pumpkin Road	15,400 ft, 8-inch	\$539,000.00	17 / 20

These projects will serve a total of 102 previously unserved customers. The source funding for these projects is the Bullitt County Reserve.

After proper motion and second, the Board voted to proceed with engineering design and advertisement for bid for the subject projects. The results of the bids will be presented to the Board with recommendation for contract award.

Fairmont Road Tapping Fee Extension, Broad Run Road to Floyds Fork Creek

The Company has received a 40 percent petition (2 of 5 property owners) requesting water service for Fairmont Road from Broad Run Road to Floyds Fork Creek. The scope of this project includes 4,100 feet of 12-inch water main estimated at \$340,900. This section of water main is a critical link in the 12-inch backbone supply from Highway 155 to Bardstown Road. This 4,100-foot section represents 6 percent of the 62,000-foot backbone length.

Staff has reviewed the petitions received, and has determined the remaining three property owners are unlikely to sign the petition. Two of the properties are owned by Future Fund and one property is owned by Philip Bohr. Staff recommends a Tapping Fee water main extension that will expedite the installation for service by summer 2002. The Tapping Fee is proposed to be established at \$5,450 and will only apply to those property owners applying for water service. The Tapping Fee alternative has been used on several occasions with the County-wide Water Extension Program, where unusual property configurations or circumstances exist that prevent the majority petition method to work.

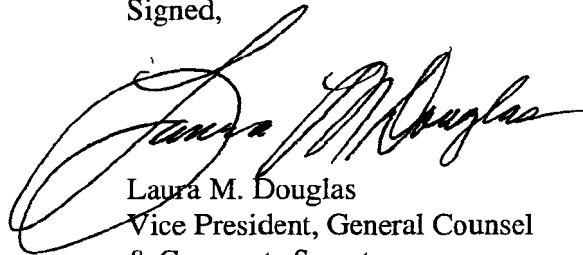
After proper motion and second, the Board voted to proceed with the Fairmont Road 12-inch water main from Broad Run Road to Floyds Fork Creek as a Louisville Water Company Tapping Fee Water Main and establish the Tapping Fee at \$5,450. The Board also voted to award the alternate bid of \$65,560 for Project No. 00-302 to James Parson Construction Company.

The Meeting was adjourned at 3:45 P.M.

CERTIFICATION

This is to certify that the following *Designation of a New Corporate Officer Position*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on November 13, 2001, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style. The signature is positioned above the printed name and title.

Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary

APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265(11) of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for the cost of **Private Road off S. Pope Lick Road** main extension project authorized by Private Petition/Agreement such warrants to be against 3 benefited properties identified by present ownership and official records set forth on Exhibit A and B, attached, each apportionment warrant to be in the principal sum of \$5750.00 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
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0842614	ANNA ELDRIDGE	2116 S POPE LICK ROAD	5,750.00		
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2705 PALMETTO CIRCLE #628	DEED-BK 4420	LIEN-DT
JEFFERSONTOWN KY	DEED-PG 140	LIEN-BK
40299	TAX-DST	LIEN-PG
	TAX-BLK 40	LOT-NO. 100

0842615	THOMAS SANDERS	2116 1/2 S POPE LICK ROAD	5,750.00		
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2116 1/2 S POPE LICK ROAD	DEED-BK 5955	LIEN-DT
JEFFERSONTOWN KY	DEED-PG 934	LIEN-BK
40299	TAX-DST	LIEN-PG
	TAX-BLK 40	LOT-NO. 241

0842617	ROBERT & TERESA THOMPSON	2114 S POPE LICK ROAD	5,750.00		
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2114 S POPE LICK ROAD	DEED-BK 6499	LIEN-DT
JEFFERSONTOWN KY	DEED-PG 592	LIEN-BK
40299	TAX-DST	LIEN-PG
	TAX-BLK 40	LOT-NO. 166

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Exhibit "A"

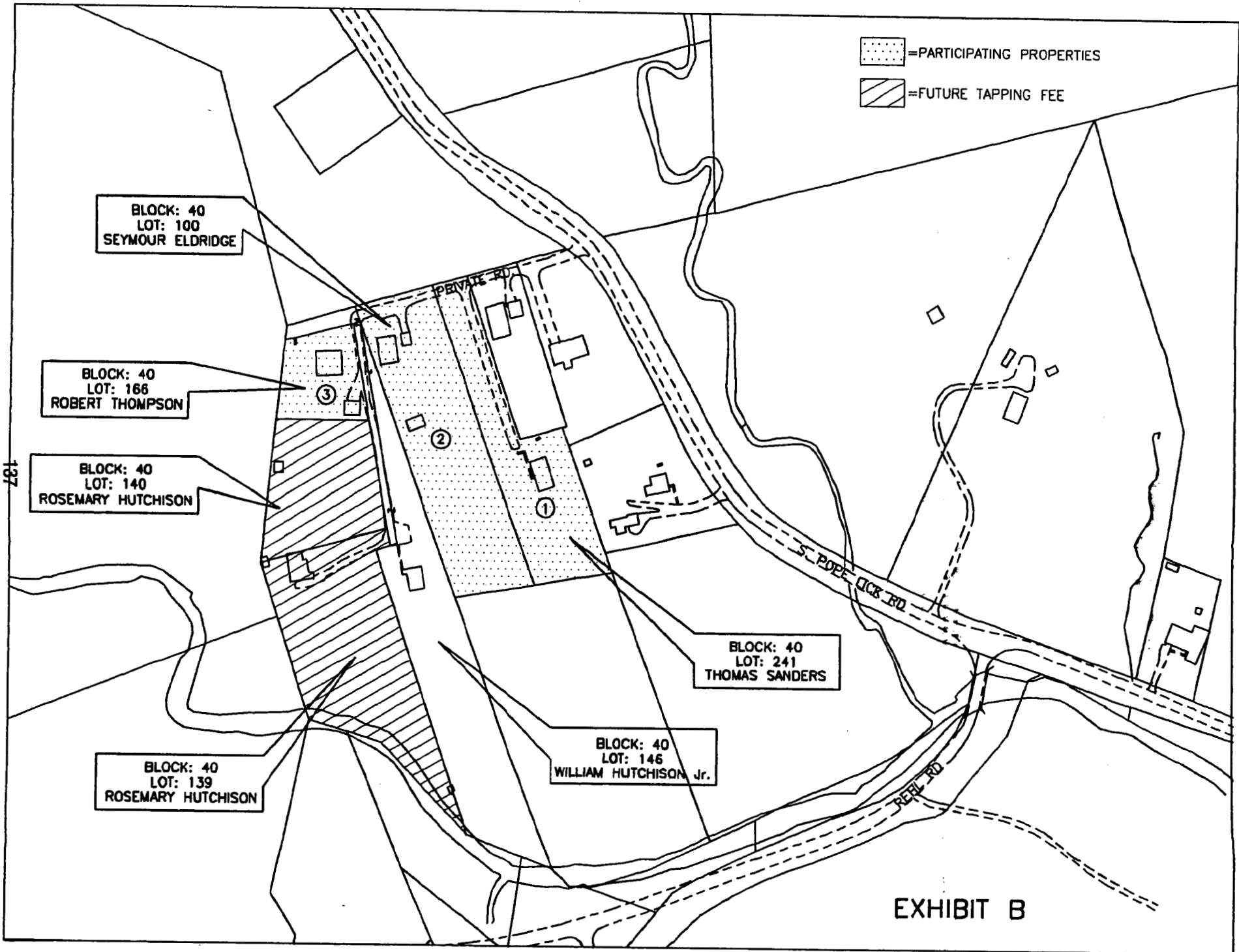


EXHIBIT B

Private Road off South Pope Lick Road Cost Breakdown

		<u>Original</u>	<u>Actual</u>
Engineering & Supervision	=	\$ 3,200.00	\$ 10,332.34
Material	=	\$ 4,800.00	\$ 3,167.14
Contract	=	\$ 15,000.00	\$ 15,443.12
		<hr/>	<hr/>
		\$ 23,000.00	\$ 28,942.60

3 participating prop. owners at \$5750 ea. = \$ 17,250.00

1 Future Tapping Fee @ \$5750 = \$ 5,750.00

\$ 23,000.00

Cost difference could be collected if a contiguous lot is sold off or if lots subdivide.

**MINUTES OF REGULAR MEETING
BOARD OF WATER WORKS
December 11, 2001**

Board Members Present

Mr. Phillip Bond
Mr. Jack Segell
Mr. Stephen Gault
Ms. Wendy Welsh

Board Members Absent

The Hon. David L. Armstrong, Mayor
Mr. Owen Hammons
Mr. Stewart Connor

Others Present

Mr. John L. Huber, President
Ms. Laura Douglas, V. P. General Counsel & Secretary
Mr. Robert Miller, V. P. Treasurer
Mr. Gregory Heitzman, V. P. Chief Engineer
Ms. Karla Teasley, V.P. Serving Customers & Business Development
Mr. Frank A. Appelfeller
Ms. Jane Driskell
Ms. Kay Ball
Mr. Steve Hubbs
Mr. Anthony Gregory
Ms. Amber Halloran

The Board Meeting was called to order at 12:30 p.m.

Approval of the consent agenda was recommended.

- Minutes of previous meetings.
- Claims paid during the previous month.
- Petitions and applications for water main extensions
- Authorization for design and bid of projects under \$200,000
- Bid tabulations for contracts under \$500,000
- Listing for award of contracts less than \$50,000

Item A: Minutes of Regular Meeting Held **November 13, 2001**
Request: Approve Minutes

Item B: Claims Paid During **November, 2001**
Request: File claims for future audit.

Item C: Petitions and applications for Water Main Extensions and Relocations
(when in full compliance / SR&R)

Developer Installed Refunding Projects

Glen Oaks Subdivision Section 11A (Project No. 00-109)
Prologis Park Phase 1 (Project No. 01-067)

Total Project Cost

\$101,725.00
\$29,415.00

Park Duvalle Phase 3A Section 2 (Project No. 01-089)	\$206,660.00
Woodmont Phase 4A (Project No. 01-092)	\$76,555.00
Woodmont Phase 4B (Project No. 01-093)	\$36,730.00
Paramount Business Park (Project No. 01-095)	\$58,155.00
Normandy Place (Project No. 01-100)	\$18,670.00

Apportionment Warrant KRS 96.265 Projects	Total Project Cost
Rockycreek Lane: Back Run Road to North 2,600 Feet	\$137,800.00

City of St. Matthews Projects	Total Project Cost	Net Cost To LWC
Fairlawn Road Drainage Improvement Project (Project No. 01-672)	\$16,645.00	\$16,645.00

Item D: Authorization for design and bid of projects (*estimated to cost less than \$200,000*)

Item E: Bid tabulations (*award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid*).

Item F: Award of contracts less than \$50,000

Capital Program

Project No.	Project Name	Total Project Cost
01-206	Williams Road Water Main Extension Project	\$15,342.00

Procurement by Certificate of Emergency

Project No.	Project Name	Total Project Cost
Certificate of Emergency	Municipal Water System Guard Service	\$15,000.00
Certificate of Emergency	Security Assessment Services	\$33,349.00

Procurement of Professional Services

Project No.	Project Name	Total Project Cost
Professional Service	Arbitrage Rebate Calculation for Series 1992 Bonds	\$6,500.00
Professional Service	Development and Implementation of the Quality Opportunity Index Survey Tool	\$16,429.00
Professional Service	Survey Research and Statistical Analysis	\$17,700.00
Professional Service	CSI Development, Refinement, and Quarterly Reporting	\$14,000.00

Administrative Report

Mr. Huber gave an oral administrative report.

He reported that Rev. Louis Coleman has been picketing outside LWC's main office to encourage customers to refrain from paying their sewer bill. Rev. Coleman has expressed concern regarding the Zimp

process at MSD and MSD's practice of hauling waste from its small plants to Morris Forman. He has no operations issues with LWC.

Financial Report

Mr. Miller reported on the:

Income and Expense Summary for November 2001

- 1) Total operating revenue of \$85,623,600 is \$3,313,100 or 4.03% more than budgeted and \$4,569,500 or 5.64% more than the same period in 2000.
- 2) Operation and maintenance expense of \$35,510,500 is \$705,400 or 2.03% more than budgeted and \$2,373,800 or 7.16% more than 2000.
- 3) Net operating income of \$29,330,400 is \$767,400 or 2.69% more than budgeted.
- 4) Net income of \$28,329,400 is \$2,039,400 or 7.76% more than budgeted and \$119,000 or 0.42% less than 2000.

Operations and Engineering Report

Mr. Heitzman gave the Operations and Engineering Report for November 2001. Ms. Teasley gave additional emphasis to the Call Center data.

Water Quality and Production

During the month of November, 418 water samples were collected with 5 samples testing positive for coliform. All recheck samples were negative for total coliform.

Water Quality Reporting Notice of Violation

On November 5, 2001 the Company received a Notice of Violation (NOV) from the Division of Water for failing to report an adequate number of bacteriological recheck samples on September 22, 2001. The violation has been investigated by staff, and the Company agrees that the recheck sample results were not properly analyzed within the time period required by State Division of Water protocol. The NOV was reported in the November 10, 2001 edition of the Courier Journal.

Distribution

Main break repairs totaled 53 during November and the backlog of work activity is 1,186 work units. All priority work is being completed on a timely basis.

Call Center

Call Center activity of 23,765 in November was down compared to November 2000. This can be attributed to the new Interactive Voice Response system, as well as the mild weather. Abandonment rate is below the 5 percent target at 4.6 percent of calls received, compared to an abandonment rate in November 2000 of 24.8 percent. One hundred percent of accounts were billed on time, and bad debt for the month was \$27,527, or 0.37 percent of sales.

Minority Business Development Award

The Company received the \$1 Million Club Award from the Kentuckiana Minority Supplier Development Council for achieving purchases over \$1.0 million in 2000. This award is given annually to local and regional companies who spend more than \$1.0 million with the minority businesses.

Litigation Report

After proper motion and second, the Board adjourned into closed session for the purpose of discussing litigation, acquisitions of property, and a personnel matter. The Board reconvened into open session without taking any action.

Special Issues

Mr. Miller reported on the:

2002 Water Rate Schedule

At the November 13th meeting of the Board of Water Works, the 2002 Annual Budget was adopted with a provision for an overall 4.25% water rate increase. The proposed rate schedule was developed in accordance with a cost of service study based upon the methods suggested in American Water Works Association Manual M1, Water Rates.

After proper motion and second, the Board adopted the following 2002 Water Rate Schedule:

WATER RATES

**LOUISVILLE WATER COMPANY
LOUISVILLE, KENTUCKY**

BOARD OF WATER WORKS RULES AND REGULATIONS

6.00 RATES

6.01 For the purpose of classifying revenues, and to provide for different classes of rates, there shall be established seven (7) classes of customers and three (3) areas of service.

The classes of customers shall be identified as:

- Residential
- Commercial
- Industrial
- Fire Service
- Fire Hydrants
- Municipal
- Wholesale

The areas of service shall be identified as:

- Retail Service Area
- Kentucky Turnpike #1 Area
- Kentucky Turnpike #2 Area

6.02 The rate charge for metered water service shall be comprised of three components except for municipal customers as defined in KRS 96.270 who shall be served as

provided therein at no cost to the customer and publicly owned fire hydrants:

- (1.) A service charge based on the size of the meter through which the customer receives such service, and
- (2.) A commodity charge based on the amount of water consumed, and
- (3.) An elevated service area surcharge, if applicable, in Rule 6.02.03.

6.02.01 Service Charge

The service charge for classes of customers taking metered service and situated within the Retail Service Area shall be charged in accordance with the following schedule:

<u>Meter Size</u>	<u>Service Charge</u> <u>Monthly Bill</u>	
5/8" x 3/4"	\$	4.25
1"	\$	10.63
1 1/2"	\$	21.25
2"	\$	34.00
3"	\$	74.38
4"	\$	127.50
6"	\$	297.50
8"	\$	531.25
10"	\$	807.50
12"	\$	1,232.50
16"	\$	2,443.75

The service charge for customer classes situated within the Kentucky Turnpike #1 area shall be charged in accordance with the following schedule:

<u>Meter Size</u>				
5/8" x 3/4"	\$	6.00	+	4.25 = 10.25
1"	\$	24.00	+	10.63 = 34.63
1 1/2"	\$	54.00	+	21.25 = 75.25
2"	\$	96.00	+	34.00 = 130.00
3"	\$	216.00	+	74.38 = 290.38
4"	\$	384.00	+	127.50 = 511.50
6"	\$	864.00	+	297.50 = 1,161.50

6.02.2 Commodity Charge

The commodity charge for monthly usage for customers within the Retail Service Area and the Kentucky Turnpike #1 area shall be computed in accordance with the following schedule:

Thousand Gallons Per
Month

First	3	at \$1.57 Per 1,000 Gallons
Next	3	at \$1.72 Per 1,000 Gallons
Next	194	at \$1.96 Per 1,000 Gallons
Next	1,300	at \$1.83 Per 1,000 Gallons
Next	3,500	at \$1.64 Per 1,000 Gallons
Next	5,000	at \$1.25 Per 1,000 Gallons
All Over	10,000	at \$1.16 Per 1,000 Gallons

The commodity charge for monthly usage within the Kentucky Turnpike #2 area shall be computed in accordance with the following schedule:

Thousand Gallons Per
Month

5/8 inch and ¾ inch connection		
First	2	\$15.67 Monthly Minimum
Next	3	at \$4.75 per 1,000 gallons
Next	5	at \$4.27 per 1,000 gallons
Next	15	at \$4.04 per 1,000 gallons
Next	25	at \$3.55 per 1,000 gallons
1 inch connection		
First	5	\$29.92 Monthly Minimum
Next	5	at \$4.27 per 1,000 gallons
Next	15	at \$4.04 per 1,000 gallons
Next	25	at \$3.55 per 1,000 gallons
1 ½ inch to 4 inch connection		
First	10	\$51.27 Monthly Minimum
Next	15	at \$4.04 per 1,000 gallons
Next	25	at \$3.55 per 1,000 gallons
Bernheim Forest		\$100.00 per month
City of Shepherdsville		\$1.40 per 1,000 gallons
City of Lebanon Junction		\$1.40 per 1,000 gallons
North Nelson Water District		
Up to	4,000	\$7,880.00
Excess of	4,000	at \$1.75 per 1,000 gallons

6.02.03 Elevated Service Area Surcharge

All customers shall pay a surcharge of \$0.19 per thousand gallons if water must be delivered at a higher elevation than the general pressure plane served by the Crescent Hill / Cardinal Hill System.

6.03 Wholesale Customers

Wholesale customers which purchase water for resale wherever situated shall be charged: \$1.16 per thousand gallons for all water purchased, the elevated service area surcharge specified in Rule 6.02.3, if applicable, and the service charge specified in Rule 6.02.1.

6.04 Fire Service Charges

The charge for fire service, where water may be taken for fire protection only, shall be in accordance with the following schedule. This charge will also be applicable to such fire hydrants as may be provided by private agencies.

<u>Size</u>	<u>Monthly Charge</u>
4"	\$ 11.75
6"	\$ 24.00
8"	\$ 46.50
10"	\$ 91.75
12"	\$ 184.00

6.05 At the Company's option, bills may be rendered monthly or bimonthly.

6.06 In the event that payment for any charge is not made within twenty (20) days from the billing date, the net amount of the bill shall be increased by 5% and the gross amount thus determined must be paid.

6.07 Where water is used without proper authorization, the estimated quantity of unmetered water used shall be paid for at the rate of \$10.00 per thousand gallons.

6.08 Water taken from a Louisville Water Company public fill station shall be paid for at the rate of \$2.50 per thousand gallons plus such deposits as may be established from time to time.

Upon adoption, these rates shall become effective for water service on and after January 1, 2002.

Mr. Heitzman reported on the:

2002 Service Installation and Temporary Meter Fees (Service Rule 1.04)

In compliance with Service Rule 1.04 new customers are charged the cost of installation of the water service pipe and meter vault. This charge is a flat fee or deposit approximating the anticipated cost of the installation. While average service installation costs increased for ¾-inch domestic services, installation costs for 6-inch and 8-inch fire services and ¾-inch retrofit irrigation services decreased. The increase in installation costs for ¾-inch domestic services is attributed primarily to two factors. First, the number of service installations in a rock environment increased significantly, 52%, in 2001 as compared to the number in 2000. The second major factor contributing to the increase in costs is an increase of 11% in the number of ¾-inch service installations in 2001 as compared to the number installed in 2000.

After proper motion and second, the Board voted that the installation fees for 6-inch and 8-inch fire services, and ¾-inch retrofit irrigation services be decreased in 2002, and that the remaining fees in effect during 2001 remain the same for 2002, as outlined in the following schedule:

PROPOSED 2002 SERVICE INSTALLATION, TEMPORARY METER, FIRE FLOW TEST FEES

SERVICE INSTALLATION

<u>SIZE</u>	<u>TYPE</u>	<u>EXISTING 2001 FEE</u>	<u>PREVIOUS 3 YR. AVG.</u>	<u>PROPOSED 2002 FEE</u>
¾"	Dom. Svc.	\$450.00	\$562.47	\$450.00
1"	Dom. Svc.	\$750.00	\$998.24	\$750.00
1 ½"	Dom. Svc.	\$2,000.00	\$2,451.28	\$2,000.00
2"	Dom. Svc.	\$2,500.00	\$2,565.72	\$2,500.00
3" & 4"	Dom. Svc.	\$7,000.00	\$7,022.94	\$7,000.00
6"	Dom. Svc.	Variable Deposit	\$6,541.42	Variable Deposit
8"	Dom. Svc.	Variable Deposit	\$18,731.41	Variable Deposit
10"	Dom. Svc.	Variable Deposit	\$7,287.39	Variable Deposit
12"	Dom. Svc.	Variable Deposit	\$48,276.63	Variable Deposit
¾" Irr. Retrofit	Dom. Svc.	\$300.00	\$244.96	\$250.00
¾" Tandem	Dom. Svc.	\$750.00	n/a	\$750.00
1" Tandem (2 Meters)	Dom. Svc.	\$800.00	n/a	\$800.00
1" 3-Way Manifold	Dom. Svc.	\$1,200.00	n/a	\$1,200.00
1" 4-Way Manifold	Dom. Svc.	\$1,500.00	n/a	\$1,500.00
4"	Fire Svc.	\$4,000.00	\$4,201.13	\$4,000.00
6"	Fire Svc.	\$5,000.00	\$4,827.58	\$4,500.00
8"	Fire Svc.	\$6,000.00	\$5,151.36	\$5,000.00
10"	Fire Svc.	Variable Deposit	\$7,773.22	Variable Deposit
12"	Fire Svc.	Variable Deposit	\$13,115.93	Variable Deposit

TEMPORARY METER

<u>SIZE</u>	<u>TYPE</u>	<u>EXISTING 2001 FEE</u>	<u>PROPOSED 2002 FEE</u>
3/4"	Temp. Meter	\$200.00	\$200.00 (\$100.00 Non-Refundable, \$100.00 Refundable)
1 1/2"	Temp. Meter	\$500.00	\$500.00 (\$100.00 Non-Refundable, \$400.00 Refundable)
3"	Temp. Meter	\$600.00	\$600.00 (\$100.00 Non-Refundable, \$500.00 Refundable)

FIRE FLOW TEST

<u>TYPE</u>	<u>EXISTING 2001 FEE</u>	<u>PROPOSED 2002 FEE</u>
Certified Fire Flow Test	\$250.00	\$250.00

Mr. Gregory and Mr. Miller presented a request for:

Authorization for Final Design and Proposal for Project 01-489: Financial Decision Support and Executive Support System

One of LWC's primary business tasks is to manage and report the financial performance of the Company. The use of appropriate Information Supply Systems for financial management and processing allow:

- The business to recognize and respond quickly to changes in business environment.
- Detailed activity based cost information sharing at all levels of the organization to support process and system performance measurement analysis.
- Empowered employees to make decisions by providing them with the right information, in the right format, at the right time.
- Significant changes in work processes for cost control, increased productivity, effectiveness, customer satisfaction, and to reduce the cost of poor quality.

The existing financial computer systems and applications have been in place since the early 1970's and have adequately served the company over its life. The system is reaching the end of its useful life and is becoming unsustainable. The 2001-2003 Information Technology Strategic Plan outlines several strategies to upgrade and replace our core computer systems with integrated, industry standard software packages, of which the existing financial systems and applications are a part. Management and staff recommend investing capital budget dollars in the re-engineering of our financial business processes and replacement of the existing set of computer programs and applications with such a package.

After proper motion and second, the Board voted to authorize final design and solicitation of proposals for Project 01-489: Financial Decision Support and Executive Support System at an estimated cost of \$3,850,000.

Mr. Miller reported on the:

Declaration of Dividend to City of Louisville

Section 508 of the Series 1992 Water System Revenue Bond Resolution provides that the Louisville Water Company will pay to the Commissioners of the Sinking Fund an annual dividend on the Louisville Water Company stock owned by the City. The dividend is to be paid in quarterly installments, such payments to be based on estimated annual net income and as nearly equal in amount as possible. The projected

dividend for 2001 based on the latest estimated annual net income before extraordinary items of \$28,692,430 is \$12,599,250.

After proper motion and second, the Board adopted a resolution to declare the fourth quarterly 2001 dividend in the amount of \$3,519,000. This resolution provides for a total quarterly payment of \$3,544,064.

Bid Tabulations

Mr. Miller reported on:

00-56 Ductile Iron Pipe and Fittings

On December 13, 2000, bids were opened to award a one-year contract, renewable for up to four (4) additional years at the sole discretion of the Louisville Water Company, for ductile iron pipe and fittings. This is the 1st Producers Price Index renewal.

U.S. Pipe and Foundry	Pipe & Std. Fittings	\$1,866,171.90
Hughes Supply Co.	Non-Std. Fittings	\$ 174,098.27
Griffin Pipe Co.	Non-Std. Fittings	\$ 3,465.21
	TOTAL	\$2,043,735.38

After proper motion and second, the board voted to award a one-year PPI renewal totaling an estimated amount of \$2,043,735.38 to U.S. Pipe and Foundry, Hughes Supply Co., and Griffin Pipe Co. This PPI renewal represents a 5% increase as dictated by the Bureau of Labor Statistics, but, based on the last 12 months usage, it reflects a 1.6% decrease over last years estimated expenditures.

01-48 Restraint Joint Clamps

On November 21, 2001, bids were opened to award a two-year contract for restraint joint clamps. These clamps are used in the installation of water mains for restraint of fittings and appurtenances. A total of 3 bids were submitted with the lowest, most responsive bids from Hughes Supply Company for an estimated two-year total of \$386,030.00

After proper motion and second, the Board voted to award a two-year contract totaling an estimated \$386,030.00 to Hughes Supply Company. This bid represents an approximate 2% increase in unit prices from the previous bid.

Mr. Heitzman reported on:

01-203 & 01-204 Broad Run Road and Stout Road Water Main Ext.

Bids were received Wednesday, November 21, 2001, to install 24,245 lineal feet of 12-inch, 8-inch, 6-inch, and 4-inch Ductile Iron and PVC water main and to supply and install 280 lineal feet of 2-inch HDPE water main along Broad Run Road from the top of the hill on Broad Run Road to Stout Road, Stout Road from Broad Run Road to end, and Broad Run Road from Back Run road to the Jefferson County/Bullitt County line. A total of six (6) bids were received from qualified contracting firms.

After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$754,930.00 to Southern Pipeline Construction Co. to install water facilities associated with this project.

01-205 Top Hill Road Area Water Main Extension Project

Bids were received Wednesday, November 28, 2001, to install 25,557 lineal feet of 8, 6 and 4-inch water main along Top Hill Rd, Mitchell Hill Rd, Goff Ln and Snawder Ln. This project is identified in the County-Wide Water Extension Program in Extension Area Three. A total of eight bids were received from qualified contracting firms. The low responsive base bid in the amount of \$621,378.00 was submitted by Flynn Brothers Contracting, Inc. The low bid is lower than the Engineer's Estimate by \$264,729.00 or 43%.

After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$621,378.00 to Flynn Brothers Contracting, Inc.

01-504 Forest Drive - Main Replacement Project

Bids were received and opened Wednesday, November 7, 2001 to supply and install 2,710 linear feet of 8-inch HDPE water line along Forest Drive between Preston Highway and Forest Drive (north). Included with the project are the installation/renewal of 5 fire hydrants and 29 customer services. A total of 5 bids were received and opened from pre-qualified contractors. MAC Construction and Excavating submitted the lowest responsive bid in the amount of \$149,685 resulting in a total project cost of \$170,785. This bid was evaluated based on cost, time of completion, and MBE/WBE subcontractor utilization. The bid is 25% under the Project Manager's Estimate.

After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$149,685 to MAC Construction to supply and install the water facilities associated with this project.

01-519 Lead Service Renewals (Dixie/Algonquin Area)

Bids were received and opened Wednesday, November 14, 2001 to renew a total of 192 lead services in the Dixie/Algonquin Area of western Louisville. Work will include service renewals on Lee Street, Bolling Avenue, and Cypress Street. A total of 4 bids were received and opened from pre-qualified contractors. Tom Brown Construction submitted the lowest responsive bid in the amount of \$147,200 resulting in a total project cost of \$183,680. The bid is 8.5% under the Project Manager's Estimate.

After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$147,200 to Tom Brown Construction to renew the lead services associated with this project.

02-672 Billtown 12-Inch

Bids were received Wednesday, November 28, 2001, to Furnish and Install approximately 4000 lineal feet of 12-inch water main on the west side of Billtown Road between St. Rene Road and Ruckriegle Parkway. A total of two bids were received from qualified contracting firms. The low responsive base bid in the amount of \$338,400 was submitted by C Squared Inc. The low bid is above the engineer's estimate by \$116,400 or 52%. Non-bidders identified supply of material, rock removal, being too busy for such a tough project as reasons they did not submit bids.

After proper motion and second, the board voted to authorize the Chief Engineer to award a contract in the amount of \$338,400 to C Squared Inc. to install water facilities associated with this project.

99-641 Old Taylorsville Road Water Main Ext.

Bids were received Wednesday, November 7, 2001, to install 5,215 feet of 8-inch, 6-inch, and 4-inch Ductile Iron water main along Old Taylorsville Road between Taylorsville Lake Road (Hwy. 155) and Hwy.

148. This project is identified in the County-Wide Extension Program in Extension Area 3. A total of six (6) bids were received from qualified contracting firms. The bids were evaluated based on price, MBE/WBE subcontractor utilization, and completion time. The contractor receiving the highest rating was Tom Brown Construction Co. Their bid amount was \$57,910. This bid was 58% less than the engineer's estimate.

After proper motion and second, the Board voted to authorize the Chief Engineer to award a contract in the amount of \$57,910.00 to Tom Brown Construction Co. to install water facilities associated with this project.

Communications

Mr. Heitzman and Mr. Huber gave a brief report concerning:

LWC involvement with AWWA Research Foundation—Cost and Benefit Analysis

The annual subscription amount for water utilities is based on their annual water production, and the current subscription fee for LWC is \$72,678 annually. Although the subscription is relatively expensive, the return of such investment is significant. Staff strongly recommends that LWC continue its involvement in the AWWA Research Foundation projects.

Table 1 - LWC's Direct Participation in the Research Foundation

Year	AWWA Research Foundation Project	Project Value	Involvement	Name
2001	Evaluation of Removal for Endocrine Disrupters	\$700,000	Contractor	Song
2001	Identify Causes and Solutions to Exterior Corrosion	\$300,000	Participants	Russell
2001	Optimizing Chloramine Treatment	\$225,000	Participants	Wang
2001	Formation and Decay of DBPs in Distribution System	\$300,000	Participants	Wang
2000	Taste and Odor Materials Evaluation Workshop	\$100,000	Participants	Song
2000	Source Water Assessment for Endocrine Disrupters	\$250,000	Participants	Wang
1999	Bank Filtration for DBP Precursor Microbial Removal	\$543,470	Contractor	Wang
1999	Causes and Solutions for External Corrosion	\$650,000	Participants	Russell
1998	Capital Planning Strategy Manual	\$420,000	Participants	Willis
1998	Decision Support System for Pipe Rehab/Replacement	\$315,000	Participants	Russell
1998	Workforce Planning and Development	\$338,000	Participants	
1997	Lead Pipe Rehab and Replacement	\$280,000	Participants	Sadle
1997	TOC Analytical Accuracy	\$150,000	Participants	Wang
1997	Economic Impacts of Main Replacement Program	\$551,000	Participants	Willis
1997	Balanced Evaluation of Public-Private Partnerships	\$427,000	Participants	Elpers
1996	Surrogate Measure to Improve Plant Performance	\$426,000	Participants	Wang
1995	Sources of Pathogens and NOM in Watersheds	\$900,000	Participants	Wang
1993	Biology & Impact of Zebra Mussels in Large Rivers	\$300,000	Participants	Smith
1989	Impact of Lower Turbidity on Distribution System WQ	\$75,000	Participants	Smith
1987	Economics of Internal Corrosion	\$120,000	Participants	Smith
1984	Chloro-Organic Water Quality Changes	\$162,965	Contractor	Hubbs
1984	Water Main Evaluation for Rehab/Replacement	\$190,000	Participants	Huber
	Total Direct Involvement Value	\$7,723,435		

Table 2 - LWC's Indirect Participation in the Research Foundation

Year	AWWA Research Foundation Project	Project Value	Involvement	Name
2001	State-of-Science Knowledge Brominated DBP's	\$75,000	PAC (advisory)	Song
2001	Strategic Business Planning Process	\$400,000	PAC (advisory)	Huber
2001	Ozone Enhanced Biofiltration for T&O Control	\$350,000	PAC (advisory)	Wang
2000	Determination of SUVA in Fresh & Treated Water	\$120,000	PAC (advisory)	Song
1999	Strategic Assessment of the Future of Water Utilities	\$450,000	PAC (advisory)	Huber
1999	Endemic Microbial Disease by Source Water Type	\$1,500,000	PAC (advisory)	Hubbs
1999	Cost-Benefit Analysis of Flushing	\$250,000	PAC (advisory)	Russell
1998	Bromate Formation and Control During Ozonation	\$600,000	PAC (advisory)	Song
1997	Pipe Materials Selection Manual	\$220,000	PAC (advisory)	Zelch
1997	Sequential Disinfection Design Criteria	\$480,000	PAC (advisory)	Hubbs
1997	Critical Review of Crypto Removal Data	\$260,000	PAC (advisory)	Hubbs
1996	Innovative Water Main Renewal	\$660,000	PAC (advisory)	Cooper
1996	Synergistic Effects of Multiple Disinfectants	\$420,000	PAC (advisory)	Hubbs
1996	Optimization Filtration in Biological Filters	\$900,000	PAC (advisory)	Wang
1995	Two City Cryptosporidium Study	\$280,000	PAC (advisory)	Hubbs
1993	Effects of Various Disinfectants on Crypto	\$500,000	PAC (advisory)	Hubbs
1992	Cryptosporidium parvum Viability	\$245,000	PAC (advisory)	Smith
1992	Demo Innovative Water Main Replacement	\$340,000	PAC (advisory)	Heitzman
1991	Optimization of Filtration for Cyst Removal	\$743,000	PAC (advisory)	Hubbs
1986	Case Studies Disinfection Practices	\$90,000	PAC (advisory)	Hubbs
1985	Chemistry of Corrosion Inhibitors	\$160,000	PAC (advisory)	Hubbs
	Total Indirect Involvement Value	\$9,043,000		

Total Involvement Value	\$16,763,435
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Old Business

Mr. Heitzman reported on:

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265 Broad Run Road: Back Run Road to County Line

An Apportionment Warrant public hearing was held for Broad Run Road: Back Run Road to County Line. The public hearing was held in response to receipt of a majority petition for this public road project. The public hearing was structured to provide a brief background on the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains will be extended using Apportionment Warrants as prescribed in KRS 96.265.

From commitments at the public informational meeting, the majority of attending property owners advised they were in favor of extension of water service for Broad Run Road: Back Run Road to County Line as proposed at the hearing. The public road Apportionment Warrant project is summarized as follows:

Broad Run Road: Back Run Road to County Line

- Public Hearing – July 12, 2001 – Fern Creek Fire Protection District, Station #3
- 8,800 lineal feet of 8-inch water main
- \$570,000 estimated cost
- 36 eligible properties
- 21 affirmative petitioners

- 58% of eligible properties
- \$5,450 "fair share" per property cost

After proper motion and second, the Board voted to identify the proposed extension of water service as feasible and beneficial in accordance with KRS 96.265 and refer this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design and advertisement for bid on this project.

Issuance of Apportionment Warrants per KRS 96.265 Bradbe Road: Routt Road to Hwy 155

A public hearing was held September 30, 1999 for the extension of water service along Bradbe Road: Routt Road to Hwy 155. The Board of Water Works adopted a resolution for Bradbe Road: Routt Road to Hwy 155 on November 9, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 43, Series 1999 on December 16, 1999 for the Bradbe Road: Routt Road to Hwy 155 project. The construction contract was awarded to S&S and Associates, Inc. in December 2000 and the water main was placed in service on July 2, 2001.

After proper motion and second, the Board voted to issue Apportionment Warrants and liens against 18 benefited properties along Bradbe Road: Routt Road to Hwy 155 in accordance with KRS. 96.265, as described.

Issuance of Apportionment Warrants per KRS 96.265 Routt Road: Existing Water Main to Old Heady Road (North)

A public hearing was held June 3, 1999 for the extension of water service along Routt Road: Existing Water Main to Old Heady Road (North). The Board of Water Works adopted a resolution for Routt Road: Existing Water Main to Old Heady Road (North) on July 13, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 26, Series 1999 on August 10, 1999 (a copy of which is attached) for the Routt Road: Existing Water Main to Old Heady Road (North) project. The construction contract was awarded to Reynolds, Inc. in December 2000 and the water main was placed in service on November 7, 2001.

After motion by Mr. Bond with great enthusiasm and second by Ms. Welsh, the Board voted to adopt a resolution for the issuance of Apportionment Warrants and liens against 32 benefited properties along Routt Road: Existing Water Main to Old Heady Road (North) in accordance with KRS. 96.265, as described.

New Business

Mr. Heitzman reported on:

Project 01-703: Oldham County Highway 329 Elevated Water Tank

Proposed under the 2001 Capital Budget are funds for construction of a new storage facility required to support system growth in Oldham County. The proposed facility will consist of a 500,000-gallon waterspheroid elevated steel storage tank operating within an enlarged 940 pressure zone, located on Highway 329 adjacent to the Apple Patch Community Development. The budget for the proposed project is \$975,000. The sources of funding for this project are bonds and the system development charge.

After proper motion and second, the board voted to authorize engineering design and advertisement for bid for the subject project. Any significant change in project scope or budget identified during bidding will be presented to the Board for review and re-authorization to proceed.

Consulting Engineering Services – KY Highway 1020 – LWC Project 01-745A

In August 2001 the Transmission Program presented the results of a RFP for Transmission Program Consulting Proposals to the Board of Water Works. These proposals are to be used on projects identified for outsourcing to consultants. Four firms have been selected and approved by the Board for solicitation of cost proposals. A Cost proposal was requested, from PEH Engineers, Inc. (PEH), for engineering and contract administration services for the design of a 16" main between North Lakeview Drive and Brooks Hill Road, in Northern Bullitt County. PEH Engineers submitted a cost proposal in the amount of \$94,483.25, which is \$6,556.79 more than the independent estimate of \$87,926. This cost difference is due to anticipated easement acquisition. This cost proposal is judged to be fair and reasonable.

After proper motion and second, the Board voted to authorize an engineering service contract with PEH Engineers in the amount of \$94,483.25 and advertise for bid Project 01-745A KY Highway 1020 16" transmission main.

Mr. Miller reported on:

Retiree Medical Insurance

Louisville Water Company provides medical insurance to former employees who retired prior to conversion of our retirement program to CERS in 1990 and to their eligible dependents. Of the 100 policies remaining, 99 are covered by Medicare plans for which retirees pay a portion of the premium. The continuing diminution of the size of the group presents some marketing challenges each year.

Currently 20 of our retirees are covered under a Humana HMO Medicare plan that provides needed coverage against escalating prescription drug costs. In September, Humana announced that it would be discontinuing this plan in our area effective January 1, 2002 citing the federal government's inadequate reimbursement to cover these Medicare enrollees. The loss of this plan would effectively remove prescription drug coverage for our retirees. To fill this gap, LWC considered many potential policies including group and individual HMO plans. LWC recommends placing coverage for a Medicare HMO plan through Anthem.

After proper motion and second, the board approved the contract for Anthem Blue Cross/Blue Shield in the amount of \$110,000.

Mr. Heitzman reported on:

Rock Saw Purchase for Service Line Installations

In 1996, the Company initiated a partnership with Union Local 1683 to pilot installation of new service lines with in-house construction crews. The program, now in its fifth year, has been successful saving over \$2.4 million in costs compared to competitively bid contract pricing. The Middletown Natural Work Team of 18 employees (15 Union and 3 staff) has accomplished this success through a combination of self-direction, empowerment, and the use of quality tools and techniques.

Over 4,500 services are expected to be installed in 2002. Louisville Water Company crews will install 85 percent, while contractors will install 15 percent. The overall costs for installation of small services have increased in 2001. Two factors have attributed to the rise in costs. The first is the quantity, or percentage, of work shifted to contractors, due to these capacity limitations and second, the increased number of rock installations in the service area. The Middletown Team has evaluated various alternatives to decrease costs, including evaluating new technology, equipment, work processes, and job reporting locations. The most immediate cost savings can be achieved through purchase of a rock saw to install small services in solid rock.

After proper motion and second, the Board voted to establish a project budget of \$75,000 for purchase of a rock saw, and proceed to advertise, bid, and award the equipment purchase.

The meeting adjourned at 2:45 p.m.

The next meeting will be on January 15, 2002, the third Tuesday of the month.

**RESOLUTION TO DECLARE FOURTH QUARTER DIVIDEND
TO THE CITY OF LOUISVILLE**

WHEREAS, it has been the long established policy of the 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 1992 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 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, the Board passed a resolution on March 13, 2001 to adjust the 2000 annual dividend by \$100,256 from \$12,776,325 to \$12,876,681, the difference to be added in equal quarterly installments to the quarterly 2001 dividend payments, and

WHEREAS, the 1992 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 Louisville Water Company estimated annual net income before extraordinary items for 2001 is \$28,692,430 and the projected annual dividend computed in the manner specified in the 1992 Bond Resolution is \$12,599,250 and considering dividends declared earlier this year, it would be in order at this time to declare a regular fourth quarter dividend of \$3,519,000,

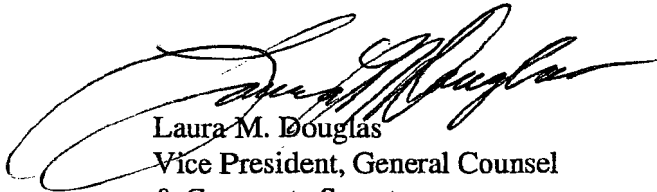
RESOLVED, the regular fourth quarter 2001 dividend of \$3,519,000 is hereby declared, and further,

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,544,064 to the Louisville and Jefferson County Revenue Commission on December 30, 2001, this being the fourth quarterly dividend for 2001 plus one quarter of the dividend adjustment for 2000, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

CERTIFICATION

This is to certify that the following *Broad Run Road: Back Run Road to County Line*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on December 11, 2001, a quorum being present.

Signed,



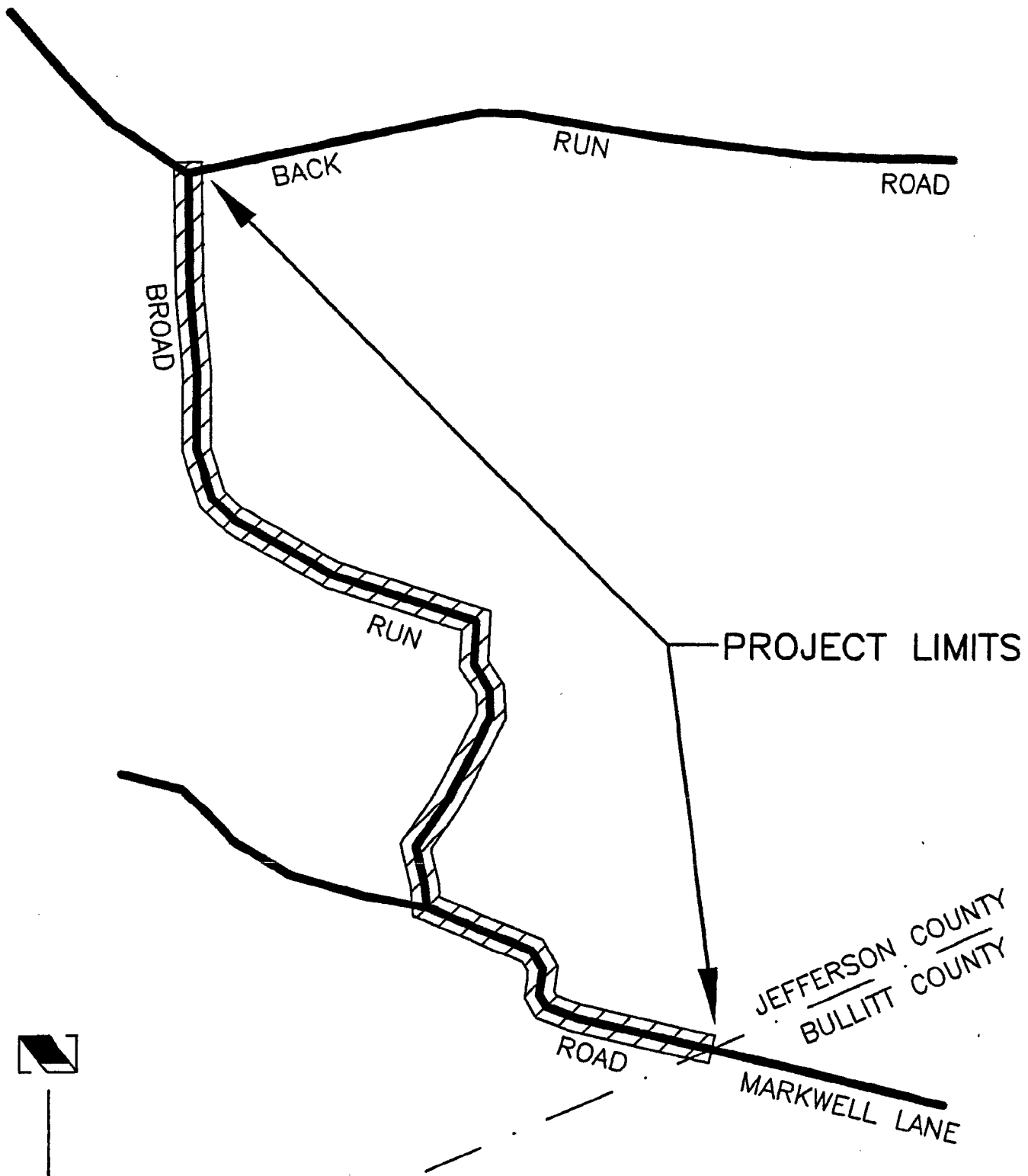
Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary

**Board of Water Works
Resolution**

December 11, 2001

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Broad Run Road: Back Run Road to County Line**, a public way in Jefferson County, and acting thereon convened a public hearing on April 5, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Chief Engineer of the Company has recommended the extension of such water along **Broad Run Road: Back Run Road to County Line**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Broad Run Road: Back Run Road to County Line**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



FILE NAME: BROAD RUN RD.

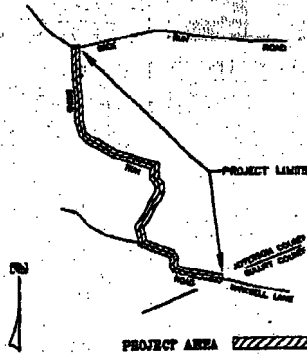
Published in July 1, 2001
Sunday Edition

**ADVERTISEMENT FOR
PUBLIC HEARING**

Pursuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Broad Run Road: Back Run Road to County Line (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Broad Run Road: Back Run Road to County Line.

This public hearing will be held on Thursday, July 12, 2001 at 6:00 p.m. at the Fern Creek Fire Protection District, Station #3, 7700 Routt Road.

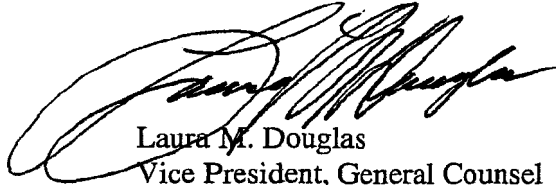
Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.



CERTIFICATION

This is to certify that the following *Bradbe Road: Routt Road to HWY 155*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on December 11, 2001, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary

APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Bradbe Road: Routt Road to Hwy 155** main extension project authorized by Ordinance No. 43, Series 1999 of the Jefferson Fiscal Court, adopted on December 16, 1999 such warrants to be against eighteen (18) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0836094	ROBERT J & DORIS A ALVEY	ROUTT ROAD	5,450.00		
	6203 ROUTT ROAD	DEED-BK 7154	LIEN-DT		
	LOUISVILLE KY	DEED-PG 413	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	178	
		ROUTT ROAD			
		DEED-BK 7154			
		DEED-PG 413			
		TAX-DST			
		TAX-BLK 54	LOT-NO.	176	
0836117	DAVID E & BECKY A BEAM	17713 BRADBE ROAD	5,450.00	00/0000	
	17713 BRADBE ROAD	DEED-BK 6297	LIEN-DT		
(PAID-UP)	FISHERVILLE KY	DEED-PG 241	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 2648	LOT-NO.	0003	
0836119	ELIZABETH & THOMAS BRADBURY	5803 ROUTT ROAD	5,450.00	00/0000	
	5803 ROUTT ROAD	DEED-BK 4375	LIEN-DT		
(PAID-UP)	LOUISVILLE KY	DEED-PG 464	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	26	
		16231 ROUTT ROAD			
		DEED-BK 4375			
		DEED-PG 464			
		TAX-DST			
		TAX-BLK 54	LOT-NO.	19	
0836121	THOMAS E & PHYLLIS H BRADBURY	16510 BRADBE ROAD	5,450.00	00/0000	
	16510 BRADBE ROAD	DEED-BK 6051	LIEN-DT		
(PAID-UP)	FISHERVILLE KY	DEED-PG 715	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	149	
0836136	GARY R & ANDREA CHAPMAN	16700 BRADBE ROAD	5,450.00		
	16700 BRADBE ROAD	DEED-BK 5575	LIEN-DT		
	FISHERVILLE KY	DEED-PG 581	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	63	
		COMMENT LOTS 64,65,66 ADDED TO LOT 63			
0836187	ROGER & MARIA DOSPIL	16710 BRADBE ROAD	5,450.00		
	16710 BRADBE ROAD	DEED-BK 6722	LIEN-DT		
	FISHERVILLE KY	DEED-PG 382	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	58	

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0836187	ROGER & MARIA DOSPIL (CONTINUED)	17724 BRADBE ROAD			
		DEED-BK 6722			
		DEED-PG 382			
		TAX-DST			
		TAX-BLK 54	LOT-NO. 56		
		17726 BRADBE ROAD			
		DEED-BK 6722			
		DEED-PG 382			
		TAX-DST			
		TAX-BLK 54	LOT-NO. 55		
		16706 BRADBE ROAD			
		DEED-BK 7159			
		DEED-PG 464			
		TAX-DST			
		TAX-BLK 54	LOT-NO. 60		
		17728 BRADBE ROAD			
		DEED-BK 6722			
		DEED-PG 382			
		TAX-DST			
		TAX-BLK 54	LOT-NO. 54		
0836191	JEFFREY ERIC FRANK 16509 BRADBE ROAD FISHERVILLE KY 40023	16509 BRADBE ROAD	5,450.00		
		DEED-BK 6528	LIEN-DT		
		DEED-PG 284	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO. 161		
		BRADBE ROAD			
		DEED-BK 6528			
		DEED-PG 284			
		TAX-DST			
		TAX-BLK 54	LOT-NO. 160		
0836196	T BUTKOVIC & CLIFFOR JOHNSON 16230 BRADBE ROAD FISHERVILLE KY 40023	16230 BRADBE ROAD	5,450.00		
		DEED-BK 5298	LIEN-DT		
		DEED-PG 775	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO. 115		
0836198	LIVING TRUST OF W E KUTE 118 URTON LANE LOUISVILLE KY 40023	17717 BRADBE ROAD	5,450.00		
		DEED-BK 7084	LIEN-DT		
		DEED-PG 182	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 2648	LOT-NO. 4		
0836202	RAY L & MARILYN C LAMB 16300 BRADBE ROAD (PAID-UP) FISHERVILLE KY 40023	16300 BRADBE ROAD	5,450.00	00/0000	
		DEED-BK 4676	LIEN-DT		
		DEED-PG 229	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO. 104		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0836205	DONALD R & LOIS S PARR	16220 BRADBE ROAD	5,450.00		
	16220 BRADBE ROAD	DEED-BK 4457	LIEN-DT		
	FISHERVILLE KY	DEED-PG 540	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	99	
		16222 BRADBE ROAD			
		DEED-BK 5647			
		DEED-PG 331			
		TAX-DST			
		TAX-BLK 54	LOT-NO.	100	
0836203	DONALD R PARR II	17737 BRADBE ROAD	5,450.00		
	17737 BRADBE ROAD	DEED-BK 6289	LIEN-DT		
	FISHERVILLE KY	DEED-PG 811	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	148	
0850641	RESEARCH PROPERTIES	BRADBE ROAD	5,450.00		
	P O BOX 6661	DEED-BK 7536	LIEN-DT		
	LOUISVILLE KY	DEED-PG 69	LIEN-BK		
	40206	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	184	
0836240	RESEARCH PROPERTIES INC	BRADBE ROAD	5,450.00	00/0000	
	P O BOX 6661	DEED-BK 7536	LIEN-DT		
(PAID-UP)	LOUISVILLE KY	DEED-PG 69	LIEN-BK		
	40206	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	187	
0850601	RESEARCH PROPERTIES LLC	5901 BRADBE ROAD	5,450.00		
	P O BOX 6661	DEED-BK 7536	LIEN-DT		
	LOUISVILLE KY	DEED-PG 69	LIEN-BK		
	40206	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	186	
0850640	RESEARCH PROPERTIES LLC	BRADBE ROAD	5,450.00		
	P O BOX 6661	DEED-BK 7536	LIEN-DT		
	LOUISVILLE KY	DEED-PG 69	LIEN-BK		
	40206	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	185	
0836242	SONJA RIDGE	17825 BRADBE ROAD	5,450.00		
	17825 BRADBE ROAD	DEED-BK 6988	LIEN-DT		
	FISHERVILLE KY	DEED-PG 383	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	168	
0836244	DONALD H RIDGE SR	17730 BRADBE ROAD	5,450.00		
	17825 BRADBE ROAD	DEED-BK 4797	LIEN-DT		
	FISHERVILLE KY	DEED-PG 1	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	169	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0836244	DONALD H RIDGE SR (CONTINUED)	17736 BRADBE ROAD DEED-BK 4797 DEED-PG 1 TAX-DST TAX-BLK 54	LOT-NO. 98		
		17734 BRADBE ROAD DEED-BK 4797 DEED-PG 1 TAX-DST TAX-BLK 54	LOT-NO. 40		
		BRADBE ROAD DEED-BK 4797 DEED-PG 1 TAX-DST TAX-BLK 54	LOT-NO. 23		
0836248	ROBERT S & HEIDI SAUNDERS 16511 BRADBE ROAD FISHERVILLE KY 40023	17705 BRADBE ROAD DEED-BK 6297 DEED-PG 838 TAX-DST TAX-BLK 2648	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 1	5,450.00	
		17709 BRADBE ROAD DEED-BK 6297 DEED-PG 838 TAX-DST TAX-BLK 2648	LOT-NO. 2		
		16511 BRADBE ROAD DEED-BK 6403 DEED-PG 369 TAX-DST TAX-BLK 54	LOT-NO. 52		
0836249	LINDSEY III & JEWEL M SMITH 16507 BRADBE ROAD FISHERVILLE KY 40023	16507 BRADBE ROAD DEED-BK 6237 DEED-PG 967 TAX-DST TAX-BLK 54	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 106	5,450.00	
0836251	MARK E & KATHY SPARKS 3504 BROOKHOLLOW LOUISVILLE KY 40220	17721 BRADBE ROAD DEED-BK 7209 DEED-PG 838 TAX-DST TAX-BLK 2648	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 9	5,450.00	00/0000
0836252	NED C & ANN O TANSALLE 12307 LEDGES DR LOUISVILLE KY 40243	16702 BRADBE ROAD DEED-BK 4778 DEED-PG 169 TAX-DST TAX-BLK 54	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 62	5,450.00	

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
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22	NUMBER OF CUSTOMERS LISTED				
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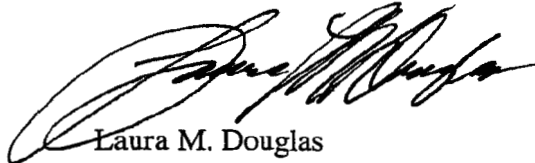
	TOTAL PRINCIPAL REMAINING		87,200.00		
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CERTIFICATION

This is to certify that the following *Routt Road: Existing Water Main to Old Heady Road (North)*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on December 11, 2001, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary

APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Routt Road: Existing Water Main to Old Heady Road (North)** main extension project authorized by Ordinance No. 26, Series 1999 of the Jefferson Fiscal Court, adopted on August 10, 1999 such warrants to be against 32 benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5450.00 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0848342	DENZIL & GERALDINE BROOKS	6701 ROUTT ROAD	5,450.00		
	6701 ROUTT ROAD	DEED-BK 6325	LIEN-DT		
	LOUISVILLE KY	DEED-PG 854	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	156	
0848345	CAROLYN BURNETTE	5900 ROUTT ROAD	5,450.00		
	6704 ROUTT ROAD	DEED-BK 6673	LIEN-DT		
	LOUISVILLE KY	DEED-PG 778	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	163	
0848350	LARRY & NANCY CHILDERS	5505 ROUTT ROAD	5,450.00		
	5505 ROUTT ROAD	DEED-BK 5592	LIEN-DT		
	LOUISVILLE KY	DEED-PG 20	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	92	
0848351	DENZEL CRUM	6901 ROUTT ROAD	5,450.00	00/0000	
	6901 ROUTT ROAD	DEED-BK 6991	LIEN-DT		
(PAID-UP)	LOUISVILLE KY	DEED-PG 213	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	30	
		6601 ROUTT ROAD			
		DEED-BK 6991			
		DEED-PG 213			
		TAX-DST			
		TAX-BLK 54	LOT-NO.	143	
0848355	VIC EMERSON	7003 ROUTT ROAD	5,450.00		
	7003 ROUTT ROAD	DEED-BK 5174	LIEN-DT		
	LOUISVILLE KY	DEED-PG 728	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	166	
0848356	VINCENT EMMETT	7001 ROUTT ROAD	5,450.00		
	7001 ROUTT ROAD	DEED-BK 6553	LIEN-DT		
	LOUISVILLE KY	DEED-PG 696	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	130	
0848357	C L AND LISA FREUDENBERGER	6414 ROUTT ROAD	5,450.00		
	6414 ROUTT ROAD	DEED-BK 6709	LIEN-DT		
	LOUISVILLE KY	DEED-PG 69	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	70	
0848359	KELLY I & ANITA J HAMMOND	6301 ROUTT ROAD	5,450.00		
	8107 SHOE LANE	DEED-BK 7347	LIEN-DT		
	LOUISVILLE KY	DEED-PG 245	LIEN-BK		
	40228	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	18	

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0848361	WM HAUSE & EILEEN KEARNEY	6504 ROUTT ROAD	5,450.00		
	6504 ROUTT ROAD	DEED-BK 6930	LIEN-DT		
	LOUISVILLE KY	DEED-PG 786	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	74	
0848364	JOHN J & FRANCES MORAN	5800 ROUTT ROAD	5,450.00		
	5804 ROUTT ROAD	DEED-BK 7536	LIEN-DT		
	LOUISVILLE KY	DEED-PG 263	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	53	
		5804 ROUTT ROAD			
		DEED-BK 7536			
		DEED-PG 263			
		TAX-DST			
		TAX-BLK 54	LOT-NO.	16	
0848367	JOSEPH & JANET OGDEN	6401 ROUTT ROAD	5,450.00		
	6401 ROUTT ROAD	DEED-BK 5945	LIEN-DT		
	LOUISVILLE KY	DEED-PG 168	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	107	
0848369	TERRY & TAMMY PATTERSON	6004 ROUTT ROAD	5,450.00		
	6004 ROUTT ROAD	DEED-BK 7102	LIEN-DT		
	LOUISVILLE KY	DEED-PG 787	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	113	
0848370	JEFFREY WAYNE POE	6515 ROUTT ROAD	5,450.00		
	6515 ROUTT ROAD	DEED-BK 6243	LIEN-DT		
	LOUISVILLE KY	DEED-PG 975	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	108	
0848372	JOE & ANGELA POLSTON	6312 ROUTT ROAD	5,450.00		
	6312 ROUTT ROAD	DEED-BK 6164	LIEN-DT		
	LOUISVILLE KY	DEED-PG 273	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	47	
0848376	HELENKA & LENVIL RAMEY	7009 ROUTT ROAD	5,450.00		
	7009 ROUTT ROAD	DEED-BK 7722	LIEN-DT		
	LOUISVILLE KY	DEED-PG 360	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	78	
0848378	EDWARD & BETTY RATTERMAN	6008 ROUTT ROAD	5,450.00		
	6008 ROUTT ROAD	DEED-BK 3824	LIEN-DT		
	LOUISVILLE KY	DEED-PG 90	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	46	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0848362	RESEARCH PROPERTIES INC P O BOX 6661 LOUISVILLE KY 40206	ROUTT ROAD DEED-BK 7536 DEED-PG 69 TAX-DST TAX-BLK 54	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	188	
0848379	JOHN & JEANNIE ROGERS 7007 ROUTT ROAD LOUISVILLE KY 40299	7007 ROUTT ROAD DEED-BK 5306 DEED-PG 40 TAX-DST TAX-BLK 59	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	164	
0848380	LORI HAYDEN & RONDI SEIFERT 1920 LONGVIEW CIRCLE CRESTWOOD KY 40014	6500 ROUTT ROAD DEED-BK 5520 DEED-PG 578 TAX-DST TAX-BLK 59	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	72	
0848383	DENNIS & THERESA SEITZ P.O. BOX 99311 LOUISVILLE KY 40299	P.O. BOX 99311 DEED-BK 4872 DEED-PG 632 TAX-DST TAX-BLK 59	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	96	
0848390	CHARLES & BARBARA STEPHENS 2834 HIKES LANE LOUISVILLE KY 40218	6416 ROUTT ROAD DEED-BK 4769 DEED-PG 865 TAX-DST TAX-BLK 59	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	71	
0848395	CHARLES & BARBARA STEPHENS 2834 HIKES LANE LOUISVILLE KY 40218	6508 ROUTT ROAD DEED-BK 4769 DEED-PG 865 TAX-DST TAX-BLK 59	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	84	
0848398	BILLY & BETTY STORY 6100 ROUTT ROAD LOUISVILLE KY 40299	6100 ROUTT ROAD DEED-BK 4424 DEED-PG 107 TAX-DST TAX-BLK 54	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	17	
0848399	ANTHONY & CINDY WATSON 6565 ROUTT ROAD LOUISVILLE KY 40299	6565 ROUTT ROAD DEED-BK 6361 DEED-PG 735 TAX-DST TAX-BLK 54	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	109	
0848402	LEROY & MONICA WEATHERHOLT 5506 ROUTT ROAD LOUISVILLE KY 40299	5506 ROUTT ROAD DEED-BK 6741 DEED-PG 921 TAX-DST TAX-BLK 54	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	44	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0848403	MICHAEL & CANDICE WOOD	5503 ROUTT ROAD	5,450.00		
	5503 ROUTT ROAD	DEED-BK 6350	LIEN-DT		
	LOUISVILLE KY	DEED-PG 331	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	103	
		ROUTT ROAD			
		DEED-BK 6350			
		DEED-PG 331			
		TAX-DST			
		TAX-BLK 54	LOT-NO.	118	
0848405	CLARE H WYATT	ROUTT ROAD	5,450.00		
	6207 ROUTT ROAD	DEED-BK 7499	LIEN-DT		
	LOUISVILLE KY	DEED-PG 378	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	162	
		6207 ROUTT ROAD			
		DEED-BK 7499			
		DEED-PG 378			
		TAX-DST			
		TAX-BLK 54	LOT-NO.	84	
0848409	GEORGE & THERESA ZODY	6601 ROUTT ROAD	5,450.00		
	6601 ROUTT ROAD	DEED-BK 5819	LIEN-DT		
	LOUISVILLE KY	DEED-PG 812	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 54	LOT-NO.	145	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
26	NUMBER OF CUSTOMERS LISTED				
	TOTAL PRINCIPAL REMAINING	147,150.00			
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PROGRAM ID. AMCSR002 THE LOUISVILLE WATER COMPANY
 APPOINTMENT WARRANT CONTRACT E405W REGISTER

BOOK PAGE 5

ASSESSMENT

PAID IN FULL

RELEASE OF LIEN

RUN DATE 12/04/01
 RUN TIME 14:46:27

**Minutes of Regular Meeting
Board of Water Works
January 15, 2002**

Board Members Present

Mr. Phillip Bond
Ms. Wendy Welsh
Mr. Owen Hammons
Mr. Jack Segell
Mr. Stewart Connor
Mr. Stephen Gault

Board Members Absent

The Honorable David L. Armstrong, Mayor

Others Present

Mr. John Huber
Ms. Laura Douglas
Mr. Robert Miller
Mr. Gregory Heitzman
Mr. Jim Wehrle
Mr. Steve Hubbs
Ms. Kay Ball
Ms. Amber Halloran
Mr. Vince Guenther
Ms. Barbara Crow
Mr. Larry Lenahan
Ms. Ellen Mackin
Mr. Don McKay
Mr. Bret Russell

The meeting was called to order at 12:30 P.M.

Mr. Huber began the meeting by stating that Item E under New Business would be moved to Special Issues as Item B. Mr. Huber also indicated that we would be presenting 2001 closing statements today. This was the earliest they have ever been available.

CONSENT AGENDA

- Minutes of previous meetings
- Claims paid during the previous month
- Petitions and applications for water main extensions
- Authorization for design and bid of projects under \$200,000
- Bid tabulations for contracts under \$500,000
- Listing for award of contracts less than \$50,000

Item A: Minutes of Regular Meeting Held **December 11, 2001**
Request: Approve Minutes

Item B: Claims Paid During **December, 2001**
Request: File claims for future audit.

Item C: Petitions and applications for Water Main Extensions and Relocations
(when in full compliance / SR&R)

Developer Installed Refunding Main Extension Projects	Total Project Cost	Net Cost To LWC
Pine Valley Estates Section 2 (Project No. 01-029)	\$47,585.00	
The Estates of Innisbrook (Project No. 01-055)	\$37,600.00	\$6,400.00
Indian Falls Phase 2 Section 5 (Project No. 01-056)	\$51,295.00	\$4,750.00
Hunt Country Estates (Project No. 01-069)	\$340,500.00	
Forest School Estates (Project No. 01-083)	\$104,190.00	
Trails Crossing Phase 2 (Project No. 01-086)	\$62,910.00	\$9,550.00
Lakes of Dogwood Section 3 (Project No. 01-087)	\$68,330.00	
Orchard Lake at Breckenridge Section 3 (Project No. 01-090)	\$94,990.00	
The Estates of Bradbe Forest (Project No. 01-099)	\$65,610.00	
Treis Condominiums (Project No. 01-105)	\$39,535.00	

Tapping Fee Water Main Extension Contracts	Total Project Cost
Campisano Drive (Project No. 01-039)	\$65,000.00
Rose Island Road (Project No. 01-071)	\$112,547.00

Surcharge/Tapping Fee Water Main Extension Contract	Total Project Cost
Kentucky Avenue (Project No. 01-212)	\$29,300.00

Apportionment Warrant KRS 96.265 Petition	Total Project Cost
Buttermilk Ridge Road: Dawson Hill Road to West 2,250 Feet	\$85,500.00

Kentucky Transportation Cabinet Project	Total Project Cost	Net Cost To LWC
City of Taylorsville Master Meter Access Road (Project No. 01-687)	\$100,000.00	\$50,000.00

Metropolitan Sewer District Project	Total Project Cost
Drive-In Branch Drainage Improvement Project (Project No. 01-665)	\$16,000.00

Developer Requests	Total Project Cost
MSD Central Maintenance Facility (Project No. 01-682)	\$14,300.00

Item D: Authorization for design and bid of projects *(estimated to cost less than \$200,000)*

Item E: Bid tabulations *(award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).*

Item F: Award of contracts less than \$50,000

Capital Program

Project No.	Project Name	Total Project Cost
20-ELEV01-B	Preventative Maintenance Contract for Inspection, Maintenance and Repair of Elevators at Various LWC Sites	\$26,100.00
01-523	Lead Service Renewal—Lynn Street	\$45,900.00
01-DTV	Diversity Training Video Production	\$15,929.00

Procurement of Goods and Services

Project No.	Project Name	Total Project Cost
95-459C	Furniture, Furnishings, and Equipment for LWC Headquarters—Purchase Under Existing Contract #D787	\$11,000.00
96-62	BellSouth Phone Switch Maintenance—Contract Extension	\$11,550.00

Procurement of Sole Source Materials and Services		Total Project Cost
Project No.	Project Name	
Sole Source	Orcom AS/400 Software Subscription	\$42,031.00
Procurement of Professional Services		Total Project Cost
Project No.	Project Name	
Professional Service	Contract Renewal for Engineering/Project Management Services	\$49,300.00

The consent agenda was approved.

REPORT OF OFFICERS

Administrative Report

Mr. Huber indicated that all of the items upon which he had comments would be discussed elsewhere in the Agenda.

Financial Report

Mr. Miller gave the Income and Expense Summary. He also distributed copies of the 2002 Annual Budget to each Board member.

Income and Expense Summary

- 1) Total operating revenue of \$92,769,200 is \$3,004,400 or 3.35% more than budgeted and \$4,513,900 or 5.11% more than the same period in 2000. We sold 0.99% less water in 2001 than the same period in 2000. Water delivered to the mains was 0.22 less than 2000. Water sales were particularly low in December, due to the accelerated billing of some accounts in November and the impact of the economic slowdown in this region.
- 2) Operation and maintenance expense of \$40,046,900 is \$979,400 or 2.51% more than budgeted and \$2,269,000 or 6.01% more than 2000.
- 3) Operating deductions of \$62,823,400 are \$3,046,700 or 5.14% more than budgeted and \$5,610,900 or 9.81% more than 2000.
- 4) Net operating income of \$29,945,800 is \$42,200 or 0.14% less than budgeted.
- 5) Net income of \$28,834,300 is \$1,251,300 or 4.54% more than budgeted and \$283,500 or 0.97% less than 2000. The key drivers for this variance are the additional interest earned on the investment of bond proceeds and savings on interest expenses from refinancing bonds. Considering the dividends already declared in 2001, and assuming to additional journal entries, the additional dividend to be paid in 2002 is \$49,834.

Capital Projects Summary

The capital program as shown on the Capital Projects Summary reflects net expenditures of \$41,429,479 against a budget of \$79,484,167 including noncompleted previous year projects carried forward. Gross disbursements were \$48,458,615; however, \$7,029,136 was received as reimbursements. Projects committed aggregate \$66,656,367 or 83.86% of budget. Projects in progress or completed to year-end total \$44,322,522 or 56.75% of budget.

GASB 34

The financial statements are now also available in GASB 34 compliant format. Staff will be presenting this new format to the Board of Water Works beginning with the January 2002 financial reports. Management intends to adopt GASB 34 effective with financial statements for the year ending December 31, 2002.

Year-End Processing

The unaudited financial statements for December were available on January 11, 2002. This represents a significant reduction in cycle time from previous years, due to process improvements implemented by the Financial Resources System led by Amber Halloran and the Information Technology System led by Tony Gregory. The outside auditors will begin their work on February 11, 2002, about one week earlier than previous years.

Spend Down of Bond Proceeds

The spend down of the Series 2000 Bonds Construction and Acquisition Fund is on target to be complete by August 2002.

Mr. Huber congratulated Amber Halloran and her staff for the effort they made to successfully close the books five weeks earlier than the company had ever done.

Operations and Engineering Report

Mr. Heitzman gave the Operations and Engineering Report.

Water Quality and Production

Water quality for the month has stabilized, with only three positive coliforms in December. All recheck samples were negative. For the year, Water Quality Goals for Turbidity and Bacti were achieved for the first time since establishing the 99 percent goal. However, goals for chlorine residual and bacteriological samples in the distribution system were not met, falling slightly below the 99.0 percent target, at 98 percent and 98.7 percent respectively. This was attributed to the lower water demands this summer and expansion of our retail service territory into Bullitt County.

Production

December pumpage of 111.6 MGD was down from the average December pumpage of 114.5 MGD, likely attributed to the slight downturn in the economy and the mild weather resulting in fewer main breaks. Pumpage for the year averaged 126.9 MGD, slightly less than the five-year average.

Distribution Center

The Winter Plan is now fully operational. Main breaks for the month totaled 77, compared to 191 in December 2000.

Customer Service

The Call Center volume continues to be lower as a result of the IVR system, and abandonment rates for the month were at 3.2 percent, compared to 30.6 percent in December 2000. The 2001 average abandonment rate was 6.2 percent compared to 11.3 percent in 2000. The investment in technology, training, and staffing in the Call Center has achieved stabilization in this area.

Kentucky Infrastructure Grants

The Kentucky Infrastructure Authority has given preliminary approval for seven water main extension projects in Jefferson and Bullitt County. The projects are: Bearcamp Road; Bearcamp Road-County Boundary; Big Cedar Creek Road; Foley Road; Ironwood Trail; Millers Lane; and Yorkshire Boulevard. These grants, totaling \$590,850, are part of the Governor's program to extend water throughout the state of Kentucky by 2020.

Litigation Report

After proper motion and second, the Board adjourned into closed session for the purpose of discussing litigation, acquisition of property, and a personnel item. The Board reconvened into open session without taking any action in closed session.

REPORT OF COMMITTEES

Compensation Committee

After proper motion and second, the Board voted to adopt the proposed 2002 Performance Matrix and the new Performance Appraisal Process as described by Jim Wehrle at the January 9, 2002 Compensation Committee Meeting. In addition, the Board also voted to fund the \$140,000.00 cost of implementing the new Compensation Matrix as part of the 2002 Budget.

Audit Committee

The Audit Committee report was given by Mr. Bond. He reviewed the Minutes of the Committee Meeting for the Board. No action items were included in the Committee report.

SPECIAL ISSUES

Employee Health, Dental, Disability, and Life Insurance Plans

Ms. Mackin and Mr. McKay reported on the Employee Health, Dental, Disability, and Life Insurance Plans. After proper motion and second, the Board authorized staff to contract with 1) Humana, in the amount of \$2,652,000.00 in order to provide health benefits 2) Delta Dental, in the amount of \$223,000.00 for dental benefits 3) Monumental Life in the amount of \$160,000.00 for life insurance.

Employees will now pay a \$10.00 copay. There will be no formulary. The features of the plan will be communicated carefully to employees. Mr. Huber indicated that LWC Staff would give an Insurance Presentation at the August Board Meeting. This will lay the groundwork for 2003 insurance procurement activity.

2002-2003 Main Replacement and Rehabilitation Program

Mr. Heitzman and Mr. Russell presented information on the 2002-2003 Main Replacement and Rehabilitation Program. The 2002-2003 Capital Budget includes annual funding in the amount of \$10,000,000 for main replacement and rehabilitation and \$500,000 for lead service renewals. The 2002 Main Replacement and Rehabilitation Program (MRRP) includes replacement of 11.1 miles of water main, rehabilitation of 25.5 miles of water main, renewal of approximately 625 lead service lines from main to the property connection, and replacement of approximately 287 fire hydrants. The 2003 program includes replacement of 10.4 miles of water main, rehabilitation of 18.5 miles of water main, renewal of approximately 875 lead service lines, and replacement of approximately 200 fire hydrants. This two-year

program also includes 9.3 miles of alternate replacement projects totaling \$4,330,000. Cost allocation is summarized as follows:

	<u>2002 Primary</u>	<u>2003 Primary</u>	<u>2002-2003 Alternate</u>
Replacement	\$5,055,000	\$5,520,000	\$4,330,000
Rehabilitation	\$4,710,000	\$4,480,000	
Service Line Renewal	\$ 500,000	\$ 500,000	\$ 500,000
Grid Connection	\$ 235,000		\$ 55,000
Total MRRP	<u>\$10,500,000</u>	<u>\$10,50,000</u>	<u>\$5,885,000</u>

MRRP candidates were selected through the use of the Company's Facility Management System, records research, the MRRP Database, the Pipe Evaluation Model (PEM), and staff and executive management reviews using the objectives outlined in the Main Replacement and Rehabilitation Study that was presented to the Board in November 1992.

After proper motion and second, the board authorized Staff to proceed with engineering design and advertisement for bid. Individual bids exceeding \$100,000 will be returned to the Board for authorization to proceed with construction. (The specific projects to be bid are those contained in the booklet distributed to the Board entitled 2002-2003 Main Replacement and Rehabilitation Program, dated January 15, 2002.)

BID TABULATIONS

Mr. Miller Presented:

00-52 Fleet Vehicles

On December 19, 2001, bids were opened to award a one-year contract for the purchase of fleet vehicles. These vehicles are used to perform maintenance and repair on the infrastructure in the field. A total of sixteen bids were submitted with the lowest, most responsive bids from:

Countryside Ford – Items 1, 2, 3 and 10 (Ford Products)	\$290,384.00
Holt Equipment Co. – Item 11 (John Deere)	\$218,000.00
Uebelhor & Sons – Item 8 (Chevrolet C Series)	\$152,976.00
Peterson Truck Center – Items 6 and 7 (GMC C Series)	\$119,211.00
<u>Pearce Motors – Item 4 (Ford Product)</u>	<u>\$ 48,943.10</u>
Byerly Ford – Item 5 (Ford Escape)	<u>\$ 20,129.00</u>
Total for Awards	\$849,643.10

After proper motion and second, the Board authorized Staff to award a one-year contract totaling an estimated \$849,643.10 to the above cited vendors.

01-50 16.9 Oz. Water Bottles

On December 19, 2001, bids were opened to award a one-year contract for LWC Pure Tap, 16.9 oz. water bottles. These bottles are used to promote the Pure Tap Program and LWC water.

After proper motion and second, the Board authorized staff to award a one-year contract totaling an estimated \$165,000.00 to Presence, Inc.

Mr. Heitzman presented:

01-521 Lead Service Renewals (Burwell Avenue)

Bids were received and opened Wednesday, December 12, 2001 to renew a total of 59 lead services along Burwell Avenue between 25th Street and Dixie Highway in the Dixie/Algonquin Area of Louisville. A total of 8 bids were received and opened from pre-qualified contractors. Southern Pipeline submitted the lowest responsive bid in the amount of \$50,373 resulting in a total project cost of \$61,073.

After proper motion and second, the Board authorized Staff to award a contract in the amount of \$50,373 to Southern Pipeline to renew the lead services associated with this project.

01-522 Lead Service Renewals (Dumesnil Street)

Bids were received and opened Wednesday, December 19, 2001 to renew a total of 82 lead services along Dumesnil Street between 26th Street and Dixie Highway in west Louisville. The mains in this area were previously cleaned and cement-lined. This work will complete the renovation of the water distribution system in this area. A total of 6 bids were received and opened from pre-qualified contractors. Tom Brown Construction submitted the lowest responsive bid in the amount of \$82,900 resulting in a total project cost of \$100,060.

After proper motion and second, the Board authorized staff to award a contract in the amount of \$82,900 to Tom Brown Construction to renew the lead services associated with this project.

99-512 Watterson Trail—Main Replacement Project

Bids were received and opened Wednesday, December 5, 2001 to install 3,890 linear feet of 4, 6, 8 and 12-inch water main along Watterson Trail in the Jeffersontown in eastern Jefferson County. Included with the project are the renewal or transfer of 7 fire hydrant and 53 customer services. A total of 5 bids were received and opened from pre-qualified contractors. MAC Construction and Excavating submitted the lowest responsive bid in the amount of \$270,350 resulting in a total project cost of \$394,350.

After proper motion and second, the Board authorized Staff to award a contract in the amount of \$270,350 to MAC Construction and Excavating to install the water facilities associated with this project.

COMMUNICATIONS

Mr. Heitzman presented the:

Bullitt County Advisory Board—December 18, 2001 Meeting Summary

The quarterly meeting of the Bullitt County Advisory Board was held December 18, 2001 at 3396 Burkland Boulevard. Mr. Dan Thibodeaux, member of the Advisory Board, attended. Mr. George Miller and Mr. Larry Hatfield were unable to attend. The following key issues were discussed at the meeting:

- The third quarter financial report was provided to the Advisory Board members. Total income for the quarter was \$271,826.73, while total expense for the quarter was \$955,352.17.
- A summary on Capital Projects was reported, including a project status for the I-65 Transmission System, the Bullitt County Extension Program, and Distribution System Improvements. Mr. Thibodeaux expressed concern over the Bullitt County Reserve funding of a 16-inch water main extension project along Lakeview Drive that supports growth into Bullitt County and may not provide a sufficient revenue

stream from new customers. Staff agreed to review the funding source for this project, with potential funding from the Bullitt County System Development Reserve. This item will be discussed at the next meeting.

- The Advisory Board was briefed on the recent preliminary award of \$441,250 in grants from the Kentucky Infrastructure Authority (KIA). Mr. Thibodeaux recommended applying the grant money directly to the Bullitt County Reserve, which will ultimately reduce the water rates in Bullitt County. Staff indicated the grants received are conditional, and that an application process to KIA would follow, identifying any restrictions on the fund allocation. The final allocation of the grant funds will be submitted to the Advisory Board for input in 2002.

The next meeting of the Advisory Board is tentatively scheduled for January 24, 2002.

Legislative Update

Mr. Guenther gave an update concerning federal funding for water utilities and draft bills currently under consideration in Frankfort.

Congress

There are four key pieces of legislation related to terrorism and security currently being considered in Congress:

- HR 3338 – Appropriations for the Department of Defense: Both the Senate and the House have passed appropriations legislation to allow EPA to pay for vulnerability assessments for drinking water systems. The bill provides \$90 million to assess and improve building security at EPA laboratory sites as well as perform drinking water vulnerability assessments. President Bush signed the bill into law on January 10, 2002.
- HR 3178 – Water Infrastructure Security and Research Development Act: The bill allocates \$60 million over 5 years for research and development. EPA shall establish a program of research and development activities to achieve improvements in technologies and related processes for the security of water supply systems. This bill passed the House on December 18, 2001. The Senate version S.1593 only allocates \$12 million and has passed out of committee only.
- HR 3448 – Public Health Security and Bioterrorism Response Act of 2001: The bill relates primarily to protection of the nation's food and drug supplies, federal agency responses to terrorism and the regulation of biotoxins and other agents but there is a provision related to water systems. As currently written the bill requires water systems to conduct vulnerability assessments and revise emergency response plans (ERPs). Compliance would be achieved by certifying to EPA that the assessment and the ERP have been completed. This bill has passed the House. The Senate took up HR 3448 but the Senate version does not mandate vulnerability assessments. The two versions of the bioterrorism bill must go to a House-Senate conference committee to work out the differences.
- S. 1608 – Water Security Grants: The last day of Senate business included the passage of S. 1608, which authorizes \$50 million in grants for basic security measures at drinking water and wastewater facilities. The bill directs EPA to make grants for security measures such as fencing around reservoirs,

intrusion prevention and alert systems, closed circuit television monitoring, entranceway reinforcement and education and training for water system personnel. There is no companion bill in the House.

After the September 11 attack Infrastructure Funding Measures definitely took a back seat to terrorism and vulnerability assessments. New bills are anticipated once Congress reconvenes but there are no specifics at this time.

2002 KY General Assembly

The assembly currently has bills under revision, which touch on the following subjects:

- Merger Legislation
- Fire Service Fees
- Budget
- Terrorism
- Retirement Legislation
- Open Records Request
- Smart Growth

Following are two draft bills that are being considered by the Kentucky Infrastructure Authority and the Public Service Commission. These bills have not been introduced yet but we have received copies of the bill drafts.

- **Public Water Systems Defined Service Territory:** The draft bill defines Public Water Systems to include all utilities, including municipals. The bill would divide the state into geographical areas with defined water service boundaries. Maps would be submitted to the Kentucky Infrastructure Authority (KIA) for certification.

The purpose of the territories is to define the service territory for every utility and make sure that every area of the state has a defined territory so that it is clear what entity is responsible for providing service to this area. Public Water Systems could appeal to the PSC to change the boundaries.

- **Water Transmission Lines:** Allows the PSC to regulate the distribution and use of water transmission lines. The intent of the bill is to take care of many of the “no-growth” advocates who have expressed concern over transmission main spurring development. Only applies to jurisdictional utilities.

OLD BUSINESS

Mr. Miller presented:

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265 Mitchell Hill Road: From County Line to North 2,950 Feet

An Apportionment Warrant public hearing was held for Mitchell Hill Road: From county line to North 2,950 feet. The public hearing was held in response to receipt of a majority petition for this public road project. The public hearing was structured to provide a brief background on the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains will be extended using Apportionment Warrants as prescribed in KRS 96.265. The public road Apportionment Warrant project is summarized as follows:

Mitchell Hill Road: From county line to North 2,950 feet

- Public Hearing – December 6, 2001 – Fairdale Fire Protection District, Station #1
- 2,950 lineal feet of 8-inch water main
- \$189,000 estimated cost
- 7 eligible properties
- 5 affirmative petitioners
- 71% of eligible properties
- \$5450 “fair share” per property cost
- Attending Officer: Robert K. Miller, Vice-President, Treasurer

After proper motion and second, the board determined that the proposed extension of water service was feasible and beneficial in accordance with KRS 96.265 and referred this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design and advertisement for bid on this project.

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court

Pursuant to KRS 96.265 Lonesome Hollow Road: Joyner Hill Road to Dead End; Joyner Hill Road: Lonesome Hollow Road to East 1,600 Feet; Tidwell Road: Lonesome Hollow Road to East 700 Feet

An Apportionment Warrant public hearing was held for Lonesome Hollow Road: Joyner Hill Road to dead end; Joyner Hill Road: Lonesome Hollow Road to East 1,600 feet; Tidwell Road: Lonesome Hollow Road to East 700 feet. The public road Apportionment Warrant project is summarized as follows:

Lonesome Hollow Road: Joyner Hill Road to Dead End; Joyner Hill Road: Lonesome Hollow Road to East 1,600 Feet; Tidwell Road: Lonesome Hollow Road to East 700 Feet

- Public Hearing – November 29, 2001 – Fairdale Fire Protection District, Station #1
- 6,400 lineal feet of 8-inch water main
- \$372,000 estimated cost
- 33 eligible properties
- 20 affirmative petitioners
- 61% of eligible properties
- \$5450 “fair share” per property cost
- Attending Officer: Robert K. Miller, Vice-President, Treasurer

After proper motion and second, the board determined that the proposed extension of water service was feasible and beneficial in accordance with KRS 96.265 and referred this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design and advertisement for bid on this project.

Mr. Heitzman presented the:

Issuance of Apportionment Warrants per KRS 96.265 Thurman Road: Echo Trail to Routt Road

A public hearing was held December 2, 1999 for the extension of water service along Thurman Road: Echo Trail to Routt Road. The Board of Water Works adopted a resolution Thurman Road: Echo Trail to Routt Road on January 11, 2000 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 3, Series 2000 on February 8, 2000 for the Thurman Road: Echo Trail to Routt Road. The construction

contract was awarded to Reynolds in December 2000. With the completion of this public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board adopted a resolution for the issuance of Apportionment Warrants and liens against 25 benefited properties along Thurman Road: Echo Trail to Routt Road in accordance with KRS. 96.265, as described.

Issuance of Apportionment Warrants per KRS 96.265 Old Heady Road: Routt Road to County Boundary; Dry Ridge Road: Routt Road to Old Heady Road

Public hearings were held February 17, 2000 and March 9, 2000 for the extension of water service along Old Heady Road: Routt Road to County Boundary and Dry Ridge Road: Routt Road to Old Heady Road, respectively. The Board of Water Works adopted resolutions Old Heady Road: Routt Road to County Boundary and Dry Ridge Road: Routt Road to Old Heady Road on May 8, 2001 and April 11, 2000, respectively, recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. With the completion of this public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board adopted a resolution for the issuance of Apportionment Warrants and liens against 124 benefited properties along Old Heady Road: Routt Road to County Boundary and Dry Ridge Road: Routt Road to Old Heady Road in accordance with KRS. 96.265, as described.

Issuance of Apportionment Warrants per KRS 96.265 Hobbs Lane: Clark Station Road to End of Roadway

A public hearing was held October 7, 1999 for the extension of water service along Hobbs Lane: Clark Station Road to End of Roadway. The Board of Water Works adopted a resolution Hobbs Lane: Clark Station Road to End of Roadway on November 9, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. With the completion of this public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board adopted a resolution for the issuance of Apportionment Warrants and liens against 19 benefited properties along Hobbs Lane: Clark Station Road to End of Roadway in accordance with KRS. 96.265, as described.

Issuance of Apportionment Warrants per KRS 96.265 Clark Station Road: Shelbyville Road to I-64

A public hearing was held March 25, 1999 for the extension of water service along Clark Station Road: Shelbyville Road to I-64. The Board of Water Works adopted a resolution Clark Station Road: Shelbyville Road to I-64 on April 13, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. With the completion of this public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board adopted a resolution for the issuance of Apportionment Warrants and liens against 49 benefited properties along Clark Station Road: Shelbyville Road to I-64 in accordance with KRS. 96.265, as described.

**Issuance of Apportionment Warrants per KRS 96.265
Routt Road: Old Heady Road to the County Line**

A public hearing was held July 29, 1999 for the extension of water service along Routt Road: Old Heady Road to the County Line. The Board of Water Works adopted a resolution Routt Road: Old Heady Road to the County Line on September 14, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. With the completion of this public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board adopted a resolution for the issuance of Apportionment Warrants and liens against 48 benefited properties along Routt Road: Old Heady Road to the County Line in accordance with KRS. 96.265, as described.

NEW BUSINESS

Mr. Heitzman presented:

Consulting Engineering Services—Kentucky/Glenmary/Oak 48”—LWC Project 01-744

In August 2001 the Transmission Program presented the results of a RFP for Transmission Program Consulting Proposals to the Board of Water Works. These proposals are to be used on projects identified for outsourcing to consultants. Four firms have been selected and approved by the Board for solicitation of cost proposals. A cost proposal was requested, from CH2M Hill Engineers (CH2M Hill), for preliminary engineering services for the route / method selection of an equivalent 60" main between the Grinstead Drive 60" main and the Brook Street 48" main. The four firms that submitted the Transmission Program Consulting Proposals will be considered for the development of final design submittals. CH2M Hill submitted a cost proposal in the amount of \$65,300, which is \$2,738 more than the independent estimate of \$62,562. Design and construction of this main will improve flow availability to center of the City pressure zone and also provide improved reliability to Cardinal Hill Reservoir.

After proper motion and second, the Board authorized staff to enter into an engineering service contract with CH2M Hill Engineers in the amount of \$65,300 for Preliminary Engineering Services.

**Bullitt County Water Improvement Program—Bullitt County Extension Program
Project 02-300, Pine Creek Subdivision Extension Project**

Proposed under the Bullitt County Extension Program is a project for the Pine Creek Subdivision mains for which we have received a 2/3-majority petition. This correspondence presents a proposed project to construct a portion of this program, and requests authorization for engineering design and advertisement for bid. Out of 19 residents along these routes, we have 15 "Letters of Intent" for 79% participation.

After proper motion and second, the Board authorized staff to proceed with engineering design and advertisement for bid for the subject projects. The results of the bids will be presented to the Board with recommendation for contract award.

**Bullitt County Water Improvement Program—Bullitt County Extension Program
Project 02-301, Country Manor Estates Extension Project**

Proposed under the Bullitt County Extension Program is a project for the Country Manor Estates mains for which we have received a 2/3-majority petition. This correspondence presents a proposed project to construct a portion of this program, and requests authorization for engineering design and advertisement for bid. Out of 55 residents along these routes, we have 37 "Letters of Intent" for 67% participation.

After proper motion and second, the Board authorized staff to proceed with engineering design and advertisement for bid for the subject projects. The results of the bids will be presented to the Board with recommendation for contract award.

**Bullitt County Water Improvement Program—Bullitt County Extension Program
Katherine Station Road, Project No. 01-327**

Katherine Station Road is identified in the Bullitt County Extension Program. Though a two-thirds majority interest has not been received, the Kentucky Division of Waste Management (DWM) has approached the Louisville Water Company about extending potable water service to this area due to the presence of a Superfund site. The DWM presented a cost sharing proposal with the Louisville Water Company for extension of a water main on Katherine Station Road.

It is proposed that the Louisville Water Company provide design review and construction inspection oversight to insure that the main is installed to Louisville Water Company standards. It is also proposed that the Louisville Water Company provide fire hydrants to be installed by the DWM's contractor. Materials for the water main installation will be purchased from Louisville Water Company's warehouse stock. The proposed project will consist of the installation of approximately 4,400 linear feet of 8-inch Ductile Iron pipe and 500 linear feet of 8-inch HDPE water main, for the Pond Creek crossing, along Katherine Station Road beginning at Dixie Highway and extending due east.

The total estimated project cost is \$332,086 of which DWM is to pay \$317,086 for materials and construction and the Louisville Water Company would pay \$15,000 for engineering, funded by the Bullitt County Reserve. Since the DWM is intending to make potable water available for purchase to the existing residents along the route, staff recommends that the \$5,450 tapping fee be waived for the existing residents only as the DWM is paying for 95.5% of the total project cost, including the water meter installation fees. Future taps will be subject to a \$5,450 tapping fee and meter installation fees. Any tapping fee collected will be deposited into the Bullitt County Reserve Account.

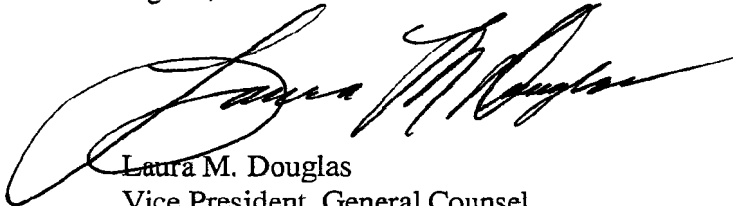
After proper motion and second, the Board authorized staff to proceed with engineering design and construction inspection oversight and provision of fire hydrants for the subject project and to allow the \$5,450 tapping fee to be waived for service taps to existing residences along this water main in consideration of the amount paid by the Kentucky Division of Waste Management (i.e. 95.5% of the total project cost).

The Meeting was Adjourned at 3:25 P.M.

CERTIFICATION

This is to certify that the following *Mitchell Hill Road: From County Line to North 2,950 Feet*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on January 15, 2002, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas". The signature is fluid and cursive, with a large initial "L" and "M".

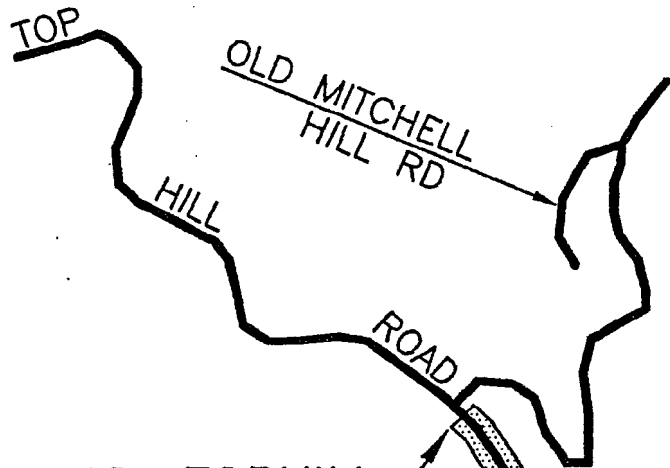
Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary

**Board of Water Works
Resolution**

January 15, 2002

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Mitchell Hill Road: From county line to North 2,950 feet**, a public way in Jefferson County, and acting thereon convened a public hearing on December 6, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Treasurer of the Company has recommended the extension of such water along **Mitchell Hill Road: From county line to North 2,950 feet**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Mitchell Hill Road: From county line to North 2,950 feet**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



MITCHELL HILL ROAD: TOPHILL ROAD TO SOUTH 1,100 FT.

PROPOSED LWC TAPPING FEE

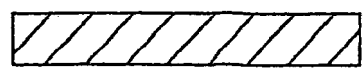
JEFFERSON COUNTY
BULLITT COUNTY

AREA FOR PUBLIC HEARING

BULLITT COUNTY EXTENSION PROJECTS



PUBLIC HEARING AREA



FILE NAME: MITCHELL HILL

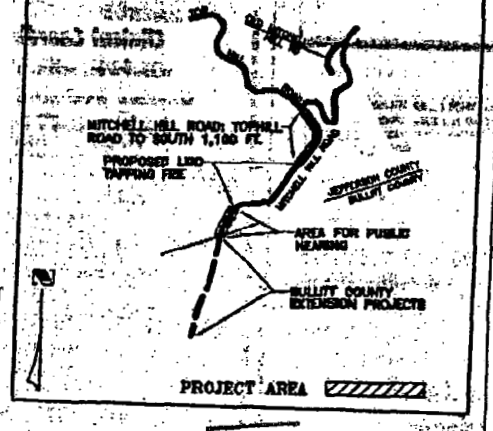
Published in Sunday edition
marked 11/25/01

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Mitchell Hill Road: From the Country Line to North 1,100 feet (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Mitchell Hill Road.

This public hearing will be held on Thursday, December 6, 2001 at 6:00 p.m. at the Fairdale Fire Protection District, Station #1, 10015 Mitchell Hill Road.

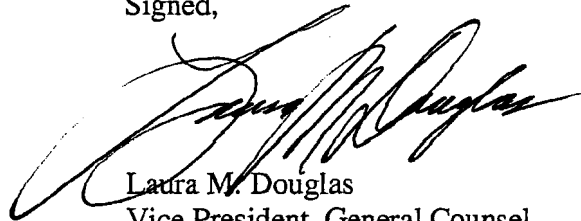
Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.



CERTIFICATION

This is to certify that the following *Lonesome Hollow Road: Joyner Hill Road to Dead End; Joyner Hill Road: Lonesome Hollow Road to East 1,600 Feet; Tidwell Road: Lonesome Hollow Road to East 700 Feet*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on January 15, 2002, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

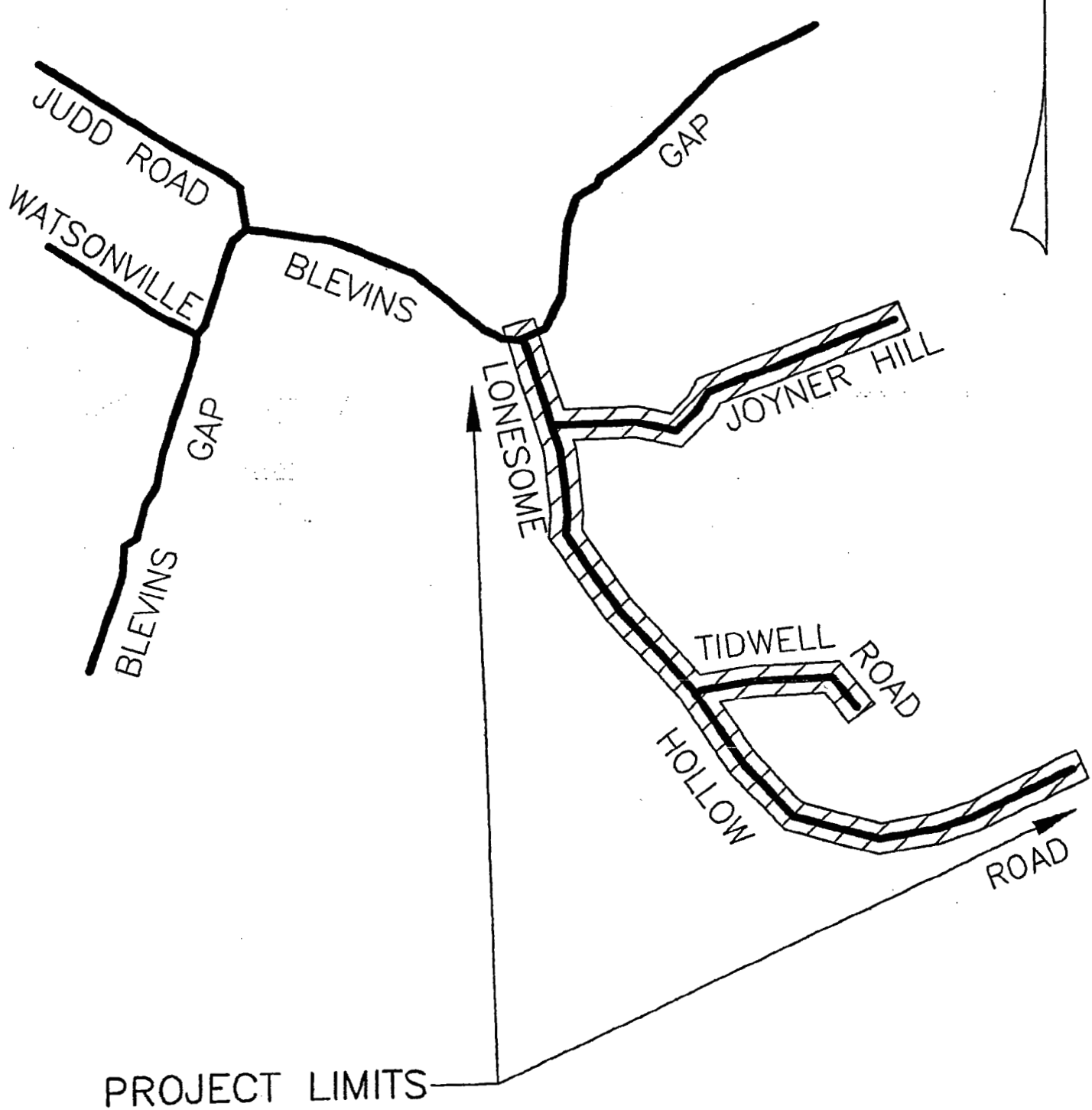
Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary

**Board of Water Works
Resolution**

January 15, 2002

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Lonesome Hollow Road: Joyner Hill Road to dead end; Joyner Hill Road: Lonesome Hollow Road to East 1,600 feet; Tidwell Road: Lonesome Hollow Road to East 700 feet**, a public way in Jefferson County, and acting thereon convened a public hearing on November 29, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Treasurer of the Company has recommended the extension of such water along **Lonesome Hollow Road: Joyner Hill Road to dead end; Joyner Hill Road: Lonesome Hollow Road to East 1,600 feet; Tidwell Road: Lonesome Hollow Road to East 700 feet**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Lonesome Hollow Road: Joyner Hill Road to dead end; Joyner Hill Road: Lonesome Hollow Road to East 1,600 feet; Tidwell Road: Lonesome Hollow Road to East 700 feet**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA 

FILE NAME: LONESOME HOLLOW, TIDWELL, JOYNER HILL

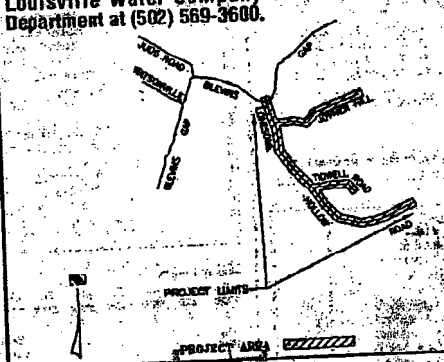
Published in Sunday Edition
November 25, 2001

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Lonesome Hollow Road: From Devils Gap Road to dead end, Joyner Hill Road: Lonesome Hollow Road east 1,600 feet and Tidwell Road: Lonesome Hollow Road east 700 feet (as shown on the map below) to propose the extension of the public water supply system to the property owners along this portion of Lonesome Hollow Road, Joyner Hill Road and Tidwell Road.

This public hearing will be held on Thursday, November 29, 2001 at 6:00 p.m. at the Fairdale Fire Protection District, Station #1, 10015 Mitchell Hill Road.

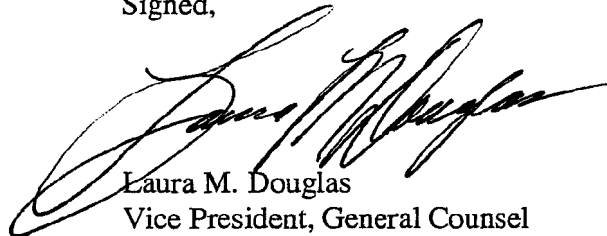
Further information can be obtained by calling Louisville Water Company Customer Service Department at (502) 569-3600.



CERTIFICATION

This is to certify that the following *Thurman Road: Echo Trail to Routt Road*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on January 15, 2002, a quorum being present.

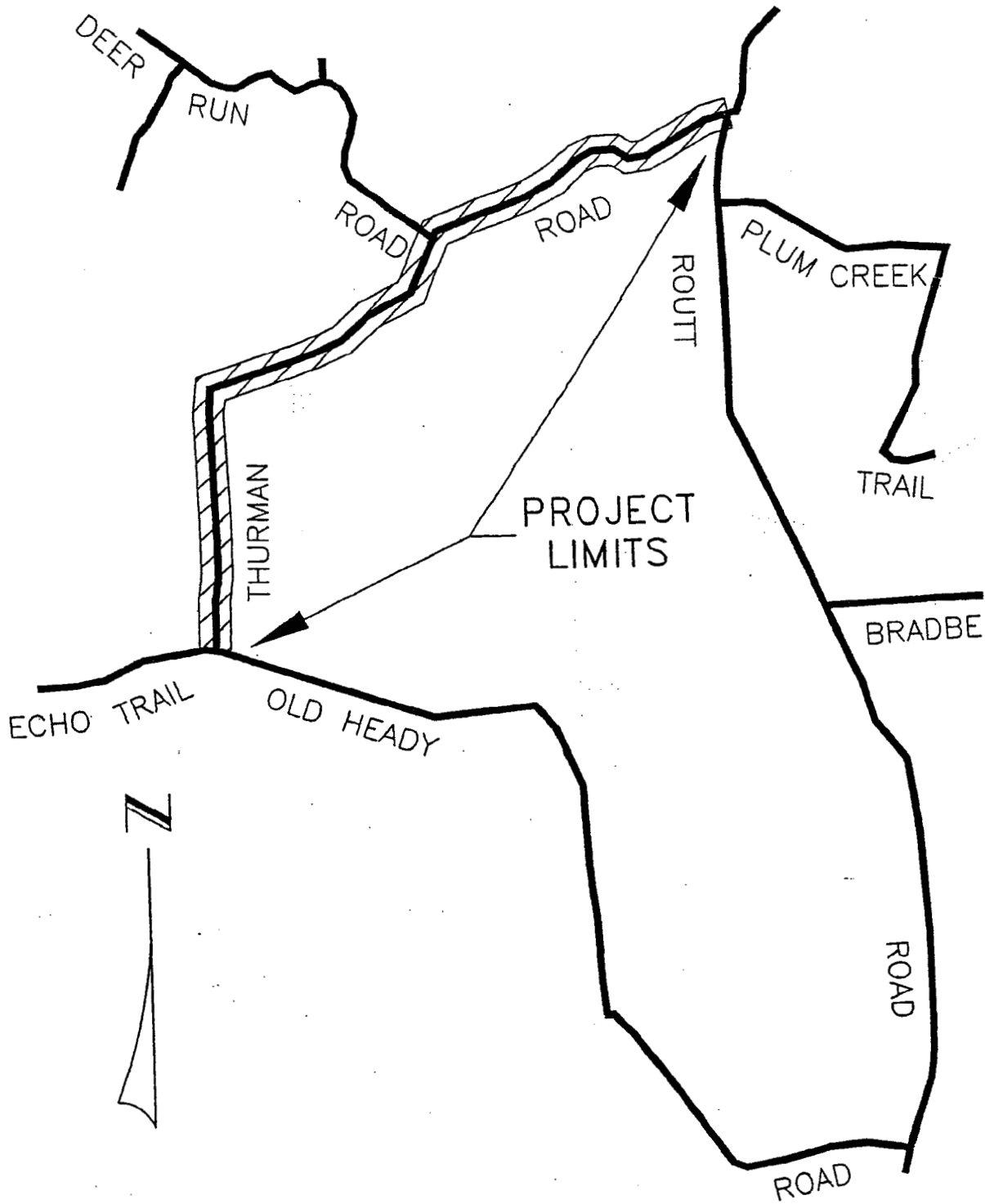
Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

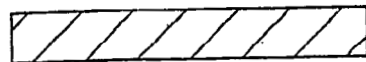
Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary

APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Thurman Road: Echo Trail to Routt Road** main extension project authorized by Ordinance No. 3, Series 2000 of the Jefferson Fiscal Court, adopted on February 8, 2000 such warrants to be against twenty five (25) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA



FILE NAME: THURMAN RD.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0848954	PAT BISCHOFF SOD FARMS INC 8620 DAWSON HILL ROAD LOUISVILLE KY 40299	5700 THURMAN ROAD DEED-BK 6337 DEED-PG 13 TAX-DST TAX-BLK 53	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0848955	ROBERT & KAREN DEJARNETTE 5000 THURMAN ROAD LOUISVILLE KY 40299	5000 THURMAN ROAD DEED-BK 6043 DEED-PG 594 TAX-DST TAX-BLK 53	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0848956	ROBERT SR & PATRICIA FAWBUSH 5220 THURMAN ROAD LOUISVILLE KY 40299	5220 THURMAN ROAD DEED-BK 6100 DEED-PG 549 TAX-DST TAX-BLK 53	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0848957	ROB & REBECCA GUINN 3909 PEMBROKE ROAD LOUISVILLE KY 40220	6707 THURMAN ROAD DEED-BK 7281 DEED-PG 207 TAX-DST TAX-BLK 53	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0852824	ARTHUR & MILDRED HOWARD 121 S HAMPTON ROAD LOUISVILLE KY 40223	THURMAN ROAD DEED-BK 5534 DEED-PG 780 TAX-DST TAX-BLK 53	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0848958	MILDRED & ARTHUR HOWARD 121 SOUTH HAMPTON ROAD LOUISVILLE KY 40223	THURMAN ROAD DEED-BK 6843 DEED-PG 104 TAX-DST TAX-BLK 53	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0848959	HOWARD ENTERPRISES INC 121 SOUTH HAMPTON ROAD LOUISVILLE KY 40223	5003 THURMAN ROAD DEED-BK 6836 DEED-PG 826 TAX-DST TAX-BLK 53	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
		5003 THURMAN ROAD DEED-BK 6836 DEED-PG 826 TAX-DST TAX-BLK 53			
0848960	HOWARD ENTERPRISES INC 121 SOUTH HAMPTON ROAD LOUISVILLE KY 40223	5011 THURMAN ROAD DEED-BK 6838 DEED-PG 604 TAX-DST TAX-BLK 53	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		

114

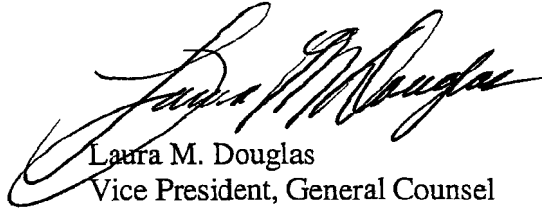
ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0852023	HOWARD ENTERPRISES INC	THURMAN ROAD	5,450.00		
	121 S HAMPTON ROAD	DEED-BK 6830	LIEN-DT		
	LOUISVILLE KY	DEED-PG 26	LIEN-BK		
	40223	TAX-DST	LIEN-PG		
		TAX-BLK 53	LOT-NO.	4	
0852020	HOWARD ENTERPRISES INC.	5314 THURMAN ROAD	5,450.00		
	121 S HAMPTON ROAD	DEED-BK 6843	LIEN-DT		
	LOUISVILLE KY	DEED-PG 104	LIEN-BK		
	40223	TAX-DST	LIEN-PG		
		TAX-BLK 53	LOT-NO.	99	
		5312 THURMAN ROAD			
		DEED-BK 6839			
		DEED-PG 911			
		TAX-DST			
		TAX-BLK 53	LOT-NO.	100	
		5400 THURMAN ROAD			
		DEED-BK 6843			
		DEED-PG 104			
		TAX-DST			
		TAX-BLK 53	LOT-NO.	6	
0848961	EDWARD B & JENNIFER HUBER	5001 THURMAN ROAD	5,450.00		
	5001 THURMAN ROAD	DEED-BK 7339	LIEN-DT		
	LOUISVILLE KY	DEED-PG 17	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 3135	LOT-NO.	7	
0848962	LLC JDK PROPERTY OF KY	5601 THURMAN ROAD	5,450.00		
	10001 TAYLORSVILLE ROAD	DEED-BK	LIEN-DT		
	LOUISVILLE KY	DEED-PG	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 3307	LOT-NO.	43	
		5507 THURMAN ROAD			
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 3307	LOT-NO.	42	
		5501 THURMAN ROAD			
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 3307	LOT-NO.	41	
		5407 THURMAN ROAD			
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 3307	LOT-NO.	40	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0848962	LLC JDK PROPERTY OF KY (CONTINUED)	5401 THURMAN ROAD DEED-BK DEED-PG TAX-DST TAX-BLK 3307	LOT-NO. 39		
		5311 THURMAN ROAD DEED-BK DEED-PG TAX-DST TAX-BLK 3307	LOT-NO. 38		
0848964	WM T & MILDRED D LADUSAW (PAID-UP)	4910 THURMAN ROAD 4510 THURMAN LANE LOUISVILLE KY 40299	DEED-BK 3812 DEED-PG 33 TAX-DST TAX-BLK 53	5,450.00	00/0000 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 70
0848966	JOHN F MORGAN	4811 THURMAN ROAD 4811 THURMAN ROAD LOUISVILLE KY 40299	DEED-BK 5963 DEED-PG 144 TAX-DST TAX-BLK 53	5,450.00	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 144
0848967	JESSE JR & KATHLEEN OWEN	5302 THURMAN ROAD 5302 THURMAN ROAD LOUISVILLE KY 40299	DEED-BK 5014 DEED-PG 660 TAX-DST TAX-BLK 53	5,450.00	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 44
0848968	JEFFREY & ELIZABETH WEARREN	5009 THURMAN ROAD 5009 THURMAN ROAD LOUISVILLE KY 40299	DEED-BK 6923 DEED-PG 529 TAX-DST TAX-BLK 53	5,450.00	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 60
0848969	JAN WHEATLEY	5310 THURMAN ROAD 5310 THURMAN ROAD LOUISVILLE KY 40299	DEED-BK 6763 DEED-PG 151 TAX-DST TAX-BLK 53	5,450.00	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 75

CERTIFICATION

This is to certify that the following *Old Heady Road: Routt Road to County Boundary and Dry Ridge Road: Routt Road to Old Heady Road*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on January 15, 2002, a quorum being present.

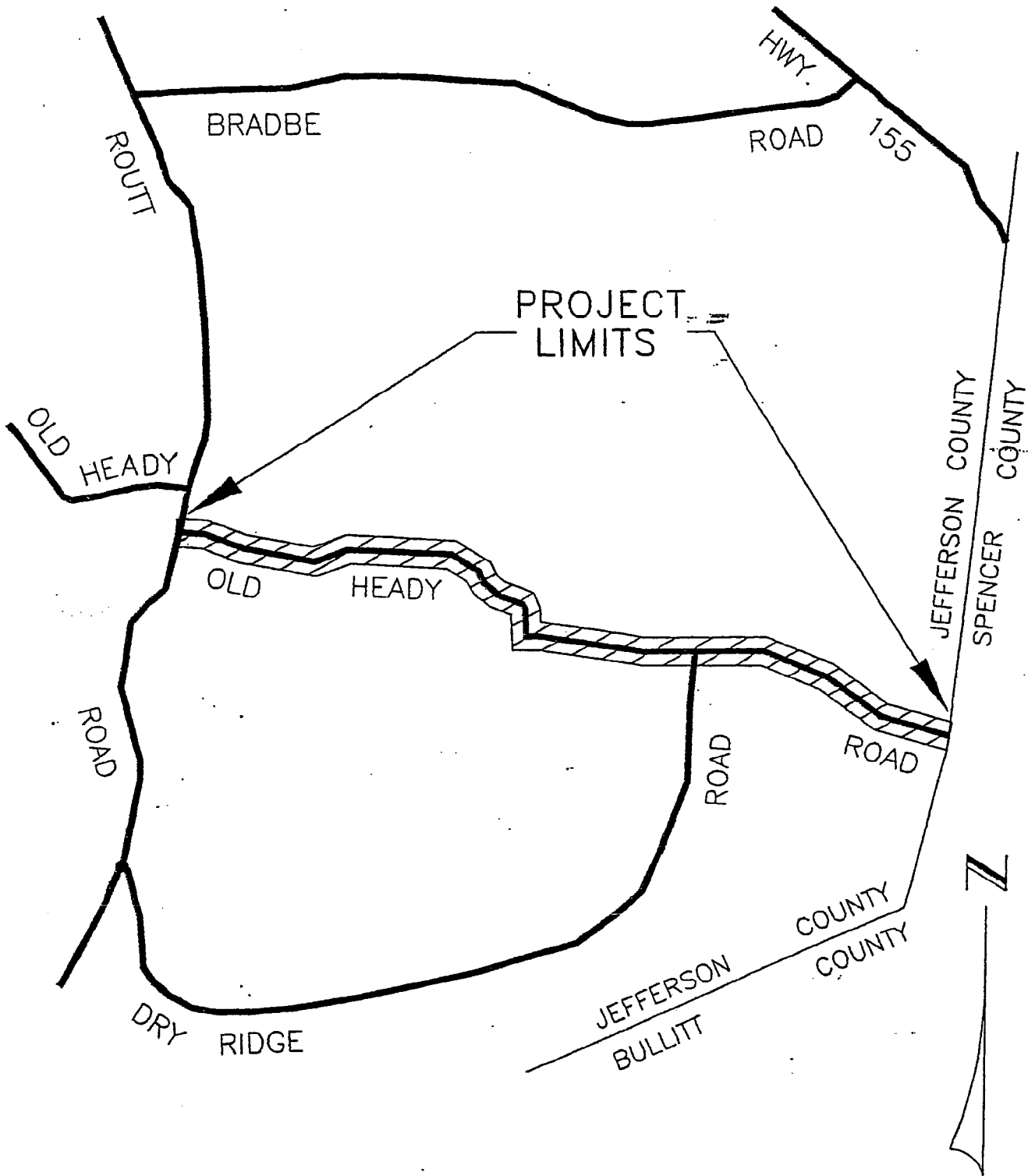
Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

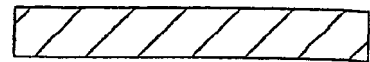
Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary

APPORTIONMENT WARRANT RESOLUTION

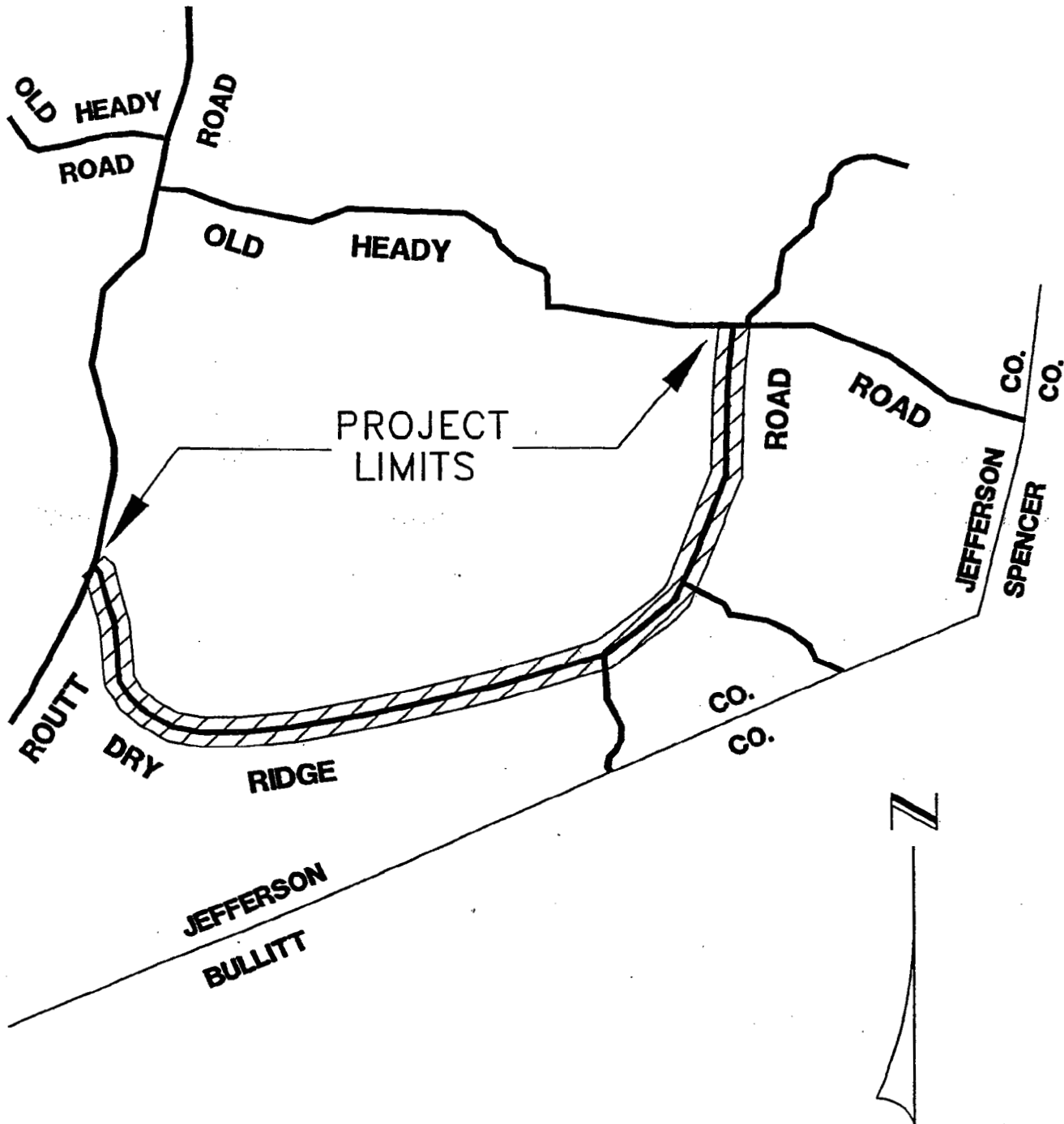
RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Old Heady Road: Routt Road to County Boundary and Dry Ridge Road: Routt Road to Old Heady Road** main extension projects authorized by Ordinance No. 13, Series 2001 of the Jefferson Fiscal Court, adopted on June 12, 2001 and Ordinance No. 12, Series 2000 of the Jefferson Fiscal Court, adopted on May 9, 2000 such warrants to be against one hundred twenty four (124) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



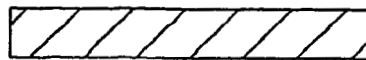
PROJECT AREA



FILE NAME: OLD HEADY



PROJECT AREA



FILE NAME: DRY RIDGE

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850722	WILFRED & ELIZ ADAMS	16321 DRY RIDGE ROAD	5,450.00		
	16321 DRY RIDGE ROAD	DEED-BK 4975	LIEN-DT		
	LOUISVILLE KY	DEED-PG 751	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	22	
0850902	ADAM J ATZINGER	8316 OLD HEADY ROAD	5,450.00		
	8316 OLD HEADY ROAD	DEED-BK 3908	LIEN-DT		
	LOUISVILLE KY	DEED-PG 175	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	56	
0850723	CAROLYN A & STERLING BARNETT	17114 DRY RIDGE ROAD	5,450.00		
	17114 DRY RIDGE ROAD	DEED-BK 4327	LIEN-DT		
	LOUISVILLE KY	DEED-PG 158	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	70	
		17116 DRY RIDGE ROAD			
		DEED-BK 4810			
		DEED-PG 797			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	45	
		DRY RIDGE ROAD			
		DEED-BK 3927			
		DEED-PG 378			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	58	
		17106 DRY RIDGE ROAD			
		DEED-BK 4810			
		DEED-PG 797			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	44	
		17102 DRY RIDGE ROAD			
		DEED-BK 6066			
		DEED-PG 473			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	47	
		17116 DRY RIDGE ROAD			
		DEED-BK 4327			
		DEED-PG 158			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	71	
0850903	EDV J JR & MARY BECKLEY	7903 OLD HEADY ROAD	5,450.00		
	7903 OLD HEADY ROAD	DEED-BK 7558	LIEN-DT		
	LOUISVILLE KY	DEED-PG 781	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	46	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850903	EDV J JR & MARY BECKLEY (CONTINUED)	7903 OLD HEADY ROAD DEED-BK 7558 DEED-PG 981 TAX-DST TAX-BLK 60	LOT-NO. 82		
0850906	ROGER D & CYNTH BOSTON & ETAL 8506 GARYDON DRIVE LOUISVILLE KY 40291	7300 OLD HEADY ROAD DEED-BK 6113 DEED-PG 638 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 185	5,450.00	
0850724	MICHAEL & DIANE BOYD 16711 DRY RIDGE ROAD LOUISVILLE KY 40299	16711 DRY RIDGE ROAD DEED-BK 5832 DEED-PG 824 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 11	5,450.00	
0850727	ANDY & OMEGA F BROUGHTON 290 MAYWOOD CIRCLE STANFORD KY 40484	16904 DRY RIDGE ROAD DEED-BK 4088 DEED-PG 340 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 49	5,450.00	
0850728	HORACE DANIEL III BROWN 16902 DRY RIDGE ROAD LOUISVILLE KY 40299	16902 DRY RIDGE ROAD DEED-BK 7673 DEED-PG 752 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 65	5,450.00	
0850907	DENNIS R & ROBIN BUTLER 891 MARKWELL LANE TAYLORSVILLE KY 40071	8101 OLD HEADY ROAD DEED-BK 5097 DEED-PG 306 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 98	5,450.00	
0850917	JOSEPH J & LULA M BUTLER 895 MARKWELL LANE TAYLORSVILLE KY 40071	8100 OLD HEADY ROAD DEED-BK 5508 DEED-PG 241 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 13	5,450.00	
0850918	LARRY WAYNE & TAMARA BUTLER 8301 OLD HEADY ROAD LOUISVILLE KY 40299	8301 OLD HEADY ROAD DEED-BK 6975 DEED-PG 605 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 97	5,450.00	
0850910	MICHAEL A & SUZANNE BUTLER 8615 OLD HEADY ROAD LOUISVILLE KY 40299	8615 OLD HEADY ROAD DEED-BK 5097 DEED-PG 312 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 101	5,450.00	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850730	RICHARD JR. & RUBY BUTLER 16501 DRY RIDGE ROAD LOUISVILLE KY 40299	16606 DRY RIDGE ROAD DEED-BK 4035 DEED-PG 379 TAX-DST TAX-BLK 64	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850908	RICHARD LEE BUTLER 16501 DRYRIDGE ROAD LOUISVILLE KY 40299	8501 OLD HEADY ROAD DEED-BK 5097 DEED-PG 308 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850916	RICHARD M & RUBY BUTLER 16501 DRY RIDGE ROAD LOUISVILLE KY 40299	DRY RIDGE ROAD DEED-BK 5508 DEED-PG 237 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850733	RUBY & RICHARD JR BUTLER 16501 DRY RIDGE ROAD LOUISVILLE KY 40299	16501 DRY RIDGE ROAD DEED-BK 3884 DEED-PG 195 TAX-DST TAX-BLK 64	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850789	ANTHONY & BARBARA CASABELLA 17014 DRY RIDGE ROAD LOUISVILLE KY 40299	17014 DRY RIDGE ROAD DEED-BK 6158 DEED-PG 485 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850921	WALTER R & ROSA J CASHEN 7310 OLD HEADY ROAD LOUISVILLE KY 40299	7310 OLD HEADY ROAD DEED-BK 6903 DEED-PG 659 TAX-DST TAX-BLK 59	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850790	THOMAS J JR. CLARK 17101 DRY RIDGE ROAD LOUISVILLE KY 40299	17101 DRY RIDGE ROAD DEED-BK 6678 DEED-PG 743 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850791	ELMER & HELEN IRENE COULTER 17318 DRY RIDGE ROAD LOUISVILLE KY 40299	17318 DRY RIDGE ROAD DEED-BK 3594 DEED-PG 243 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850923	FRANK & IRENE CRENSHAW 11511 SEATONVILLE ROAD LOUISVILLE KY 40291	7800 OLD HEADY ROAD DEED-BK 7399 DEED-PG 699 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850927	JAMES A & EDITH DENNIS	8600 OLD HEADY ROAD	5,450.00		
	8600 OLD HEADY ROAD	DEED-BK 5456	LIEN-DT		
	LOUISVILLE KY	DEED-PG 885	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	54	
0850924	MITCHELL W & CECILE H DENNIS	8510 OLD HEADY ROAD	5,450.00		
	8510 OLD HEADY ROAD	DEED-BK 5456	LIEN-DT		
	LOUISVILLE KY	DEED-PG 885	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	110	
0850929	R GARY DENNIS	8500 OLD HEADY ROAD	5,450.00		
	8500 OLD HEADY ROAD	DEED-BK 5561	LIEN-DT		
	LOUISVILLE KY	DEED-PG 105	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	106	
0850930	RAYMOND L & IRMA DUNAWAY	8700 OLD HEADY ROAD	5,450.00		
	8700 OLD HEADY ROAD	DEED-BK 3920	LIEN-DT		
	LOUISVILLE KY	DEED-PG 512	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	15	
0850792	STEVEN EGYEDI	17100 DRY RIDGE ROAD	5,450.00		
	17100 DRY RIDGE ROAD	DEED-BK 7404	LIEN-DT		
	LOUISVILLE KY	DEED-PG 906	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	63	
0850795	CHARLES G & MILDRED EISENBACK	17308 DRY RIDGE ROAD	5,450.00		
	17308 DRY RIDGE ROAD	DEED-BK 2979	LIEN-DT		
	LOUISVILLE KY	DEED-PG 163	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	27	
0850932	JR JANET HOLT & CH EISENBACK	8701 OLD HEADY ROAD	5,450.00		
	8701 OLD HEADY ROAD	DEED-BK 4881	LIEN-DT		
	LOUISVILLE KY	DEED-PG 177	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	80	
0850796	DAVID & MELINDA ELDER	17017 DRY RIDGE ROAD	5,450.00		
	17017 DRY RIDGE ROAD	DEED-BK 4263	LIEN-DT		
	LOUISVILLE KY	DEED-PG 552	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	68	
0850933	DENISE EPPERSON	7212 OLD HEADY ROAD	5,450.00		
	7212 OLD HEADY ROAD	DEED-BK 7358	LIEN-DT		
	LOUISVILLE KY	DEED-PG 73	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	186	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850934	LLC MCKINLEY TRACE FARM 7705 OLD HEADY ROAD LOUISVILLE KY 40299	7705 OLD HEADY ROAD DEED-BK 7596 DEED-PG 667 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0850798	TIMOTHY & ANGELA M FLANERY 16720 DRY RIDGE ROAD LOUISVILLE KY 40299	16720 DRY RIDGE ROAD DEED-BK 6756 DEED-PG 434 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0850799	WALTER & LINDA K FORD 16930 DRY RIDGE ROAD LOUISVILLE KY 40299	16930 DRY RIDGE ROAD DEED-BK 5254 DEED-PG 888 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0850937	ROBERT FREEH JR 7409 OLD HEADY ROAD LOUISVILLE KY 40299	7409 OLD HEADY ROAD DEED-BK 7490 DEED-PG 662 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0850800	WILLIAM A FRENCH 6602 AMIGO COURT LOUISVILLE KY 40299	6600 WILLIAMS ROAD DEED-BK 6303 DEED-PG 263 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0850803	CLIFTON & SUZANNE GADDIE 17010 DRY RIDGE ROAD LOUISVILLE KY 40299	17010 DRY RIDGE ROAD DEED-BK 5902 DEED-PG 615 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0850807	RICHARD D GEISLER 16707 DRY RIDGE ROAD LOUISVILLE KY 40299	16707 DRY RIDGE ROAD DEED-BK 7304 DEED-PG 941 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0850809	WAYNE & SYLVIA GILEZAN 2001 S POPE LICK ROAD LOUISVILLE KY 40299	16608 DRY RIDGE ROAD DEED-BK 7571 DEED-PG 315 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0850811	BRUCE R & AMY M GOOD 16320 DRY RIDGE ROAD LOUISVILLE KY 40299	16320 DRY RIDGE ROAD DEED-BK 7070 DEED-PG 500 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850938	DONALD K JR & MARIE L GOOD	17320 DRY RIDGE ROAD	5,450.00		
	17320 DRY RIDGE	DEED-BK 4990	LIEN-DT		
	LOUISVILLE KY	DEED-PG 760	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	105	
		7932 OLD HEADY RD			
		DEED-BK 5922			
		DEED-PG 542			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	36	
		17323 DRY RIDGE RD			
		DEED-BK 5959			
		DEED-PG 11			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	121	
		OLD HEADY RD			
		DEED-BK 5959			
		DEED-PG 11			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	122	
0850975	SHIRLEY & JIMMIE HAMMOND	OLD HEADY ROAD	5,450.00		
	707 LOUISVILLE ROAD	DEED-BK 5097	LIEN-DT		
	COXS CREEK KY	DEED-PG 302	LIEN-BK		
	40013	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	96	
0850812	FRED HATMAKER	17112 DRY RIDGE ROAD	5,450.00		
	121 S 7TH STREET #400	DEED-BK 7707	LIEN-DT		
	LOUISVILLE KY	DEED-PG 149	LIEN-BK		
	40202	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	23	
0850827	DANIEL H & GLENDA G HAWKINS	17313 DRY RIDGE ROAD	5,450.00		
	17313 DRY RIDGE ROAD	DEED-BK 5676	LIEN-DT		
	LOUISVILLE KY	DEED-PG 438	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	34	
0850830	JOSEPH A HENEHAN	16603 DRY RIDGE ROAD	5,450.00		
	3351 DAYTON AVENUE	DEED-BK 7307	LIEN-DT		
	LOUISVILLE KY	DEED-PG 987	LIEN-BK		
	40207	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	6	
		DRY RIDGE ROAD			
		DEED-BK 7307			
		DEED-PG 987			
		TAX-DST			
		TAX-BLK 64	LOT-NO.	13	

LWC 0916

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850977	HANS MICHAEL & SUSAN J HERGET	7319 OLD HEADY ROAD	5,450.00		
	7319 OLD HEADY ROAD	DEED-BK 6604	LIEN-DT		
	LOUISVILLE KY	DEED-PG 403	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	35	
0850832	BURNES A HILBERT	16908 DRY RIDGE ROAD	5,450.00		
	16908 DRY RIDGE ROAD	DEED-BK 5186	LIEN-DT		
	LOUISVILLE KY	DEED-PG 747	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	21	
0850834	ROBERT E & LINDA HOLLAND	16722 DRY RIDGE ROAD	5,450.00		
	16722 DRY RIDGE ROAD	DEED-BK 5892	LIEN-DT		
	LOUISVILLE KY	DEED-PG 93	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	102	
0850837	MIKE HOWARD	16208 DRY RIDGE ROAD	5,450.00		
	16208 DRY RIDGE ROAD	DEED-BK 7448	LIEN-DT		
	LOUISVILLE KY	DEED-PG 293	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	27	
0850839	THELMA R & MALCOLM W JENKINS	16602 DRY RIDGE ROAD	5,450.00		
	6700 OLD HEADY ROAD	DEED-BK 5102	LIEN-DT		
	LOUISVILLE KY	DEED-PG 223	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	8	
0850840	DOYLE R & WANDA L JOHNSON	17018 DRY RIDGE ROAD	5,450.00		
	6211 HOWELL WAY	DEED-BK 4996	LIEN-DT		
	LOUISVILLE KY	DEED-PG 558	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	91	
0850981	JOHNIE & ANNIE F JUMP	7905 OLD HEADY ROAD	5,450.00		
	7905 OLD HEADY ROAD	DEED-BK 2579	LIEN-DT		
	LOUISVILLE KY	DEED-PG 154	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	22	
0850982	STEPHEN & SUSAN KAREM	17201 ANSELMO LANE	5,450.00		
	2111 PLEASANTVIEW COURT	DEED-BK 7536	LIEN-DT		
	NEW ALBANY IN	DEED-PG 570	LIEN-BK		
	47150	TAX-DST	LIEN-PG		
		TAX-BLK 3295	LOT-NO.	570	
0850983	MICHAEL A KARWEJNA	7933 OLD HEADY ROAD	5,450.00		
	7933 OLD HEADY ROAD	DEED-BK 6775	LIEN-DT		
	LOUISVILLE KY	DEED-PG 93	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	51	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850783	MICHAEL A KARWEJNA (CONTINUED)	7935 OLD HEADY ROAD DEED-BK 6775 DEED-PG 933 TAX-DST TAX-BLK 60	LOT-NO. 52		
0850844	RICHARD C & MARY ANN KEY	17296 DRY RIDGE ROAD DEED-BK 5213 DEED-PG 922 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 40	5,450.00	
0850784	EDNA K LAMASTER C/O BETTY DOEBLER 4815 NOTTINGHAM SHIRE DRIVE LOUISVILLE KY 40299	7207 OLD HEADY ROAD DEED-BK 2862 DEED-PG 30 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 32	5,450.00	
0850846	PAUL KENNETH LANHAM	16900 DRY RIDGE ROAD DEED-BK 5070 DEED-PG 556 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 55	5,450.00	
0850848	MICHAEL & JOYCE LASLIE	16701 DRY RIDGE ROAD DEED-BK 4842 DEED-PG 546 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 38	5,450.00	
0850850	BRADLEY M LEE	17307 DRY RIDGE ROAD DEED-BK 7214 DEED-PG 577 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 31	5,450.00	
0850849	PAUL D & IDA B LEE	17021 DRY RIDGE ROAD DEED-BK 5667 DEED-PG 891 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 66	5,450.00	
0850852	CHARLES L & EDITH M LYNCH	17309 DRY RIDGE ROAD DEED-BK 3329 DEED-PG 445 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 32	5,450.00	
0850788	REVOCABLE TRUST LYNN JEANETTE	7900 OLD HEADY ROAD DEED-BK 7563 DEED-PG 300 TAX-DST TAX-BLK 3295	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 1	5,450.00	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850853	JACKIE W & L MAGGARD	16703 DRY RIDGE ROAD	5,450.00		
	16703 DRY RIDGE ROAD	DEED-BK 3974	LIEN-DT		
	LOUISVILLE KY	DEED-PG 210	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	59	
0850989	JAMES & DIANE MASSEY	7809 OLD HEADY ROAD	5,450.00		
	7809 OLD HEADY ROAD	DEED-BK 4803	LIEN-DT		
	LOUISVILLE KY	DEED-PG 612	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	6	
0850990	PAUL & RUTH MCCARTHY	7416 OLD HEADY ROAD	5,450.00		
	7416 OLD HEADY ROAD	DEED-BK 4129	LIEN-DT		
	LOUISVILLE KY	DEED-PG 345	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	211	
0850854	EARL M III & SANDRA L MILLER	16909 DRY RIDGE ROAD	5,450.00		
	16909 DRY RIDGE ROAD	DEED-BK 7599	LIEN-DT		
	LOUISVILLE KY	DEED-PG 671	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	140	
		DRY RIDGE ROAD			
		DEED-BK 7599			
		DEED-PG 671			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	139	
0850856	GEORGE R & MARY SUE MILLER	16810 DRY RIDGE ROAD	5,450.00		
	17003 DRY RIDGE ROAD	DEED-BK 6187	LIEN-DT		
	LOUISVILLE KY	DEED-PG 382	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	73	
		17003 DRY RIDGE ROAD			
		DEED-BK 6500			
		DEED-PG 604			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	74	
0850858	JAMES & TERRI MILLER	17303 DRY RIDGE ROAD	5,450.00		
	17303 DRY RIDGE ROAD	DEED-BK 7135	LIEN-DT		
	LOUISVILLE KY	DEED-PG 755	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	29	
0850861	OSCAR H & SHERRY MILLER	17305 DRY RIDGE ROAD	5,450.00		
	17305 DRY RIDGE ROAD	DEED-BK 6078	LIEN-DT		
	LOUISVILLE KY	DEED-PG 773	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	30	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850863	DONALD B & BRENDA MILLS 16223 DRY RIDGE ROAD LOUISVILLE KY 40299	16223 DRY RIDGE ROAD DEED-BK 6834 DEED-PG 990 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 18	
0850864	PATRICK MITCHUM 17030 DRY RIDGE ROAD LOUISVILLE KY 40299	17030 DRY RIDGE ROAD DEED-BK 5941 DEED-PG 531 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 118	
0850992	THE TERRI H NEAL TRUST 7525 OLD HEADY ROAD LOUISVILLE KY 40299	7525 OLD HEADY ROAD DEED-BK 7630 DEED-PG 427 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 115	
0850866	STEVEN R & BETH A OPPEL 13001 TRUMP AVENUE LOUISVILLE KY 40299	16220 DRY RIDGE ROAD DEED-BK 7552 DEED-PG 717 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 2	
0850867	ROBERT E & ELIZABET PATTERSON 17015 DRY RIDGE ROAD LOUISVILLE KY 40299	17015 DRY RIDGE ROAD DEED-BK 4975 DEED-PG 51 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 67	
0850999	JAMES F & EMMA JEAN PFAU 7401 OLD HEADY ROAD LOUISVILLE KY 40299	7401 OLD HEADY ROAD DEED-BK 6382 DEED-PG 353 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 118	
0851002	LELAND & MARTHA ROGERS 7307 OLD HEADY ROAD LOUISVILLE KY 40299	7307 OLD HEADY ROAD DEED-BK 4573 DEED-PG 185 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 126	
0850869	BARBARA K RUFF 17315 DRY RIDGE ROAD LOUISVILLE KY 40299	17315 DRY RIDGE ROAD DEED-BK 6470 DEED-PG 51 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 35	
0851005	C D & HAZEL I SHAKE 7316 OLD HEADY ROAD LOUISVILLE KY 40299	7316 OLD HEADY ROAD DEED-BK 1842 DEED-PG 384 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 37	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850872	CHARLES D & HAZEL SHAKE 7316 OLD HEADY ROAD LOUISVILLE KY 40299	16304 DRY RIDGE ROAD DEED-BK 3884 DEED-PG 195 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	9
0850873	T. JENKINS & KENNETH R SHAKE 16608 DRY RIDGE ROAD LOUISVILLE KY 40299	DRY RIDGE ROAD DEED-BK 6862 DEED-PG 347 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	20
0850874	CLARENCE W & IVA LE SHIELDS 17311 DRY RIDGE ROAD LOUISVILLE KY 40299	17311 DRY RIDGE ROAD DEED-BK 3049 DEED-PG 114 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	33
0851007	GERALD D & ETHEL R SWAN 8401 OLD HEADY ROAD LOUISVILLE KY 40299	8401 OLD HEADY ROAD DEED-BK 6454 DEED-PG 617 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	100
0851008	MAURICE FRANKLIN & B SWAN 1010 TUCKER STATION ROAD LOUISVILLE KY 40299	7415 OLD HEADY ROAD DEED-BK 7499 DEED-PG 376 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	212
0851012	ROBERT L & MARGARET SWARTZ 7317 OLD HEADY ROAD LOUISVILLE KY 40299	7317 OLD HEADY ROAD DEED-BK 3581 DEED-PG 472 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	69
0850875	JAMES A & SARAH TERRELL 16603 DRY RIDGE ROAD LOUISVILLE KY 40299	16605 DRY RIDGE ROAD DEED-BK 2920 DEED-PG 399 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	37
0850877	WILLIAM K & TAMMY K TERRELL 16724 DRY RIDGE ROAD LOUISVILLE KY 40299	16724 DRY RIDGE ROAD DEED-BK 6325 DEED-PG 830 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	76
0850878	GREGORY & CHANTEL TREADWAY 17016 DRY RIDGE ROAD LOUISVILLE KY 40299	17016 DRY RIDGE ROAD DEED-BK 7062 DEED-PG 154 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	132

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN		
0851018	KEVIN UNDERWOOD 8013 OLD HEADY ROAD LOUISVILLE KY 40299	OLD HEADY ROAD	5,450.00				
		DEED-BK 7363	LIEN-DT				
		DEED-PG 318	LIEN-BK				
		TAX-DST	LIEN-PG				
		TAX-BLK 60	LOT-NO. 74				
		8109 OLD HEADY ROAD					
		DEED-BK 7363					
		DEED-PG 318					
		TAX-DST					
		TAX-BLK 60	LOT-NO. 19				
		7500 UNDERWOOD TRAIL					
		DEED-BK 7363					
DEED-PG 318							
TAX-DST							
TAX-BLK 60	LOT-NO. 127						
7601 UNDERWOOD TRAIL							
DEED-BK 7363							
DEED-PG 318							
TAX-DST							
TAX-BLK 60	LOT-NO. 126						
0850880	MARY P VANEGAS 8004 SYCAMORE CREEK DRIVE LOUISVILLE KY 40222	16723 DRY RIDGE ROAD	5,450.00				
		DEED-BK 7764	LIEN-DT				
		DEED-PG 471	LIEN-BK				
		TAX-DST	LIEN-PG				
		TAX-BLK 60	LOT-NO. 146				
		16727 DRY RIDGE ROAD					
		DEED-BK 7764					
		DEED-PG 471					
		TAX-DST					
		TAX-BLK 60	LOT-NO. 147				
		0850881	GEORGE C & CAROLYN A VISSER 5011 ROUTT ROAD LOUISVILLE KY 40299	DRY RIDGE ROAD	5,450.00		
				DEED-BK 6297	LIEN-DT		
DEED-PG 174	LIEN-BK						
TAX-DST	LIEN-PG						
TAX-BLK 60	LOT-NO. 141						
DRY RIDGE ROAD							
DEED-BK 6297							
DEED-PG 174							
TAX-DST							
TAX-BLK 60	LOT-NO. 142						
DRY RIDGE ROAD							
DEED-BK 6297							
DEED-PG 174							
TAX-DST							
TAX-BLK 60	LOT-NO. 143						

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850881	GEORGE C & CAROLYN A VISSER (CONTINUED)	DRY RIDGE ROAD DEED-BK 6297 DEED-PG 174 TAX-DST TAX-BLK 60		LOT-NO. 145	
0851020	RAY C & CORDIE WALLS	7321 OLD HEADY ROAD DEED-BK 4370 DEED-PG 149 TAX-DST TAX-BLK 59	5,450.00	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 98	
		7321 OLD HEADY ROAD DEED-BK 5759 DEED-PG 569 TAX-DST TAX-BLK 59		LOT-NO. 113	
0850882	JAMES A & MONICA WELLER	16920 DRY RIDGE ROAD DEED-BK 6259 DEED-PG 10 TAX-DST TAX-BLK 60	5,450.00	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 86	
0850883	ROBERT T WELLER	17001 DRY RIDGE ROAD DEED-BK 6717 DEED-PG 525 TAX-DST TAX-BLK 60	5,450.00	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 42	
0852654	W DOUGLAS & CAROL WICKERSHAM	16715 DRY RIDGE ROAD DEED-BK 5508 DEED-PG 228 TAX-DST TAX-BLK 60	5,450.00	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 78	
0852652	SIDONIE G WILLIS	17300 DRY RIDGE ROAD DEED-BK 5647 DEED-PG 930 TAX-DST TAX-BLK 60	5,450.00	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 26	
0850887	LEONARD W & HAZEL M WIMSATT	17319 DRY RIDGE ROAD DEED-BK 6788 DEED-PG 729 TAX-DST TAX-BLK 60	5,450.00	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 119	
		17321 DRY RIDGE ROAD DEED-BK 6788 DEED-PG 729 TAX-DST TAX-BLK 60		LOT-NO. 120	

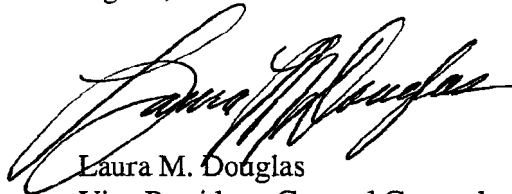
ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0851021	DALE E & BARBARA A WISE	7309 OLD HEADY ROAD	5,450.00		
	7311 OLD HEADY ROAD	DEED-BK 4170	LIEN-DT		
	LOUISVILLE KY	DEED-PG 183	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	208	
		7311 OLD HEADY ROAD			
		DEED-BK 4170			
		DEED-PG 183			
		TAX-DST			
		TAX-BLK 59	LOT-NO.	209	
0850890	JAMES H & JENEVA WORKMAN	DRY RIDGE ROAD	5,450.00		
	17118 DRY RIDGE ROAD	DEED-BK 4941	LIEN-DT		
	LOUISVILLE KY	DEED-PG 586	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	48	
		DRY RIDGE ROAD			
		DEED-BK 4327			
		DEED-PG 147			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	16	
		17118 DRY RIDGE ROAD			
		DEED-BK 4327			
		DEED-PG 147			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	72	
0850895	CEBE DOUGLASS & SHEL WRIGHT	17312 DRY RIDGE ROAD	5,450.00		
	17312 DRY RIDGE ROAD	DEED-BK 5763	LIEN-DT		
	LOUISVILLE KY	DEED-PG 409	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	28	
0850898	STEPHEN E SR. ZOELLER	17317 DRY RIDGE ROAD	5,450.00		
	17317 DRY RIDGE ROAD	DEED-BK 6643	LIEN-DT		
	LOUISVILLE KY	DEED-PG 270	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	109	

ACCOUNT	NAME	LOCATION
99	NUMBER OF CUSTOMERS LISTED	
	TOTAL PRINCIPAL REMAINING	539,550.00
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CERTIFICATION

This is to certify that the following *Hobbs Lane: Clark Station Road to End of Roadway*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on January 15, 2002, a quorum being present.

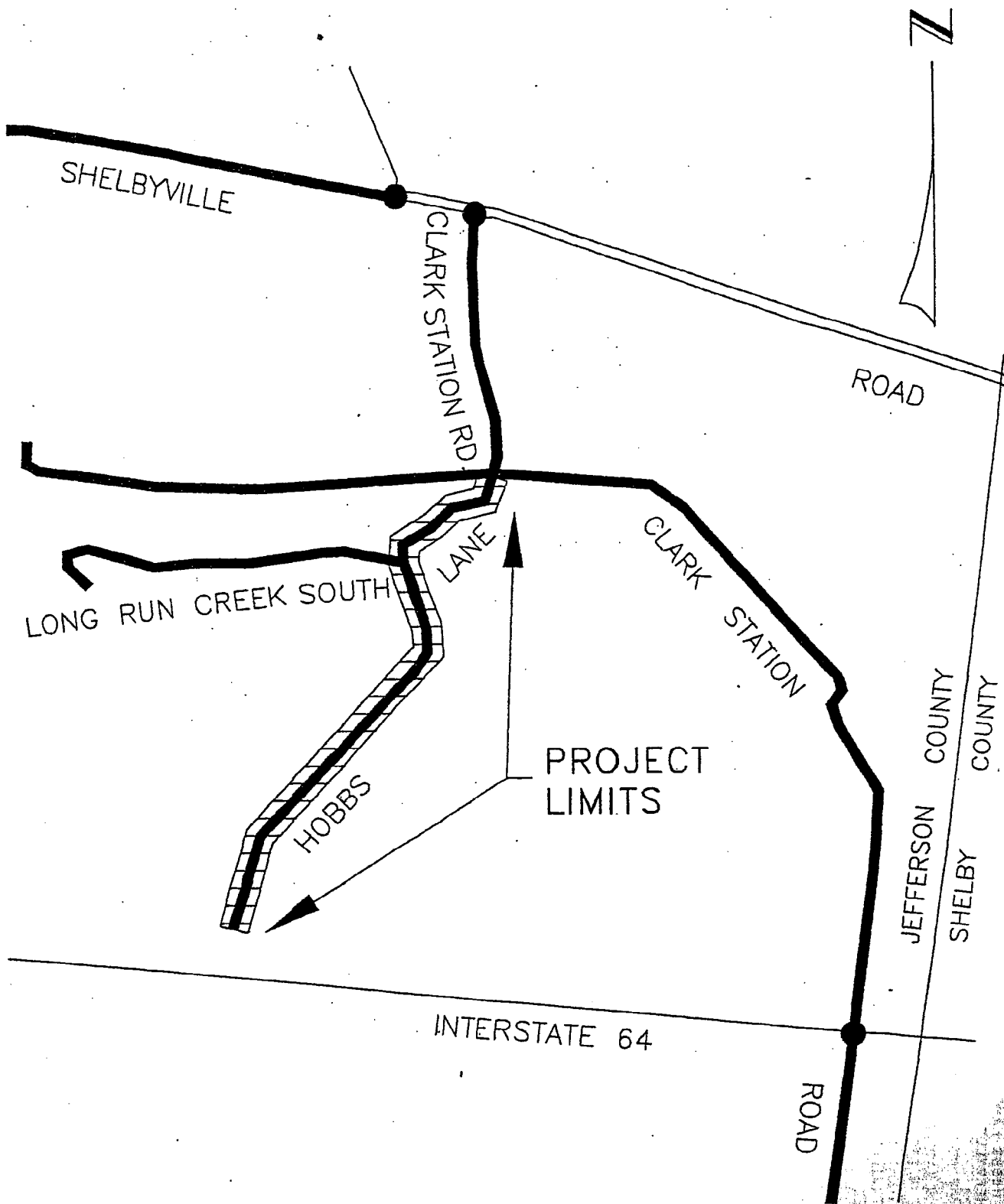
Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

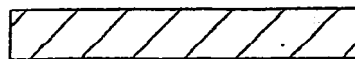
Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary

APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Hobbs Lane: Clark Station Road to End of Roadway** main extension project authorized by Ordinance No. 44, Series 1999 of the Jefferson Fiscal Court, adopted on December 16, 1999 such warrants to be against nineteen (19) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA



FILE NAME: HOBBS LANE

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0847952	MARK T & AMY ABELL	929 HOBBS LANE	5,450.00		
	929 HOBBS LANE	DEED-BK 6385	LIEN-DT		
	FISHERVILLE KY	DEED-PG 534	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	155	
0847985	GALE H BROWN	925 HOBBS LANE	5,450.00		
	55 STERLING ROAD	DEED-BK 7427	LIEN-DT		
	LOUISVILLE KY	DEED-PG 51	LIEN-BK		
	40220	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	29	
0847987	BRENT N & LAURA CATLETT	903 HOBBS LANE	5,450.00		
	903 HOBBS LANE	DEED-BK 6638	LIEN-DT		
	FISHERVILLE KY	DEED-PG 423	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	26	
		911 HOBBS LN			
		DEED-BK 7232			
		DEED-PG 395			
		TAX-DST			
		TAX-BLK 34	LOT-NO.	28	
0847996	PATRICIA CULWELL	620 HOBBS LANE	5,450.00		
	2404 NEW MARKET STREET	DEED-BK 6022	LIEN-DT		
	NEW ALBANY IN	DEED-PG 136	LIEN-BK		
	47150	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	92	
0847998	SCOTT H & MAGGIE W DAVIS	700 HOBBS LANE	5,450.00	00/0000	
	918 HOBBS LANE	DEED-BK 5823	LIEN-DT		
(PAID-UP)	FISHERVILLE KY	DEED-PG 794	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	96	
		702 HOBBS LANE			
		DEED-BK 5823			
		DEED-PG 794			
		TAX-DST			
		TAX-BLK 34	LOT-NO.	104	
0847999	JAMES E & CHERYL DORTCH	829 HOBBS LANE	5,450.00		
	829 HOBBS LANE	DEED-BK 6744	LIEN-DT		
	FISHERVILLE KY	DEED-PG 555	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	144	
0848000	DEBORAH K EDWARDS	1100 HOBBS LANE	5,450.00		
	1100 HOBBS LANE	DEED-BK 7193	LIEN-DT		
	FISHERVILLE KY	DEED-PG 669	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	187	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0848003	MICHAEL A & BARBARA K HARRIS	628 HOBBS LANE	5,450.00	00/0000	
(PAID-UP)	630 HOBBS LANE	DEED-BK 7332	LIEN-DT		
	FISHERVILLE KY	DEED-PG 469	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	89	
		630 HOBBS LANE			
		DEED-BK 7332			
		DEED-PG 465			
		TAX-DST			
		TAX-BLK 34	LOT-NO.	103	
0848002	EUGENE C JR & KAREN K LAPHEKE	1304 HOBBS LANE	5,450.00		
	1304 HOBBS LANE	DEED-BK 5159	LIEN-DT		
	FISHERVILLE KY	DEED-PG 861	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	188	
0848007	CHARLES J TR RUSSELL	613 HOBBS LANE	5,450.00		
	614 BELLEWOOD ROAD	DEED-BK 6086	LIEN-DT		
	LOUISVILLE KY	DEED-PG 107	LIEN-BK		
	40223	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	86	
0848012	MARY F SHAW		5,450.00		
	8919 CROMWELL HILL ROAD	DEED-BK 5863	LIEN-DT		
	LOUISVILLE KY	DEED-PG 332	LIEN-BK		
	40222	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	157	
0848010	ROBERT T SHAW	616 HOBBS LANE	5,450.00		
	4211 NORBOURNE BLVD	DEED-BK 5108	LIEN-DT		
	LOUISVILLE KY	DEED-PG 994	LIEN-BK		
	40207	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	147	
0848013	ROBIN PAYNE & THOMAS WILLIAMS	626 HOBBS LANE	5,450.00		
	1006 S 26TH STREET	DEED-BK 6566	LIEN-DT		
	LOUISVILLE KY	DEED-PG 354	LIEN-BK		
	40210	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	93	
0848014	THOMAS J WILSON	1000 HOBBS LANE	5,450.00		
	1000 HOBBS LANE	DEED-BK 6311	LIEN-DT		
	FISHERVILLE KY	DEED-PG 636	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	186	
0848016	WILLIAM W & TAMMY E WINGO	615 HOBBS LANE	5,450.00		
	615 HOBBS LANE	DEED-BK 7056	LIEN-DT		
	FISHERVILLE KY	DEED-PG 703	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	95	

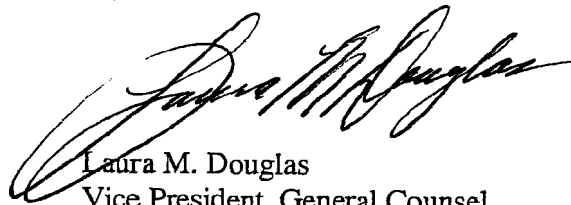
ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0848017	HUGH L WINSTEAD	700 HOBBS LANE	5,450.00		
	649 S 20TH STREET	DEED-BK 6653	LIEN-DT		
	LOUISVILLE KY	DEED-PG 835	LIEN-BK		
	40203	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	108	
0848018	KEITH L & HUGH L WINSTEAD JR	704 HOBBS LANE	5,450.00		
	1735 W BROADWAY	DEED-BK 6794	LIEN-DT		
	LOUISVILLE KY	DEED-PG 298	LIEN-BK		
	40203	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	105	
		706 HOBBS LANE			
		DEED-BK 6794			
		DEED-PG 298			
		TAX-DST			
		TAX-BLK 34	LOT-NO.	101	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
17	NUMBER OF CUSTOMERS LISTED				
	TOTAL PRINCIPAL REMAINING		83,750.00		
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CERTIFICATION

This is to certify that the following *Clark Station Road: Shelbyville Road to I-64*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on January 15, 2002, a quorum being present.

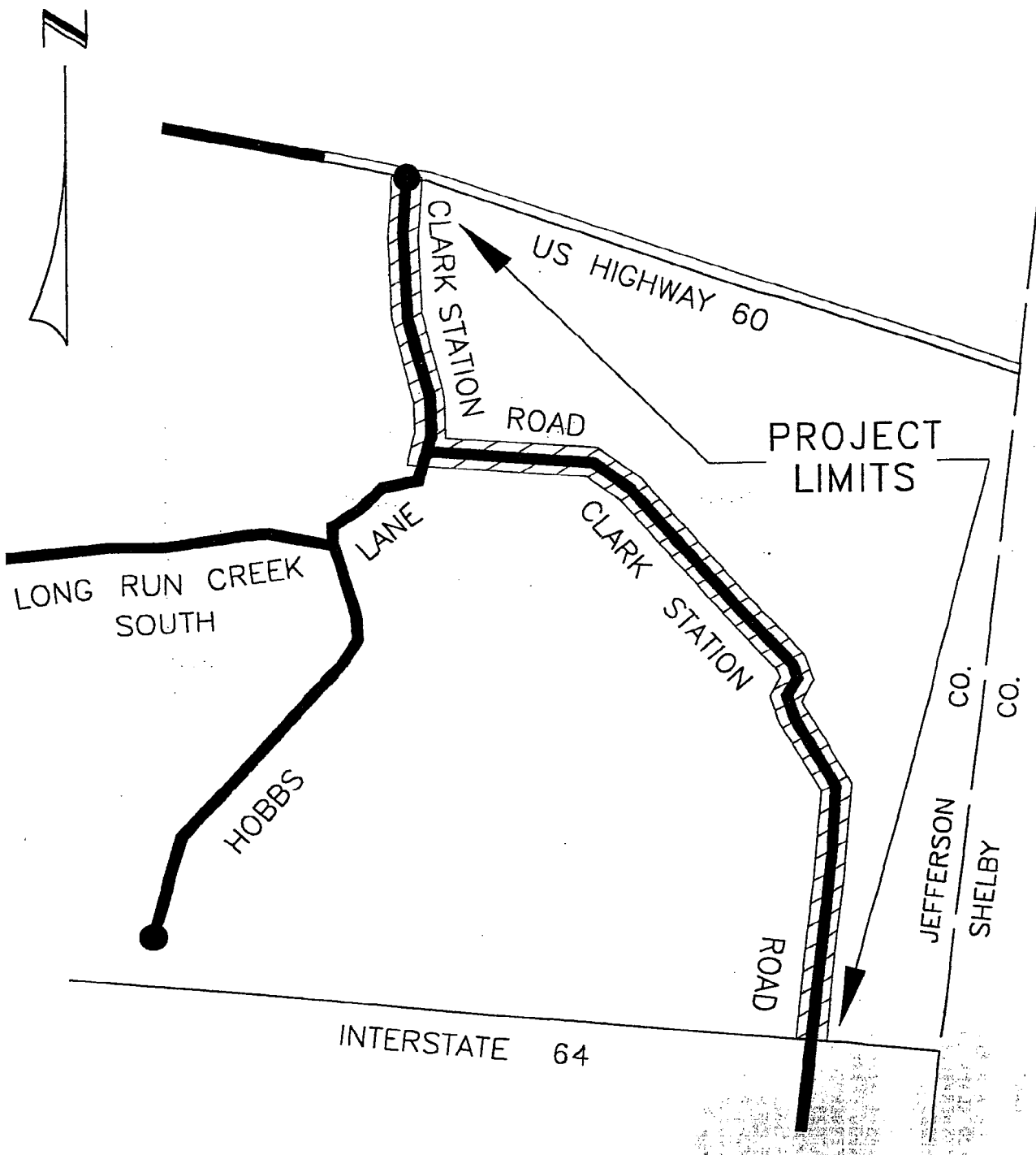
Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

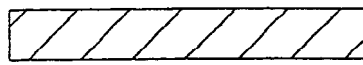
Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary

APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Clark Station Road: Shelbyville Road to I-64** main extension project authorized by Ordinance No. 15, Series 1999 of the Jefferson Fiscal Court, adopted on May 11, 1999 such warrants to be against forty nine (49) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA



ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0848023	MARK K & PEGGY ANDERSON 130 CLARK STATION ROAD FISHERVILLE KY 40023	303 CLARK STATION ROAD DEED-BK 5591 DEED-PG 19 TAX-DST TAX-BLK 34	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0848024	JAS & VIRGINIA BIRD 1206 CLARK STATION ROAD FISHERVILLE KY 40023	1206 CLARK STATION ROAD DEED-BK 4209 DEED-PG 454 TAX-DST TAX-BLK 34	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0848025	BLUE HEAVEN INC. P.O. BOX 39395 LOUISVILLE KY 40232	614 HOBBS LANE DEED-BK 5696 DEED-PG 991 TAX-DST TAX-BLK 34	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
		LONG RUN ROAD DEED-BK 5696 DEED-PG 991 TAX-DST TAX-BLK 34			
		618 HOBBS LANE DEED-BK 5696 DEED-PG 991 TAX-DST TAX-BLK 34			
0852624	BLUE HEAVEN INC. P.O. BOX 39395 LOUISVILLE KY 40232	716 CLARK STATION ROAD DEED-BK 5696 DEED-PG 991 TAX-DST TAX-BLK 34	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
		HOBBS LANE DEED-BK 5696 DEED-PG 991 TAX-DST TAX-BLK 34			
0848026	MYRTLE BOBLITT 109 BUTTERCUP LOUISVILLE KY 40218	307 CLARK STATION ROAD DEED-BK 6439 DEED-PG 510 TAX-DST TAX-BLK 34	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0848028	ORIN B & NORMA R BOND 1007 CLARK STATION ROAD FISHERVILLE KY 40023	CLARK STATION ROAD DEED-BK 6032 DEED-PG 75 TAX-DST TAX-BLK 34	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	00/0000	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0848028	ORIN B & NORMA R BOND (CONTINUED)	721 CLARK STATION ROAD REAR DEED-BK 6032 DEED-PG 75 TAX-DST TAX-BLK 34	LOT-NO. 74		
		CLARK STATION ROAD DEED-BK 5979 DEED-PG 155 TAX-DST TAX-BLK 34	LOT-NO. 180		
		1003 CLARK STATION ROAD DEED-BK 6032 DEED-PG 75 TAX-DST TAX-BLK 34	LOT-NO. 179		
		CLARK STATION ROAD DEED-BK 5979 DEED-PG 157 TAX-DST TAX-BLK 34	LOT-NO. 185		
		1007 CLARK STATION ROAD DEED-BK 4722 DEED-PG 2 TAX-DST TAX-BLK 34	LOT-NO. 15		
		809 CLARK STATION ROAD DEED-BK 5979 DEED-PG 157 TAX-DST TAX-BLK 34	LOT-NO. 184		
		CLARK STATION ROAD DEED-BK 4722 DEED-PG 2 TAX-DST TAX-BLK 34	LOT-NO. 16		
0848030	ORIN BURHL BOND JR 1105 CLARK STATION ROAD FISHERVILLE KY 40223	1105 CLARK STATION ROAD DEED-BK 5863 DEED-PG 293 TAX-DST TAX-BLK 34	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 45	5,450.00	
		1119 CLARK STATION ROAD DEED-BK 6899 DEED-PG 580 TAX-DST TAX-BLK 34	LOT-NO. 17		

160

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0848032	LUANNE BRYANT 1026 CLARK STATION ROAD FISHERVILLE KY 40023	1026 CLARK STATION ROAD DEED-BK 6178 DEED-PG 536 TAX-DST TAX-BLK 34	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0848034	M CLAY & MADALYN BRYANT P.O. BOX 91236 LOUISVILLE KY 40291	1012 CLARK STATION ROAD DEED-BK 1714 DEED-PG 302 TAX-DST TAX-BLK 42	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0848035	JOHN & SUE CHANDA 1313 CLARK STATION ROAD FISHERVILLE KY 40023	1313 CLARK STATION ROAD DEED-BK 4640 DEED-PG 314 TAX-DST TAX-BLK 34	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0848057	CHARLES L & LUCILLE CLARK 207 CLARK STATION ROAD FISHERVILLE KY 40023	205 CLARK STATION ROAD DEED-BK 3738 DEED-PG 548 TAX-DST TAX-BLK 34	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	00/0000	
		207 CLARK STATION ROAD DEED-BK 3346 DEED-PG 29 TAX-DST TAX-BLK 34	LOT-NO. 84		
		209 CLARK STATION ROAD DEED-BK 3162 DEED-PG 27 TAX-DST TAX-BLK 34	LOT-NO. 81		
0848059	STEPHEN J & PENNY DROPPelman 1210 CLARK STATION ROAD FISHERVILLE KY 40023	1210 CLARK STATION ROAD DEED-BK 7521 DEED-PG 62 TAX-DST TAX-BLK 34	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	00/0000	
			130		
0848060	PATRICIA J & KENNETH E HANSEN 1110 CLARK STATION ROAD FISHERVILLE KY 40023	1110 CLARK STATION ROAD DEED-BK 7327 DEED-PG 257 TAX-DST TAX-BLK 34	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
			170		
0848061	JEWELL & IRENE HARROD 201 LOGSDON COURT LOUISVILLE KY 40243	CLARK STATION ROAD DEED-BK 1832 DEED-PG 593 TAX-DST TAX-BLK 34	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
			20		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0848061	JEWELL & IRENE HARROD (CONTINUED)	1813 CLARK STATION ROAD DEED-BK 1832 DEED-PG 593 TAX-DST TAX-BLK 34	LOT-NO. 39		
0848062	ALBERT V & ELLEN HAWKINS 111 CLARK STATION ROAD (PAID-UP) FISHERVILLE KY 40023	18206 SHELBYVILLE ROAD DEED-BK 5328 DEED-PG 874 TAX-DST TAX-BLK 34	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 68	5,450.00	00/0000
		111 CLARK STATION ROAD DEED-BK 4340 DEED-PG 240 TAX-DST TAX-BLK 34	LOT-NO. 62		
0848063	LUCY C & GARY R LEE 210 CLARK STATION ROAD FISHERVILLE KY 40023	210 CLARK STATION ROAD DEED-BK 6788 DEED-PG 828 TAX-DST TAX-BLK 34	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 46	5,450.00	
0848065	THOMAS SR & MARILYN LEFFLER 316 CLARK STATION ROAD FISHERVILLE KY 40023	316 CLARK STATION ROAD DEED-BK 6051 DEED-PG 407 TAX-DST TAX-BLK 34	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 53	5,450.00	
0848073	LARRY K & JOYCE S MARTIN 1321 CLARK STATION ROAD FISHERVILLE KY 40023	1321 CLARK STATION ROAD DEED-BK 6544 DEED-PG 703 TAX-DST TAX-BLK 34	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 142	5,450.00	
0848075	JAMES T & WANDA MCCLURE 114 S WHIPPS MILL ROAD LOUISVILLE KY 40222	311 CLARK STATION ROAD DEED-BK 5666 DEED-PG 602 TAX-DST TAX-BLK 34	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 63	5,450.00	
0848146	JIMMIE MCCOY 10101 LINN STATION ROAD LOUISVILLE KY 40223	1020 CLARK STATION ROAD DEED-BK 5728 DEED-PG 846 TAX-DST TAX-BLK 42	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 8	5,450.00	
0848147	ROBERT E MELHORN 1316 CLARK STATION ROAD FISHERVILLE KY 40023	1316 CLARK STATION ROAD DEED-BK 6622 DEED-PG 482 TAX-DST TAX-BLK 34	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 131	5,450.00	

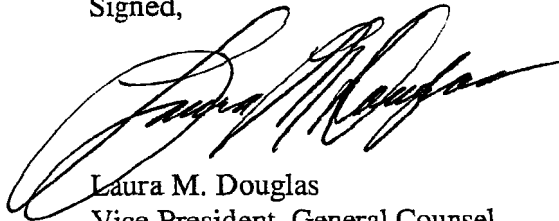
ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0848149	EDWARD MEYER	1323 CLARK STATION ROAD	5,450.00		
		DEED-BK 6419 LIEN-DT			
		FISHERVILLE KY DEED-PG 550 LIEN-BK			
		40023 TAX-DST LIEN-PG			
		TAX-BLK 34 LOT-NO.	148		
0848151	WALDO NAPIER	1225 CLARK STATION ROAD	5,450.00		
		DEED-BK 5792 LIEN-DT			
		FISHERVILLE KY DEED-PG 977 LIEN-BK			
		40023 TAX-DST LIEN-PG			
		TAX-BLK 34 LOT-NO.	140		
0848156	TODD & CHERYL JONE SCHLEUNING	200 CLARK STATION ROAD	5,450.00		
		200 CLARK STATION ROAD DEED-BK 7061 LIEN-DT			
		FISHERVILLE KY DEED-PG 666 LIEN-BK			
		40023 TAX-DST LIEN-PG			
		TAX-BLK 34 LOT-NO.	83		
0848157	THERESA HUTCHINS & M SHULER	117 CLARK STATION ROAD	5,450.00		
		9805 LANESBORO WAY DEED-BK 6322 LIEN-DT			
		LOUISVILLE KY DEED-PG 677 LIEN-BK			
		40042 TAX-DST LIEN-PG			
		TAX-BLK 34 LOT-NO.	97		
		201 CLARK STATION ROAD			
		DEED-BK 7037			
		DEED-PG 543			
		TAX-DST			
		TAX-BLK 34 LOT-NO.	111		
		203 CLARK STATION ROAD			
		DEED-BK 7037			
		DEED-PG 541			
		TAX-DST			
		TAX-BLK 34 LOT-NO.	115		
		CLARK STATION ROAD			
		DEED-BK 6322			
		DEED-PG 677			
		TAX-DST			
		TAX-BLK 34 LOT-NO.	107		
0848154	JAMES D JR & JULIE A SIMS	1317 CLARK STATION ROAD	5,450.00		
		DEED-BK 368 LIEN-DT			
		FISHERVILLE KY DEED-PG 639 LIEN-BK			
		40023 TAX-DST LIEN-PG			
		TAX-BLK 34 LOT-NO.	18		
0848160	WILLIAM E SR & DORIS STEWART	109 CLARK STATION ROAD	5,450.00		
		1696 JOYES STATION ROAD DEED-BK 5536 LIEN-DT			
		SHELBYVILLE KY DEED-PG 418 LIEN-BK			
		40065 TAX-DST LIEN-PG			
		TAX-BLK 34 LOT-NO.	61		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0848162	TIMOTHY R & DEBR STRINGFELLOW	301 CLARK STATION ROAD	5,450.00		
	130 CLARK STATION ROAD	DEED-BK 5608	LIEN-DT		
	FISHERVILLE KY	DEED-PG 868	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	114	
0848169	P. OEHLER & ALLEN VOGELSBERG	220 CLARK STATION ROAD	5,450.00		
	220 CLARK STATION ROAD	DEED-BK 5686	LIEN-DT		
	FISHERVILLE KY	DEED-PG 266	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	125	
0848170	CARL E & MARILYN WELLENDORFF	312 CLARK STATION ROAD	5,450.00		
	312 CLARK STATION ROAD	DEED-BK 6449	LIEN-DT		
	FISHERVILLE KY	DEED-PG 642	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	24	
0848171	RANSOM P JR & CAROL WILKERSON	1120 CLARK STATION ROAD	5,450.00		
	1120 CLARK STATION ROAD	DEED-BK 5714	LIEN-DT		
	FISHERVILLE KY	DEED-PG 650	LIEN-BK		
	40023	TAX-DST	LIEN-PG		
		TAX-BLK 34	LOT-NO.	21	

CERTIFICATION

This is to certify that the following *Routt Road: Old Heady Road to the County Line*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on January 15, 2002, a quorum being present.

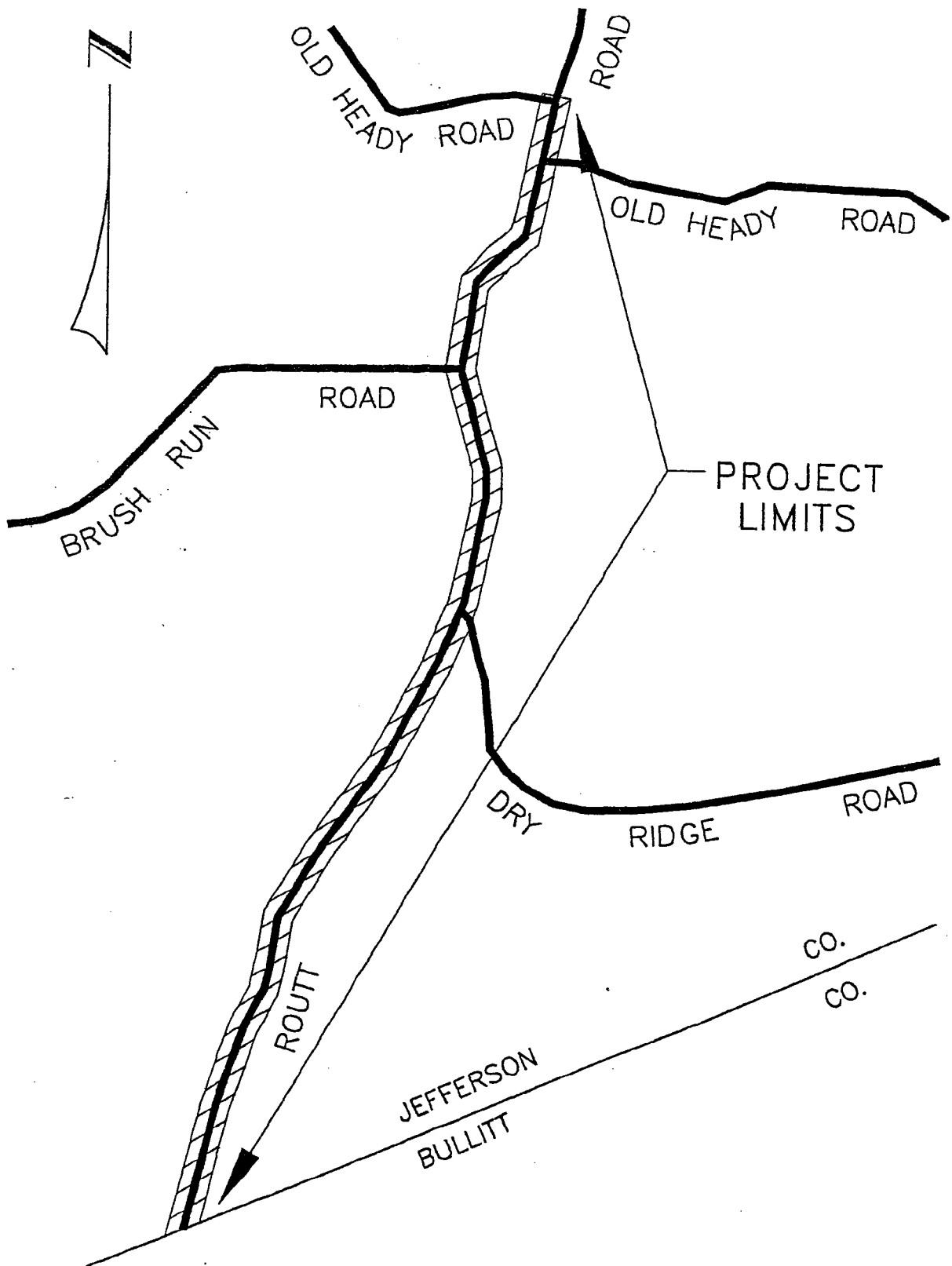
Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

Laura M. Douglas
Vice President, General Counsel
& Corporate Secretary

APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Rouff Road: Old Heady Road to the County Line** main extension project authorized by Ordinance No. 34, Series 1999 of the Jefferson Fiscal Court, adopted on October 12, 1999 such warrants to be against forty eight (48) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA 

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0851152	HERBERT & KAREN ALPIGER	7307 ROUTT ROAD	5,450.00		
	7307 ROUTT ROAD	DEED-BK 6854	LIEN-DT		
	LOUISVILLE KY	DEED-PG 857	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	194	
0851153	EDWIN ALTSMAN	7211 ROUTT ROAD	5,450.00		
	7211 ROUTT ROAD	DEED-BK 6468	LIEN-DT		
	LOUISVILLE KY	DEED-PG 1A	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	176	
0851154	EDWARD & KAREN BLASER	7305 ROUTT ROAD	5,450.00		
	7305 ROUTT ROAD	DEED-BK 6837	LIEN-DT		
	LOUISVILLE KY	DEED-PG 896	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	193	
0851155	JERRY & PATRICIA BOGGS	7412 ROUTT ROAD	5,450.00		
	7412 ROUTT ROAD	DEED-BK 5546	LIEN-DT		
	LOUISVILLE KY	DEED-PG 613	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	173	
0851157	MICHAEL & KIM BRODY	7303 ROUTT ROAD	5,450.00		
	7303 ROUTT ROAD	DEED-BK 5712	LIEN-DT		
	LOUISVILLE KY	DEED-PG 152	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	177	
0851158	SANDRA BEGGS & MARGA CASPER	8546 ROUTT ROAD	5,450.00		
	8546 ROUTT ROAD	DEED-BK 6718	LIEN-DT		
	LOUISVILLE KY	DEED-PG 412	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	162	
0851159	TYRONE & MARIA CLEMONS	7309 ROUTT RD	5,450.00		
	7311 ROUTT ROAD	DEED-BK 7517	LIEN-DT		
	LOUISVILLE KY	DEED-PG 729	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	196	
0851162	FERN CREEK FIRE PROTECTION DIS	ROUTT ROAD	5,450.00		
	6106 BARDSTOWN KY	DEED-BK 6080	LIEN-DT		
	LOUISVILLE KY	DEED-PG 902	LIEN-BK		
	40291	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	165	
0851164	ANTHONY FIRST	9340 ROUTT ROAD	5,450.00		
	9340 ROUTT ROAD	DEED-BK 5789	LIEN-DT		
	LOUISVILLE KY	DEED-PG 293	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	10	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0851166	GREGG & PAULA FITZGERALD	8340 ROUTT ROAD	5,450.00		
	8340 ROUTT ROAD	DEED-BK 5951	LIEN-DT		
	LOUISVILLE KY	DEED-PG 609	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	163	
0851167	CLEVELAND GRASCH	16101 DRY RIDGE LANE	5,450.00		
	16101 DRY RIDGE ROAD	DEED-BK 3428	LIEN-DT		
	LOUISVILLE KY	DEED-PG 240	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	21	
		COMMENT LOCATED ON SS OF DRY RIDGE RD			
0851168	CLEVELAND GRASCH	16101 DRY RIDGE LANE	5,450.00		
	16101 DRY RIDGE ROAD	DEED-BK 3728	LIEN-DT		
	LOUISVILLE KY	DEED-PG 240	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	21	
0851169	DANIEL & ANDREA GUELDA	15500 ELLIE LANE	5,450.00		
	15500 ELLIE LANE	DEED-BK 6470	LIEN-DT		
	LOUISVILLE KY	DEED-PG 427	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	197	
0852638	JOHN J & PAULA S GUELDA	9410 ROUTT ROAD	5,450.00		
	9410 ROUTT ROAD	DEED-BK 7299	LIEN-DT		
	LOUISVILLE KY	DEED-PG 746	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	11	
0851170	RAYMOND & MARJORIE HALL	9341 ROUTT ROAD	5,450.00		
	9341 ROUTT ROAD	DEED-BK 5182	LIEN-DT		
	LOUISVILLE KY	DEED-PG 462	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	1	
0851172	WILLIAM & MARY HARP	7500 ROUTT ROAD	5,450.00		
	7500 ROUTT ROAD	DEED-BK 6680	LIEN-DT		
	LOUISVILLE KY	DEED-PG 231	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	121	
0851175	RODGER & THERESA HEITKAMPER	8130 ROUTT ROAD	5,450.00		
	8130 ROUTT ROAD	DEED-BK 6463	LIEN-DT		
	LOUISVILLE KY	DEED-PG 154	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	156	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0851179	GEORGE & MARJORIE HILL	9409 ROUTT ROAD	5,450.00	00/0000	
(PAID-UP)	LOUISVILLE KY 40299	DEED-BK 4243 DEED-PG 76 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0851184	MICHAEL & SHIRLEY JONES	8702 ROUTT ROAD	5,450.00		
	LOUISVILLE KY 40299	DEED-BK 5304 DEED-PG 468 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
		8702 ROUTT ROAD			
		DEED-BK 5263 DEED-PG 504 TAX-DST TAX-BLK 59	LOT-NO.	167	
0851188	ALMA JEAN KELTY	8411 ROUTT ROAD	5,450.00		
	LOUISVILLE KY 40299	DEED-BK 6133 DEED-PG 344 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	149	
0851195	DAVID & SHARON LASHINSKY	9342 ROUTT ROAD	5,450.00		
	LOUISVILLE KY 40299	DEED-BK 4996 DEED-PG 741 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	19	
0851197	DONNA & DARRELL LEMASTER	8310 ROUTT ROAD	5,450.00		
	LOUISVILLE KY 40299	DEED-BK 6906 DEED-PG 155 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	154	
0851199	GLIFTON & FRONE MAHAFFEY	16200 MAHAFFEY LANE	5,450.00	00/0000	
(PAID-UP)	LOUISVILLE KY 40299	DEED-BK 6914 DEED-PG 74 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	181	
0851201	LAWRENCE R & CAROL MAYNARD	8210 ROUTT ROAD	5,450.00		
	LOUISVILLE KY 40299	DEED-BK 4558 DEED-PG 574 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	18	
0851202	NICHOLAS & THERESA MAZZOLI	7315 ROUTT ROAD	5,450.00		
	LOUISVILLE KY 40299	DEED-BK 6769 DEED-PG 850 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	102	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0851204	RANDY & SHELLY MILBY 7100 ROUTT ROAD LOUISVILLE KY 40299	7100 ROUTT ROAD DEED-BK 6895 DEED-PG 746 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0851206	MARSHA & FRANK OUTLAW JR 7600 ROUTT ROAD LOUISVILLE KY 40299	7600 ROUTT ROAD DEED-BK 6732 DEED-PG 658 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0851207	KENNETH & JACQUELINE PETERS 7806 ROUTT ROAD LOUISVILLE KY 40299	7806 ROUTT ROAD DEED-BK 6292 DEED-PG 807 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0851209	JOHN R REYNOLDS 7418 ROUTT ROAD LOUISVILLE KY 40299	7418 ROUTT ROAD DEED-BK 7272 DEED-PG 694 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0851210	FRANKLIN & ELIZABETH RICE 8405 ROUTT ROAD LOUISVILLE KY 40299	8405 ROUTT ROAD DEED-BK 6206 DEED-PG 102 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0851211	LAWRENCE G & ROBERTSON TRUST 8903 BRANDYWYNE DRIVE LOUISVILLE KY 40291	8320 ROUTT ROAD DEED-BK 7067 DEED-PG 243 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0851244	JULIE SCHMIDT 8330 ROUTT ROAD LOUISVILLE KY 40299	8330 ROUTT ROAD DEED-BK 7331 DEED-PG 34 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0851213	CHARLES & CONNIE SCHUSTER 7704 ROUTT ROAD LOUISVILLE KY 40299	7704 ROUTT ROAD DEED-BK 6090 DEED-PG 418 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0851215	SHAKE REVOCABLE LIVING TRUST 4878 HWY 44 E SHEPHERDSVILLE KY 40165	ROUTT ROAD DEED-BK 6754 DEED-PG 367 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0851217	SHAKE REVOCABLE LIVING TRUST	ROUTT ROAD	5,450.00		
	4878 HWY 44 E	DEED-BK 6754	LIEN-DT		
	LOUISVILLE KY	DEED-PG 364	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	99	
0851218	CHARLES & VERONICA SIMMS	8801 ROUTT ROAD	5,450.00		
	8801 ROUTT ROAD	DEED-BK 6205	LIEN-DT		
	LOUISVILLE KY	DEED-PG 271	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	16	
0851225	JOHN & MARY STENGEL	8120 ROUTT ROAD	5,450.00		
	8110 ROUTT ROAD	DEED-BK 6444	LIEN-DT		
	LOUISVILLE KY	DEED-PG 458	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	26	
		8110 ROUTT ROAD			
		DEED-BK 6402			
		DEED-PG 461			
		TAX-DST			
		TAX-BLK 59	LOT-NO.	114	
0851229	DONNA & BARNEY STRANGE	7902 ROUTT ROAD	5,450.00		
	9709 WINGFIELD LANE	DEED-BK 6465	LIEN-DT		
	LOUISVILLE KY	DEED-PG 278	LIEN-BK		
	40291	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	100	
0851230	GARLAND & A D THOMPSON	7021 ROUTT ROAD	5,450.00	00/0000	
	7021 ROUTT ROAD	DEED-BK 3815	LIEN-DT		
(PAID-UP)	LOUISVILLE KY	DEED-PG 254	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	77	
		7301 OLD HEADY ROAD			
		DEED-BK 3815			
		DEED-PG 256			
		TAX-DST			
		TAX-BLK 59	LOT-NO.	5	
0851231	GEORGE & MARJORIE TROUTMAN	7812 ROUTT ROAD	5,450.00		
	7812 ROUTT ROAD	DEED-BK 5054	LIEN-DT		
	LOUISVILLE KY	DEED-PG 83	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	151	
0851239	BRUCE & JOYCE WALL	7106 ROUTT ROAD	5,450.00		
	7106 OLD HEADY ROAD	DEED-BK 6588	LIEN-DT		
	LOUISVILLE KY	DEED-PG 614	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	192	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0851242	JACKSON & D J WARNER	7900 ROUTH ROAD	5,450.00		
	7900 ROUTH ROAD	DEED-BK 4045	LIEN-DT		
	LOUISVILLE KY	DEED-PG 326	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	106	
0851240	MARK & ANGELA WARNER	7901 ROUTH ROAD	5,450.00		
	7901 ROUTH ROAD	DEED-BK 6693	LIEN-DT		
	LOUISVILLE KY	DEED-PG 229	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	206	
0851245	CHARLES & MARTHA WILLIAMS	OLD HEADY ROAD	5,450.00		
	7420 ROUTH ROAD	DEED-BK 6207	LIEN-DT		
	LOUISVILLE KY	DEED-PG 292	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	123	
		6900 ROUTH ROAD			
		DEED-BK 6207			
		DEED-PG 292			
		TAX-DST			
		TAX-BLK 59	LOT-NO.	125	

ACCOUNT

NAME

LOCATION

ASSESSMENT

PAID IN FULL

RELEASE OF LIEN

44 NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 223,450.00

178

**Minutes of Regular Meeting
Board of Water Works
February 12, 2002**

Board Members Present

Mr. Owen Hammons
Mr. Jack Segell
Mr. Stewart Conner
Mr. Stephen Gault

Board Members Absent

Mr. Phillip Bond
Ms. Wendy Welsh
The Honorable David L. Armstrong, Mayor

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel & Secretary
Mr. Robert Miller, Vice President, Treasurer
Mr. Gregory Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Mr. James Wehrle, Vice President, Assuring Human Resources & Organizational Effectiveness
Mr. Steve Hubbs, Vice President, Supplying, Purifying & Delivering Water
Mr. Anthony Gregory
Mr. Larry Lenahan
Ms. Kay Ball

Mr. Huber called the meeting to order at 12:35 P.M.

CONSENT AGENDA

- Minutes of previous meetings
- Claims paid during the previous month
- Petitions and applications for water main extensions
- Authorization for design and bid of projects under \$200,000
- Bid tabulations for contracts under \$500,000
- Listing for award of contracts less than \$100,000

Item A: Minutes of Regular Meeting Held **January 15, 2002**
Request: Approve Minutes

Item B: Claims Paid During **January, 2002**
Request: File claims for future audit.

Item C: Petitions and applications for Water Main Extensions and Relocations
(when in full compliance / SR&R)

Developer Installed Refunding Main Extension Projects	Total Project Cost	Net Cost To LWC
Timberbend Section 3 (Project No. 99-008)	\$27,390.00	
Southgate VII & Southpoint Water Main Extension (Project No. 01-072)	\$130,520.00	\$19,600.00
Water Glen (Project No. 01-107)	\$24,010.00	

Surcharge/Tapping Fee Water Main Extension Projects 1033 South 7 th Street Rear (Project No. 01-216)	Total Project Cost \$11,800.00	
Metropolitan Sewer District Relocation Projects Oak Hills—Phase IV Assessment and Collector (LWC Project No. 02-406)	Total Project Cost \$6,400.00	Net Cost To LWC
Decker Road Assessment (LWC Project No. 02-410)	\$9,000.00	\$9,000.00
Developer Relocation Projects Dillard's Jefferson Mall Expansion (LWC Project No. 02-405)	Total Project Cost \$114,500.00	Net Cost To LWC
Wal-mart Supercenter (LWC Project No. 01-553)	\$64,700.00	

Item D: Authorization for design and bid of projects (*estimated to cost less than \$200,000*)

Item E: Bid tabulations (*award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid*).

Item F: Award of contracts less than \$100,000.00

Capital Programs

Project No.	Project Name	Total Project Cost
01-039	Campisano Drive, 12" Water Main Extension Project	\$30,000.00
01-071	Rose Island Road—12" Water Main Extension Project	\$55,723.00

Procurement of Goods and Services

Project No.	Project Name	Total Project Cost
01-670	Global Positioning System (GPS) and Accessories	\$45,220.00
01-37	Safety Barricades/Lights/Cones/Caution Tape	\$18,650.00
	Plain Barricades/Lights/Bulbs & Photo Cells	\$17,779.00
	Traffic Cones	\$1,000.00
	Caution Tape	\$200.00
	Bulbs Only	
01-56	Cardinal Hill Reservoir Tank Cleaning	\$33,325.00

Procurement of Sole Source Materials and Services

Project No.	Project Name	Total Project Cost
Sole Source	Intelligent System Control Modules	\$29,796.00
99-402	Riverbank Infiltration: Phase II	\$41,650.00

The Consent Agenda was approved. Mr. Gault abstained from voting on the Consent Agenda.

REPORT OF OFFICERS

Administrative Report

Mr. Huber reported that there is new monitoring technology (real time/on line) installed at the Payne Plant to assist with River Monitoring. Mr. Huber also stated that Mr. Jack Wilson, head of the Division of Water at the State, has retired. LWC is finishing up its MRRP in 2002 and 2003. With less than 50 miles of pipe to do, LWC is looking closely at the street cutting associated with the end of the program. We are interested on cooperative efforts with Aldermen and residents regarding street re-paving associated with work on the remaining residential streets. Our aim is to minimize customer inconvenience.

Financial Report (Under Separate Cover)

Mr. Miller reported on the Income and Expense Summary for January 2002.

Income and Expense Summary

- 1) Total operating revenue of \$6,691,400 is \$698,100 or 9.45% less than budgeted and \$613,000 or 8.39% less than the same period in 2001. We sold 9.33% less water in 2002 than the same period in 2001. Water delivered to the mains was 2.65% less than 2001.
- 2) Operation and maintenance expense of \$2,801,600 is \$158,100 or 5.34% less than budgeted and \$274,200 or 8.91% less than 2001.
- 3) Net operating income of \$1,904,900 is \$633,500 or 24.96% less than budgeted.
- 4) Total non-operating income of \$270,100 is \$8,800 or 3.37% more than budgeted. Total non-operating expense of \$568,500 is \$9,800 or 1.69% less than budgeted.
- 5) Net income of \$1,606,500 is \$614,800 or 27.68% less than budgeted and \$862,400 or 34.93% less than 2001.

Meter Route Changes

Meter reading route improvements are in process to improve the efficiency of the meter reading process. During January and February, the number of days usage on water bills will vary from the typical standard of 58 to 62 days. As a result, the water consumption and revenue recorded during January was significantly lower than normal, while water consumption and revenue recorded during February is expected to be higher, bringing the year-to-date total consumption and revenue through February to a more normal amount. Also, as a result of these changes, there will be higher month-to-month swings in revenue due to the concentration of accounts in one month that are charged an elevated service area surcharge.

2001 Year-End Audit

Crowe Chizek commenced their audit of the year-end 2001 financial statements on February 11, 2002 and anticipates their completion by February 22. LWC significantly improved the preparation work in advance of this earlier-than-usual audit date. Also, staff has completed the preparation for adoption of GASB 34 for the year ending December 31, 2002. Although not required, staff intends to add a Management Discussion and Analysis section to the 2001 Annual Report.

Banking and Lockbox Contracts

LWC currently uses Republic Bank for banking services and uses Fifth Third Bank for lockbox services. Staff is evaluating the performance of each firm for these services for consideration of how the bid should be structured in the future; that is, to determine if these services should be rebundled into one contract as was done in the past.

Timing of the January Financial Results

The financial statements delivered to the Board of Water Works on this date represent the first occasion when actual financial results for January were available in time for consideration at the February Board meeting.

Operations Report

Mr. Heitzman presented the Operations Report for January 2002.

Production and Water Quality

January pumpage averaged 117.6 mgd, slightly higher than the 5-year average for January. A total of 370 water samples were evaluated for the month, with no samples detecting coliform bacteria. No boil water advisories were issued for the month.

Distribution Center

During January 104 main breaks were repaired, compared to 158 in January 2001. The mild winter weather conditions have allowed operations to focus on routine maintenance and reduce the backlog of work orders to 835.

Minority Business Development

During 2001, the Company spent \$1.69 million with certified Minority Business Enterprises (MBE). This is an 18 percent increase in spending compared to the \$1.43 million in 2000. The Evaluated Bid Program Pilot was a measured success in 2001 with 17 projects bid under the program. A total of \$1.3 million of MBE spending and a total of \$217,500 of WBE spending were committed by Louisville Water Company contractors and their subcontractors with the Evaluated Bid Program. This is a 78% increase and a 71% increase respectively, over the \$735,000 MBE commitment and the \$127,500 WBE commitment in 2000, the year the pilot was initiated.

Serving Customers Report

Ms. Teasley gave the Serving Customers Report for January 2002.

Customer Service

The January 2002 abandonment rate was 9.27%, significantly higher than the December rate of 3.18%. This increase is primarily due to higher call volume associated with the RouteSmart project to revise meter reading routes, as well as the rate increase implemented January 1st.

Billing and Bad Debt

Bad debt for the month of January was unusually high, \$93,055, due primarily to bankruptcies. Total bankruptcies for the month were \$60,305, including two large companies – Carbide/Graphite (\$51,778) and Dairy Mart (\$7,158). The number of estimated bills was also up for the month, (7%) due to the RouteSmart implementation.

Bullitt County Advisory Board - Lakeview 16" Main Extension Project Funding

One of the key issues discussed at the January meeting was an old business item relating to the funding by the Bullitt County Water Reserve of a 16-inch water main extension project along Lakeview Drive that supports growth in Bullitt County. During the January meeting, staff presented an approach for funding the project from the Bullitt County System Development Reserve. The use of this funding source would relieve any impact to the Bullitt County Water Reserve. The Advisory Board reached consensus that the Bullitt

County System Development Reserve was an appropriate funding source for the project. LWC staff agreed to fund the project from the Bullitt County System Development Reserve. This matter will be brought before the BOWW for review and action in the near future.

Duty Exchange Program

Anticipating the implementation of Automatic Meter Reading (AMR) in the near future, LWC has discontinued the small duty exchange program. The duty exchange program systematically exchanged 15,000 meters a year, exchanging the entire system over a 20-year period. The decision to implement AMR requires the exchange of all small meters, older than five years in the system. Allowing the system to age has little risk since the system is statistically sample-tested every two years. Allowing the system to age has little risk and will improve the return on investment of AMR.

Litigation Report

After proper motion and second, the Board voted to adjourn to closed session for the purpose of discussing litigation, acquisition of property and a personnel item. Ms. Douglas gave an oral litigation report in closed session. The Board reconvened into open session without taking any action.

REPORT OF COMMITTEES

Public Information and Customer Satisfaction Committee

Ms. Teasley gave the report for the Customer Satisfaction and Public Information Committee meeting held on February 1, 2002.

The Minutes from that meeting can be found on page 155 of the February 12, 2002 Board Book. Ms. Teasley distributed the Customer Satisfaction Index Charts. (Attached) This material showed that at the end of 2001, the CSI score was 840. The Served Customer annual average for the year was 780. Ms. Teasley also distributed a Benchmarking Comparison Chart.

SPECIAL ISSUES

BID TABULATIONS

01-54 Telecommunications System Upgrade, Maintenance, and Support

Proposals were recently received for several items relating to the Company's telecommunications and wide area computer networks from two qualified bidders, E&H Integrated Systems and BellSouth. The scope of the proposal includes upgrades to existing equipment at Crescent Hill and Allmond Ave, installation of a carrier remote system at the Bullitt County office to bring the location into the existing telecommunications network, a two year contract for maintenance and support services on all telephone hardware, software, and equipment and data and voice network services. BellSouth received 99 percentage points and E&H received 76 percentage points. The total cost proposed by BellSouth in the amount of \$390,856.73 is below the project estimate of \$425,000 and is at or below current budget levels.

After proper motion and second, the Board voted to award a contract to BellSouth in the amount of \$390,856.73 for the proposed equipment and support services.

COMMUNICATIONS

Human Resources Effectiveness Index

Mr. Wehrle reported on the HREI Results for 2001.

The HREI survey evaluates several factors, including employee perceptions, safety, productivity, external customer service, diversity, and attendance. This past year, in 2001, LWC surpassed the old record of 777 with an exceptional all-time high score of 799! The key HROE measure is the Employee Perception component of the HREI. This includes factors for quality of work life, diversity, communications, empowerment, trust, teamwork, and leadership. In 2001 LWC surpassed the old Employee Perception record of 583 with an extraordinary all-time high score of 628!!! Every employee is to be complimented on the fact that all this was achieved in such a positive manner.

In the future, the company will be developing its own diversity videos for use in training sessions.

OLD BUSINESS

Ms. Teasley reported the following:

Issuance of Apportionment Warrants per KRS 96.265

Old Heady Road: Thurman Road to Routt Road

A public hearing was held January 27, 2000 for the extension of water service along Old Heady Road: Thurman Road to Routt Road. The Board of Water Works adopted a resolution for Old Heady Road: Thurman Road to Routt Road on February 15, 2000 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 7, Series 2000 on March 28, 2000 for the Old Heady Road: Thurman Road to Routt Road. The construction contract was awarded to Reynolds, Inc. in December 2000.

After proper motion and second, the Board adopted a Resolution authorizing the issuance of Apportionment Warrants and liens against 32 benefited properties along Old Heady Road: Thurman Road to Routt Road in accordance with KRS. 96.265, as described.

Issuance of Apportionment Warrants per KRS 96.265

Seatonville Road: Existing Water Main to Echo Trail

A public hearing was held November 18, 1999 for the extension of water service along Seatonville Road: Existing Water Main to Echo Trail. The Board of Water Works adopted a resolution for Seatonville Road: Existing Water Main to Echo Trail on December 14, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 5, Series 2000 on February 8, 2000 for Seatonville Road: Existing Water Main to Echo Trail. The construction contract was awarded to Reynolds, Inc. in December 2000.

After proper motion and second, the Board voted to adopt a Resolution issuing Apportionment Warrants and liens against 6 benefited properties along Seatonville Road: Existing Water Main to Echo Trail in accordance with KRS. 96.265, as described.

Amendment of Apportionment Warrant Register

Old Heady Road: Routt Road to County Boundary; Dry Ridge Road: Routt Road to Old Heady Road

The Board approved a resolution for the issuance of Apportionment Warrants for Old Heady Road: Routt Road to County Boundary and Dry Ridge Road: Routt Road to Old Heady Road at its January 15, 2002 meeting in accordance with KRS 96.265. It was determined that Ms. Mundt's property, listed on the Warrant Register, does have frontage on the Old Heady Road: Routt Road to County Boundary water main extension and was not included in the original scope due to incorrect Property Valuation Administrator information. Secondly, the Apportionment Warrant Register approved at the January 15, 2002 Board of Water Works meeting information contained incorrect ownership information for property located at 7903 Old Heady Road (Tax Block 60 Lots 46 and 82). Said property transferred ownership between the final verification of ownership information and the issuance of Apportionment Warrants on January 15, 2002.

After proper motion and second, the Board voted to adopt the Amended Resolution and the amendment of the Apportionment Warrant Register of January 15, 2002, thereby, adding Tax Block 60 Lot 114 (Julie Mundt property) to the apportionment warrant register and correcting the ownership and deed information for Tax Block 60 Lots 46 and 82 in accordance with KRS. 96.265.

Bullitt County Water Improvement Program—Bullitt County Extension Program

Additions to Project 02-300, Pine Creek Subdivision Extension Project

This project was originally presented to the BOWW on January 15, 2002 and approved for engineering design and advertisement for bid in the total project amount of \$184,125. Additional Letters of Intent received have made it possible to add three (3) routes to the already approved project. This correspondence presents these additional routes to the previously approved project 02-300, Pine Creek Subdivision, and requests authorization to expand the scope of this project to include these new routes to leverage economies of scale for project engineering. Out of 49 residents along these routes, we have 36 "Letters of Intent" for 74% participation. The revised total cost of the project is \$503,360. Total capital contributions are estimated at \$201,200.

After proper motion and second, the Board authorized staff to expand the scope of Project 02-300, Pine Creek Subdivision Extension Project, to include the three new routes for an updated total project amount of \$503,360. The results of the bids will be presented to the Board with recommendation for contract award.

Mr. Heitzman reported on the following:

B.E. Payne Water Treatment Plant Improvements LWC Project No. 00-418

Proposed under the 2001 to 2004 Capital Budget are funds for improvements to the B. E. Payne Water Treatment Plant. Staff requests an increase in capital funding for the project and requests authorization to complete the conceptual plan, engineering design and advertisement for bid. The electrical improvements include new 4160 V switch gear and motor control centers, new main transformers, filter control improvements, new switch gear building and separate underground LG&E main feed. Hydraulic improvements include two new 7-10 mgd high lift pumps, extension of the high lift pump building, tie-in to the 36-inch ductile iron line, feed to the 820 pp, stabilization of the 60-inch steel header and installation of hydroneumatic surge tanks on the 60-inch and 36-inch transmission lines. Water quality improvements include filter media replacement, filter underdrain replacement with installation of air scour equipment, filter box improvements, two new backwash pumps and backwash control valve, installation of filter-to-waste piping, and rebuilding existing backwash valves. The approved budget for the project is \$15,125,000. Staff requests a budget increase to \$20,500,000.

After proper motion and second, the Board voted to authorize staff to finalize the conceptual design, proceed with engineering design and advertisement for bid for the subject project. Following bidding the construction contract will be presented to the Board for review and authorization to proceed.

Mr. Heitzman asked the Board to consider an increase in contract funding for contract F-517, LWC Project No. 00-418. This engineering work is related to Project No. 00-418:

B. E. Payne Water Treatment Plant Improvements

Camp, Dresser, and McKee Contract F-517 LWC Project No. 00-418

Camp, Dresser and McKee (CDM) was approved by the Board of Water works at the July 10, 2001 Board meeting to provide design and construction oversight for the B.E. Payne Water Treatment Plant Improvement Project. Preliminary engineering conducted for the project has identified several areas that have been recommended be included in the project, which were outside the original CDM contract scope.

The scope increase includes additional or expanded work in several areas. Additional hydraulic/surge analyses is required to incorporate the proposed extension to the 36-inch transmission main. Preliminary engineering has indicated that the design of additional surge protection is required. The 60-inch plant header will require the design of stabilization and corrosion protection measures. Filter-to-waste facilities will be included in the filter improvement design as well as back wash valve renovation. The PRV vault at US-42 will be retrofitted with reliability improvements. Additional design and investigation work is required for the location of the switch gear building.

After proper motion and second, the Board authorized an increase in contract F-517 of \$126,653 for a total contract amount of \$1,029,882. This amount is 5.6% of the proposed/revised construction estimate and 5.0% of the construction estimate with proposed alternates. The construction cost estimate includes approximately \$1,500,000 in additional construction work outside the original scope. The revised total CDM contract remains over \$150,000 less than the second consultant in the original selection.

NEW BUSINESS

Request Authorization for Final Design and for Procurement and Installation of a Storage Area Network to Support the Information Technology Technical and Data Architectures

Mr. Gregory stated that the Information Technology Strategic Plan provides strategies to meet the challenges and achieve the objectives set forth in the LWC Strategic Plan by using Information Technology as a strategic enabler to leverage technology investments.

One of the Information Technology Systems primary business tasks is to store and manage the Company's data and information in a secure environment to ensure data integrity and the data is accessible for business reporting and analysis. The Technical and Data Architectures have been established to manage this task. The Technical and Data Architectures have evolved since 1994 from a closed, proprietary centralized architecture to Opens Systems architectures and standards, which included the purchase of the Data General corporate servers and Oracle Relational Database Management System. The re-engineering and replacement of our core Information Supply Systems have led to distribution of data processing and storage management to application servers connected to our network. In addition, the Data General platform is nearing the end of its useful life and plans have been made for replacement with more current technology.

To meet these challenges, staff recommends reallocating the existing budget funds in the amount of \$700,000 for the replacement of the Data General systems and allocate additional funding in the amount of \$360,000 to provide the project funding necessary to procure a Storage Area Network that will aggregate data storage management, provide for data security and controlled access to information, and provide for scalable storage to meet our system replacement and expanding data storage and information management needs.

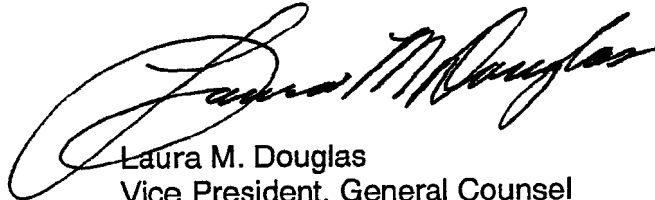
After proper motion and second, the Board voted to authorize final design and bid for the project at an estimated cost of \$1,060,000.

The meeting adjourned at 2:37 P.M.

CERTIFICATION

This is to certify that the following *Old Heady Road: Thurman Road to Routt Road*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on February 12, 2002, a quorum being present.

Signed,

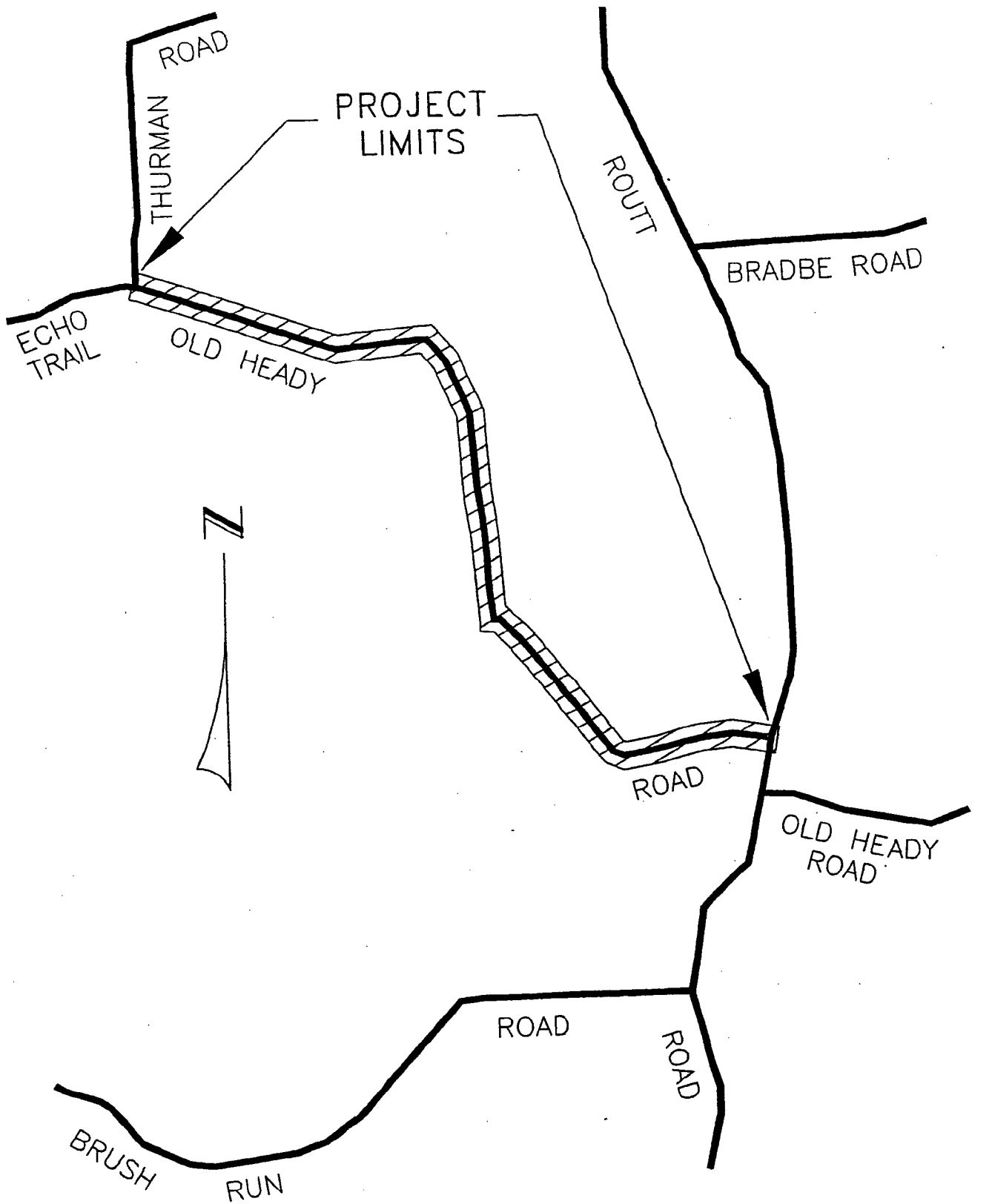
A handwritten signature in black ink, appearing to read "Laura M. Douglas". The signature is written in a cursive style with a large, looping initial "L".

Laura M. Douglas
Vice President, General Counsel
Corporate Secretary

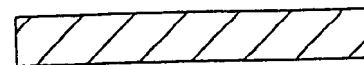
APPORTIONMENT WARRANT RESOLUTION

February 12, 2002

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Old Heady Road: Thurman Road to Routt Road** main extension project authorized by Ordinance No. 7, Series 2000 of the Jefferson Fiscal Court, adopted on March 28, 2000 such warrants to be against thirty two (32) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA



FILE NAME: OLD HEADY

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0856644	NORMAN L & DONNA ADWELL 6806 OLD HEADY ROAD JEFFERSONTOWN KY 40299	6806 OLD HEADY ROAD		5,450.00	
		DEED-BK 5534	LIEN-DT		
		DEED-PG 805	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	171	
0856646	WILLIAM B BOLIN 7007 OLD HEADY ROAD JEFFERSONTOWN KY 40299	7007 OLD HEADY ROAD		5,450.00	
		DEED-BK 7697	LIEN-DT		
		DEED-PG 795	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	90	
0856669	WILLIAM L & SANDRA BRANCH 1442 HUGH AVENUE LOUISVILLE KY 40213	OLD HEADY ROAD		5,450.00	
		DEED-BK 5827	LIEN-DT		
		DEED-PG 956	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 53	LOT-NO.	133	
0856672	JOHN E & PAMELA K BRIM 2529 BARNSIDE ROAD NW JOHNSTOWN OH 43031	6537 OLD HEADY ROAD			
		DEED-BK 5827			
		DEED-PG 956			
		TAX-DST			
		TAX-BLK 54	LOT-NO.	141	
0856673	TIMOTHY P & DEBORAH BRITT 7102 OLD HEADY ROAD JEFFERSONTOWN KY 40299	16051 WINDING RIDGE TRL		5,450.00	
		DEED-BK 7099	LIEN-DT		
		DEED-PG 837	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 53	LOT-NO.	151	
0856674	THOMAS D & ELIZABETH CLINES 6602 OLD HEADY ROAD JEFFERSONTOWN KY 40299	7102 OLD HEADY ROAD		5,450.00	
		DEED-BK 6192	LIEN-DT		
		DEED-PG 855	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	190	
0856675	STUART EISENBACK 1701 ECHO TRAIL LOUISVILLE KY 40245	6602 OLD HEADY ROAD			
		DEED-BK 6683	LIEN-DT		
		DEED-PG 417	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	46	
0856675	STUART EISENBACK 1701 ECHO TRAIL LOUISVILLE KY 40245	16000 WINDING RIDGE TRAIL		5,450.00	
		DEED-BK 6794	LIEN-DT		
		DEED-PG 188	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 53	LOT-NO.	150	

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Exhibit "A"

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0856676	EDWIN & MARY J FRUEHWALD 6601 OLD HEADY ROAD JEFFERSONTOWN KY 40299	6601 OLD HEADY ROAD DEED-BK 4003 DEED-PG 440 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	89
0856677	TIMOTHY & ALISHA HETTINGER 9211 LANTANA DRIVE LOUISVILLE KY 40229	6420 OLD HEADY ROAD DEED-BK 7201 DEED-PG 410 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	149
0856678	GRAHAME P MORSELL 2531 RANSELL AVENUE LOUISVILLE KY 40204	6501 OLD HEADY ROAD DEED-BK 7482 DEED-PG 186 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	146
		6441 OLD HEADY ROAD DEED-BK 7482 DEED-PG 186 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.		147
0856679	MALCOLM W & THELMA JENKINS 6700 OLD HEADY ROAD JEFFERSONTOWN KY 40299	6700 OLD HEADY ROAD DEED-BK 5102 DEED-PG 223 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	2
0856680	CLARENCE R & J W JONES 7107 OLD HEADY ROAD JEFFERSONTOWN KY 40299	7107 OLD HEADY ROAD DEED-BK 3764 DEED-PG 438 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	85
0856681	MAMIE R JUMP 7111 OLD HEADY ROAD JEFFERSONTOWN KY 40299	7111 OLD HEADY ROAD DEED-BK 5226 DEED-PG 80 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	75
0856682	JAMES R & JOYCE H LEE 6904 GREEN MANOR DRIVE LOUISVILLE KY 40228	7100 OLD HEADY ROAD DEED-BK 3665 DEED-PG 417 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	76
0856684	JOSEPH JR & CYNTHIA LONG 6820 OLD HEADY ROAD JEFFERSONTOWN KY 40299	6810 OLD HEADY ROAD DEED-BK 6473 DEED-PG 827 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	92

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0856685	WENDELL & MARY F MESKER	7013 OLD HEADY ROAD	5,450.00		
	7013 OLD HEADY ROAD	DEED-BK 4876	LIEN-DT		
	JEFFERSONTOWN KY	DEED-PG 526	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	112	
0856690	RONALD G JR & BRENDA METTS	7006 OLD HEADY ROAD	5,450.00		
	7000 OLD HEADY ROAD	DEED-BK 6472	LIEN-DT		
	LOUISVILLE KY	DEED-PG 915	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	201	
		7000 OLD HEADY ROAD			
		DEED-BK 6472			
		DEED-PG 915			
		TAX-DST			
		TAX-BLK 59	LOT-NO.	200	
0856691	VERNON C & JANE MOORE	7101 OLD HEADY ROAD	5,450.00		
	7101 OLD HEADY ROAD	DEED-BK 3759	LIEN-DT		
	JEFFERSONTOWN KY	DEED-PG 95	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	4	
0856689	BRADLEY SCOTT & EILE MURRAY	7018 OLD HEADY ROAD	5,450.00		
	7018 OLD HEADY ROAD	DEED-BK 7617	LIEN-DT		
	JEFFERSONTOWN KY	DEED-PG 110	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	203	
0856692	EILEEN MURRAY	7012 OLD HEADY ROAD	5,450.00		
	7012 OLD HEADY ROAD	DEED-BK 7886	LIEN-DT		
	JEFFERSONTOWN KY	DEED-PG 626	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	202	
0856693	DONALD E & BRENDA PHILLIPS	6910 OLD HEADY ROAD	5,450.00		
	6910 OLD HEADY ROAD	DEED-BK 5532	LIEN-DT		
	JEFFERSONTOWN KY	DEED-PG 530	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	172	
0856694	JOSEPH & PHYLLIS RATTERMAN	6711 OLD HEADY ROAD	5,450.00		
	6711 OLD HEADY ROAD	DEED-BK 7267	LIEN-DT		
	JEFFERSONTOWN KY	DEED-PG 273	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	67	
0856696	DONALD B & BARBARA ROBINSON	16071 WINDING RIDGE TRAIL	5,450.00		
	16071 WINDING RIDGE TRAIL	DEED-BK 6794	LIEN-DT		
	JEFFERSONTOWN KY	DEED-PG 53	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 53	LOT-NO.	152	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0856698	JAMES H & JEAN L SAMPSON	6400 OLD HEADY ROAD	5,450.00		
	6706 OLD HEADY ROAD	DEED-BK 7711 LIEN-DT			
	JEFFERSONTOWN KY	DEED-PG 592 LIEN-BK			
	40299	TAX-DST LIEN-PG			
		TAX-BLK 53 LOT-NO. 39			
		6706 OLD HEADY ROAD			
		DEED-BK 7711			
		DEED-PG 592			
		TAX-DST			
		TAX-BLK 59 LOT-NO. 1			
		15619 BRUSH RUN ROAD			
		DEED-BK 7711			
		DEED-PG 592			
		TAX-DST			
		TAX-BLK 59 LOT-NO. 50			
0856700	JAS H & JEAN L SAMPSON	6706 OLD HEADY ROAD	5,450.00		
	6706 OLD HEADY ROAD	DEED-BK 4126 LIEN-DT			
	JEFFERSONTOWN KY	DEED-PG 51 LIEN-BK			
	40299	TAX-DST LIEN-PG			
		TAX-BLK 59 LOT-NO. 91			
0856702	MARK A & BARBARA C SMITH	6703 OLD HEADY ROAD	5,450.00		
	6703 OLD HEADY ROAD	DEED-BK 6042 LIEN-DT			
	JEFFERSONTOWN KY	DEED-PG 919 LIEN-BK			
	40299	TAX-DST LIEN-PG			
		TAX-BLK 59 LOT-NO. 41			
0856704	JOS G & LOUISE STARRETT	6517 OLD HEADY ROAD	5,450.00		
	6517 OLD HEADY ROAD	DEED-BK 5359 LIEN-DT			
	JEFFERSONTOWN KY	DEED-PG 191 LIEN-BK			
	40299	TAX-DST LIEN-PG			
		TAX-BLK 54 LOT-NO. 112			
		OLD HEADY ROAD			
		DEED-BK 5520			
		DEED-PG 196			
		TAX-DST			
		TAX-BLK 53 LOT-NO. 132			
0856706	TERRY L & MARY STEPHENSON	6715 OLD HEADY ROAD	5,450.00		
	6813 OLD HEADY ROAD	DEED-BK 5962 LIEN-DT			
	JEFFERSONTOWN KY	DEED-PG 199 LIEN-BK			
	40299	TAX-DST LIEN-PG			
		TAX-BLK 59 LOT-NO. 87			
		6813 OLD HEADY ROAD			
		DEED-BK 5448			
		DEED-PG 157			
		TAX-DST			
		TAX-BLK 59 LOT-NO. 39			

APPORTIONMENT WARRANT CONTRACT E717W REGISTER

BOOK PAGE 5

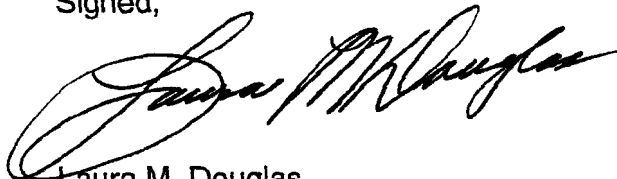
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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0856708	FRANKLIN & BETTY SWAN	6421 OLD HEADY ROAD	5,450.00		
	1010 TUCKER STATION ROAD	DEED-BK 7399			LIEN-DT
	LOUISVILLE KY	DEED-PG 449			LIEN-BK
	40299	TAX-DST			LIEN-PG
		TAX-BLK 53		148	LOT-NO.
0856709	F H THOMPSON	6704 OLD HEADY ROAD	5,450.00		
	6708 OLD HEADY ROAD	DEED-BK 5662			LIEN-DT
	JEFFERSONTOWN KY	DEED-PG 665			LIEN-BK
	40299	TAX-DST			LIEN-PG
		TAX-BLK 59		93	LOT-NO.
0856710	ANNA MARIE WOOD	7015 H OLD HEADY ROAD	5,450.00		
	7017 OLD HEADY ROAD	DEED-BK 7196			LIEN-DT
	JEFFERSONTOWN KY	DEED-PG 152			LIEN-BK
	40299	TAX-DST			LIEN-PG
		TAX-BLK 59		88	LOT-NO.
		7015 OLD HEADY ROAD			
		DEED-BK 7196			
		DEED-PG 152			
		TAX-DST			
		TAX-BLK 59		119	LOT-NO.
0856711	ROBERT & SUSAN YADEN	6518 OLD HEADY ROAD	5,450.00		
	6518 OLD HEADY ROAD	DEED-BK 7619			LIEN-DT
	JEFFERSONTOWN KY	DEED-PG 8			LIEN-BK
	40299	TAX-DST			LIEN-PG
		TAX-BLK 59		97	LOT-NO.

CERTIFICATION

This is to certify that the following *Seatonville Road: Existing Water Main to Echo Trail*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on February 12, 2002, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas". The signature is fluid and cursive, with a large initial "L" and "M".

Laura M. Douglas
Vice President, General Counsel
Corporate Secretary

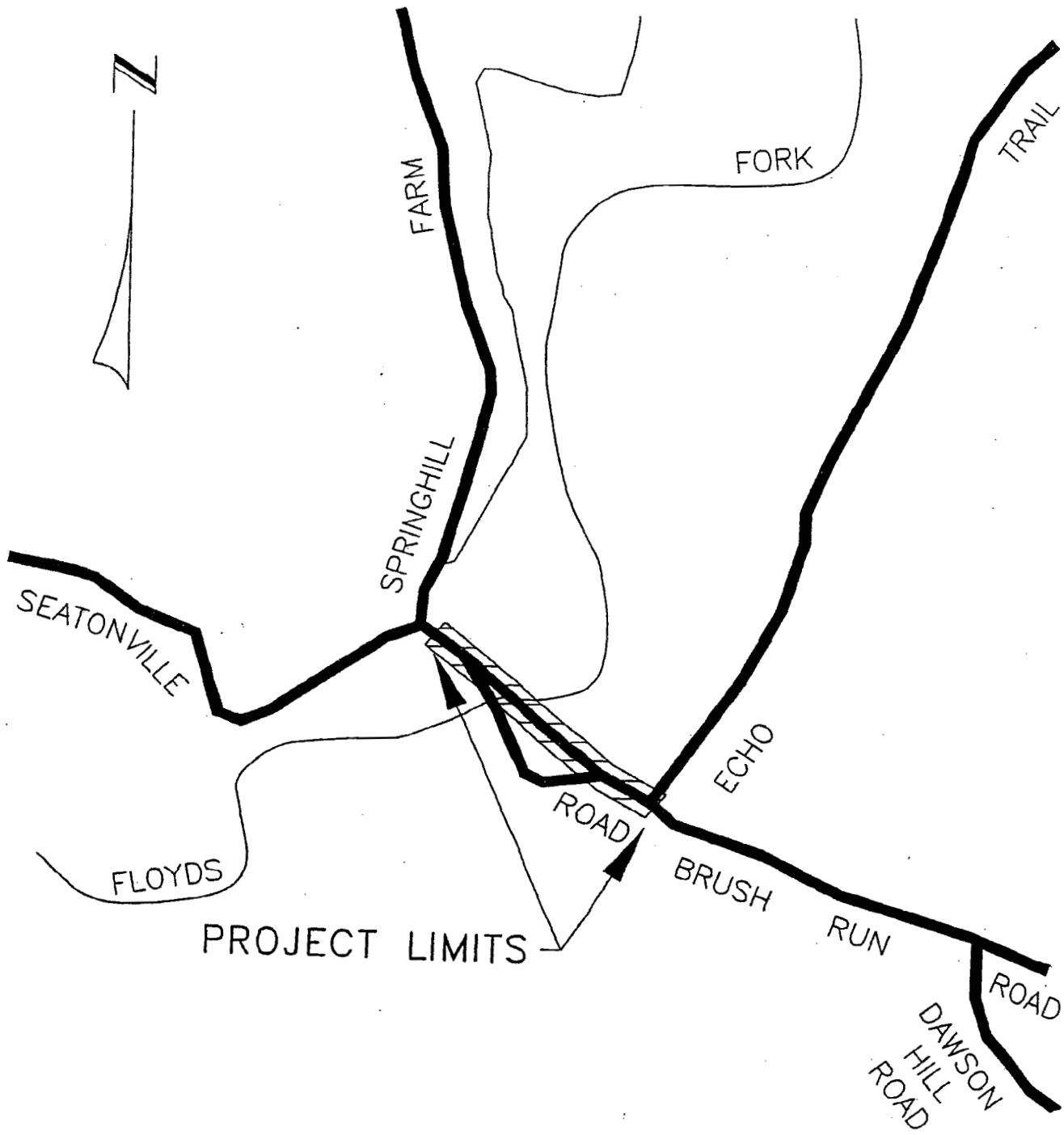
APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Seatonville Road: Existing Water Main to Echo Trail** main extension project authorized by Ordinance No. 5, Series 2000 of the Jefferson Fiscal Court, adopted on February 8, 2000 such warrants to be against six (6) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0851511	SAMUEL BENNETT	13305 SEATONVILLE ROAD	5,450.00		
	5018 BOSTON ROAD	DEED-BK 4947	LIEN-DT		
	BRUNSWICK OH	DEED-PG 40	LIEN-BK		
	44232	TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	100	
0851514	TIMOTHY P REDMAN	SEATONVILLE ROAD	5,450.00		
	315 BARRICKS ROAD	DEED-BK 7670	LIEN-DT		
	LOUISVILLE KY	DEED-PG 53	LIEN-BK		
	40229	TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	81	
0851520	SEATONVILLE SPRINGS A PTRSHIP	13210 SEATONVILLE ROAD	5,450.00		
	2210 GOLDSMITH LANE #200	DEED-BK 5116	LIEN-DT		
	LOUISVILLE KY	DEED-PG 873	LIEN-BK		
	4021A	TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	11	
		SEATONVILLE ROAD			
		DEED-BK 5439			
		DEED-PG 355			
		TAX-DST			
		TAX-BLK 58	LOT-NO.	39	
0851529	SEATONVILLE SPRINGS A PTRSHIP	1320A SEATONVILLE ROAD	5,450.00		
	2210 GOLDSMITH LANE #200	DEED-BK 5116	LIEN-DT		
	LOUISVILLE KY	DEED-PG 873	LIEN-BK		
	4021A	TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	11	
0851533	SEATONVILLE SPRINGS A PTRSHIP	SEATONVILLE ROAD	5,450.00		
	2210 GOLDSMITH LANE #200	DEED-BK 5116	LIEN-DT		
	LOUISVILLE KY	DEED-PG 873	LIEN-BK		
	4021A	TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	11	

Exhibit "A"

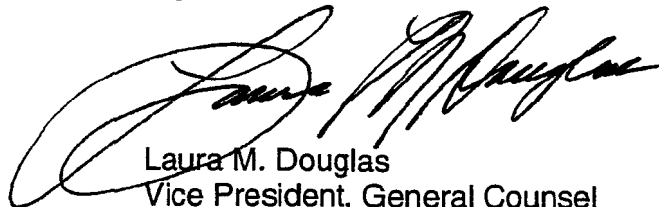


FILE NAME: SEATONVILLE

CERTIFICATION

This is to certify that the following *Old Heady Road: Routt Road to County Boundary and Dry Ridge Road: Routt Road to Old Heady Road*, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville on February 12, 2002, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

Laura M. Douglas
Vice President, General Counsel
Corporate Secretary

AMENDED APPORTIONMENT WARRANT RESOLUTION

RESOLVED, the Board of Water Works, pursuant to Section 96.265(11) of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for the cost of **Old Heady Road: Routt Road to County Boundary and Dry Ridge Road: Routt Road to Old Heady Road** main extension project authorized by Private Petition/Agreement such warrants to be against one hundred twenty five (125) benefited properties identified by present ownership and official records set forth on Exhibit D, attached, each apportionment warrant to be in the principal sum of \$5450.00 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850722	WILFRED & ELIZ ADAMS 36321 DRY RIDGE ROAD LOUISVILLE KY 40299	36321 DRY RIDGE ROAD DEED-BK 4975 DEED-PG 751 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0850902	ADAM J ATZINGER 8316 OLD HEADY ROAD LOUISVILLE KY 40299	8316 OLD HEADY ROAD DEED-BK 3908 DEED-PG 175 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0850723	CAROLYN A & STERLING BARNETT 17114 DRY RIDGE ROAD LOUISVILLE KY 40299	17114 DRY RIDGE ROAD DEED-BK 4327 DEED-PG 158 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
		17116 DRY RIDGE ROAD DEED-BK 4810 DEED-PG 797 TAX-DST TAX-BLK 60	LOT-NO.	45	
		DRY RIDGE ROAD DEED-BK 3927 DEED-PG 378 TAX-DST TAX-BLK 60	LOT-NO.	58	
		17106 DRY RIDGE ROAD DEED-BK 4810 DEED-PG 797 TAX-DST TAX-BLK 60	LOT-NO.	44	
		17102 DRY RIDGE ROAD DEED-BK 6066 DEED-PG 473 TAX-DST TAX-BLK 60	LOT-NO.	47	
		17116 DRY RIDGE ROAD DEED-BK 4327 DEED-PG 158 TAX-DST TAX-BLK 60	LOT-NO.	71	
0850903	EDV J JR & MARY BECKLEY 7903 OLD HEADY ROAD LOUISVILLE KY 40299	7903 OLD HEADY ROAD DEED-BK 7558 DEED-PG 981 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	

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EXHIBIT A

APPORTIONMENT WARRANT CONTRACT E7710 REGISTER

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850903	EDV J JR & MARY BECKLEY (CONTINUED)	7073 OLD HEADY ROAD DEED-BK 7558 DEED-PG 781 TAX-DST TAX-BLK 60			
		LOT-NO.	82		
0850906	ROGER D & CYNTH BOSTON & ETAL 8606 GARYDON DRIVE LOUISVILLE KY 40293	7300 OLD HEADY ROAD DEED-BK 6333 DEED-PG 638 TAX-DST TAX-BLK 59	5,450.00		
		LIEN-DT			
		LIEN-BK			
		LIEN-PG			
		LOT-NO.	185		
0850724	MICHAEL & DIANE BOYD 16711 DRY RIDGE ROAD LOUISVILLE KY 40299	16711 DRY RIDGE ROAD DEED-BK 5832 DEED-PG 824 TAX-DST TAX-BLK 60	5,450.00		
		LIEN-DT			
		LIEN-BK			
		LIEN-PG			
		LOT-NO.	11		
0850727	ANDY & OMEGA F BROUGHTON 290 MAYWOOD CIRCLE STANFORD KY 40484	16904 DRY RIDGE ROAD DEED-BK 4088 DEED-PG 340 TAX-DST TAX-BLK 60	5,450.00		
		LIEN-DT			
		LIEN-BK			
		LIEN-PG			
		LOT-NO.	99		
0850728	HORACE DANIEL III BROWN 16902 DRY RIDGE ROAD LOUISVILLE KY 40299	16902 DRY RIDGE ROAD DEED-BK 7673 DEED-PG 752 TAX-DST TAX-BLK 60	5,450.00		
87		LIEN-DT			
		LIEN-BK			
		LIEN-PG			
		LOT-NO.	65		
0850907	DENNIS R & ROBIN BUTLER 891 MARKWELL LANE TAYLORSVILLE KY 40073	8101 OLD HEADY ROAD DEED-BK 5097 DEED-PG 306 TAX-DST TAX-BLK 60	5,450.00		
		LIEN-DT			
		LIEN-BK			
		LIEN-PG			
		LOT-NO.	98		
0850917	JOSEPH J & LULA M BUTLER 895 MARKWELL LANE TAYLORSVILLE KY 40073	8100 OLD HEADY ROAD DEED-BK 5508 DEED-PG 243 TAX-DST TAX-BLK 60	5,450.00		
		LIEN-DT			
		LIEN-BK			
		LIEN-PG			
		LOT-NO.	13		
0850918	LARRY WAYNE & TAMARA BUTLER 8301 OLD HEADY ROAD LOUISVILLE KY 40299	8301 OLD HEADY ROAD DEED-BK 6975 DEED-PG 605 TAX-DST TAX-BLK 60	5,450.00		
		LIEN-DT			
		LIEN-BK			
		LIEN-PG			
		LOT-NO.	97		
0850910	MICHAEL A & SUZANNE BUTLER 8615 OLD HEADY ROAD LOUISVILLE KY 40299	8615 OLD HEADY ROAD DEED-BK 5097 DEED-PG 312 TAX-DST TAX-BLK 60	5,450.00		
		LIEN-DT			
		LIEN-BK			
		LIEN-PG			
		LOT-NO.	101		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850730	RICHARD JR. & RUBY BUTLER 16501 DRY RIDGE ROAD LOUISVILLE KY 40299	16606 DRY RIDGE ROAD DEED-BK 4035 DEED-PG 379 TAX-DST TAX-BLK 64	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850908	RICHARD LEE BUTLER 16501 DRY RIDGE ROAD LOUISVILLE KY 40299	8501 OLD HEADY ROAD DEED-BK 5097 DEED-PG 308 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850916	RICHARD M & RUBY BUTLER 16501 DRY RIDGE ROAD LOUISVILLE KY 40299	DRY RIDGE ROAD DEED-BK 5508 DEED-PG 237 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850733	RUBY & RICHARD JR BUTLER 16501 DRY RIDGE ROAD LOUISVILLE KY 40299	16501 DRY RIDGE ROAD DEED-BK 3884 DEED-PG 195 TAX-DST TAX-BLK 64	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850789	ANTHONY & BARBARA CASABELLA 17014 DRY RIDGE ROAD LOUISVILLE KY 40299	17014 DRY RIDGE ROAD DEED-BK 6158 DEED-PG 485 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
88					
0850921	WALTER R & ROSA J CASHEN 7310 OLD HEADY ROAD LOUISVILLE KY 40299	7310 OLD HEADY ROAD DEED-BK 6903 DEED-PG 659 TAX-DST TAX-BLK 59	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850790	THOMAS J JR. CLARK 17101 DRY RIDGE ROAD LOUISVILLE KY 40299	17101 DRY RIDGE ROAD DEED-BK 6678 DEED-PG 743 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850791	ELMER & HELEN IRENE COULTER 17318 DRY RIDGE ROAD LOUISVILLE KY 40299	17318 DRY RIDGE ROAD DEED-BK 3594 DEED-PG 243 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0850923	FRANK & IRENE CRENSHAW 11511 SEATONVILLE ROAD LOUISVILLE KY 40291	7800 OLD HEADY ROAD DEED-BK 7399 DEED-PG 699 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
850927	JAMES A & EDITH DENNIS 8600 OLD HEADY ROAD LOUISVILLE KY 40299	8600 OLD HEADY ROAD DEED-BK 5456 DEED-PG 885 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 54	
1850924	MITCHELL W & CECILE H DENNIS 8510 OLD HEADY ROAD LOUISVILLE KY 40299	8510 OLD HEADY ROAD DEED-BK 5456 DEED-PG 885 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 110	
1850929	R GARY DENNIS 8500 OLD HEADY ROAD LOUISVILLE KY 40299	8500 OLD HEADY ROAD DEED-BK 5561 DEED-PG 105 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 106	
0850930	RAYMOND L & IRMA DUNAWAY 8700 OLD HEADY ROAD LOUISVILLE KY 40299	8700 OLD HEADY ROAD DEED-BK 3920 DEED-PG 512 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 15	
0850792	STEVEN EGYEDI 17100 DRY RIDGE ROAD LOUISVILLE KY 40299	17100 DRY RIDGE ROAD DEED-BK 7404 DEED-PG 906 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 63	
0850795	CHARLES G & MILDRED EISENBACK 17308 DRY RIDGE ROAD LOUISVILLE KY 40299	17308 DRY RIDGE ROAD DEED-BK 2979 DEED-PG 163 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 27	
0850932	JR JANET HOLT & CH EISENBACK 8701 OLD HEADY ROAD LOUISVILLE KY 40299	8701 OLD HEADY ROAD DEED-BK 4881 DEED-PG 177 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 80	
0850796	DAVID & MELINDA ELDER 17017 DRY RIDGE ROAD LOUISVILLE KY 40299	17017 DRY RIDGE ROAD DEED-BK 4263 DEED-PG 552 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 68	
0850933	DENISE EPPERSON 7212 OLD HEADY ROAD LOUISVILLE KY 40299	7212 OLD HEADY ROAD DEED-BK 7358 DEED-PG 73 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 186	

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850938	DONALD K JR & MARIE L GOOD	17320 DRY RIDGE ROAD	5,450.00		
	17320 DRY RIDGE	DEED-BK 4990	LIEN-DT		
	LOUISVILLE KY	DEED-PG 760	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	105	
		7932 OLD HEADY RD			
		DEED-BK 5922			
		DEED-PG 542			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	36	
		17323 DRY RIDGE RD			
		DEED-BK 5959			
		DEED-PG 11			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	121	
		OLD HEADY RD			
		DEED-BK 5959			
		DEED-PG 11			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	122	
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0850975	SHIRLEY & JIMMIE HAMMOND	OLD HEADY ROAD	5,450.00		
	707 LOUISVILLE ROAD	DEED-BK 5097	LIEN-DT		
	COXS CREEK KY	DEED-PG 302	LIEN-BK		
	40013	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	96	
0850812	FRED HATMAKER	17112 DRY RIDGE ROAD	5,450.00		
	121 S 7TH STREET #400	DEED-BK 7707	LIEN-DT		
	LOUISVILLE KY	DEED-PG 149	LIEN-BK		
	40202	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	23	
0850827	DANIEL H & GLENDA G HAWKINS	17313 DRY RIDGE ROAD	5,450.00		
	17313 DRY RIDGE ROAD	DEED-BK 5676	LIEN-DT		
	LOUISVILLE KY	DEED-PG 438	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	34	
0850830	JOSEPH A HENEHAN	16603 DRY RIDGE ROAD	5,450.00		
	3351 DAYTON AVENUE	DEED-BK 7307	LIEN-DT		
	LOUISVILLE KY	DEED-PG 987	LIEN-BK		
	40207	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	6	
		DRY RIDGE ROAD			
		DEED-BK 7307			
		DEED-PG 987			
		TAX-DST			
		TAX-BLK 64	LOT-NO.	13	

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0850977	HANS MICHAEL & SUSAN J HERGET 7319 OLD HEADY ROAD LOUISVILLE KY 40299	7319 OLD HEADY ROAD DEED-BK 6604 DEED-PG 403 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 35
0850832	BURNES A HILBERT 16908 DRY RIDGE ROAD LOUISVILLE KY 40299	16908 DRY RIDGE ROAD DEED-BK 5186 DEED-PG 747 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 21
0850834	ROBERT E & LINDA HOLLAND 16722 DRY RIDGE ROAD LOUISVILLE KY 40299	16722 DRY RIDGE ROAD DEED-BK 5892 DEED-PG 93 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 102
0850837	MIKE HOWARD 16208 DRY RIDGE ROAD LOUISVILLE KY 40299	16208 DRY RIDGE ROAD DEED-BK 7448 DEED-PG 293 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 27
0850839	THELMA R & MALCOLM W JENKINS 6700 OLD HEADY ROAD LOUISVILLE KY 40299	16602 DRY RIDGE ROAD DEED-BK 5102 DEED-PG 223 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 8
0850840	DOYLE R & WANDA L JOHNSON 6211 HOWELL WAY LOUISVILLE KY 40291	17018 DRY RIDGE ROAD DEED-BK 4996 DEED-PG 558 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 91
0850981	JOHNNIE & ANNIE F JUMP 7905 OLD HEADY ROAD LOUISVILLE KY 40299	7905 OLD HEADY ROAD DEED-BK 2579 DEED-PG 154 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 22
0850982	STEPHEN & SUSAN KAREM 2111 PLEASANTVIEW COURT NEW ALBANY IN 47150	17201 ANSELMO LANE DEED-BK 7536 DEED-PG 570 TAX-DST TAX-BLK 3295	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 570
0850983	MICHAEL A KARWEJNA 7933 OLD HEADY ROAD LOUISVILLE KY 40299	7933 OLD HEADY ROAD DEED-BK 6775 DEED-PG 933 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 51

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850843	MICHAEL A KARWEJNA (CONTINUED)	7735 OLD HEADY ROAD DEED-BK 6775 DEED-PG 933 TAX-DST TAX-BLK 60	LOT-NO. 52		
0850844	RICHARD C & MARY ANN KEY 17296 DRY RIDGE ROAD LOUISVILLE KY 40299	17296 DRY RIDGE ROAD DEED-BK 5213 DEED-PG 922 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 40	5,450.00	
0850984	EDNA K LAMASTER C/O BETTY DOEBLER 4835 NOTTINGHAM SHIRE DRIVE LOUISVILLE KY 40299	7207 OLD HEADY ROAD DEED-BK 2862 DEED-PG 30 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 32	5,450.00	
0850846	PAUL KENNETH LANHAM 16900 DRY RIDGE ROAD LOUISVILLE KY 40299	16900 DRY RIDGE ROAD DEED-BK 5070 DEED-PG 556 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 55	5,450.00	
0850848	MICHAEL & JOYCE LASLIE 16701 DRY RIDGE ROAD LOUISVILLE KY 40299	16701 DRY RIDGE ROAD DEED-BK 4842 DEED-PG 546 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 38	5,450.00	
0850850	BRADLEY M LEE 17307 DRY RIDGE ROAD LOUISVILLE KY 40299	17307 DRY RIDGE ROAD DEED-BK 7214 DEED-PG 577 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 31	5,450.00	
0850849	PAUL D & IDA B LEE 17021 DRY RIDGE ROAD LOUISVILLE KY 40299	17021 DRY RIDGE ROAD DEED-BK 5667 DEED-PG 893 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 66	5,450.00	
0850852	CHARLES L & EDITH M LYNCH 17309 DRY RIDGE ROAD LOUISVILLE KY 40299	17309 DRY RIDGE ROAD DEED-BK 3329 DEED-PG 445 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 32	5,450.00	
0850988	REVOCABLE TRUST LYNN JEANETTE 11700 SEATONVILLE ROAD LOUISVILLE KY 40299	7900 OLD HEADY ROAD DEED-BK 7563 DEED-PG 300 TAX-DST TAX-BLK 3295	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 1	5,450.00	

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850853	JACKIE W & L MAGGARD 16703 DRY RIDGE ROAD LOUISVILLE KY 40299	16703 DRY RIDGE ROAD DEED-BK 3974 DEED-PG 210 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 59	
0850989	JAMES & DIANE MASSEY 7809 OLD HEADY ROAD LOUISVILLE KY 40299	7809 OLD HEADY ROAD DEED-BK 4803 DEED-PG 612 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 6	
0850990	PAUL & RUTH MCCARTHY 7416 OLD HEADY ROAD LOUISVILLE KY 40299	7416 OLD HEADY ROAD DEED-BK 4129 DEED-PG 345 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 231	
0850854	EARL M III & SANDRA L MILLER 16901 DRY RIDGE ROAD LOUISVILLE KY 40299	16901 DRY RIDGE ROAD DEED-BK 7599 DEED-PG 671 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 140	
		DRY RIDGE ROAD DEED-BK 7599 DEED-PG 671 TAX-DST TAX-BLK 60	LOT-NO.	139	
93	0850856 GEORGE R & MARY SUE MILLER 17003 DRY RIDGE ROAD LOUISVILLE KY 40299	16810 DRY RIDGE ROAD DEED-BK 6187 DEED-PG 382 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 73	
		17003 DRY RIDGE ROAD DEED-BK 6500 DEED-PG 604 TAX-DST TAX-BLK 60	LOT-NO.	94	
0850858	JAMES & TERRI MILLER 17303 DRY RIDGE ROAD LOUISVILLE KY 40299	17303 DRY RIDGE ROAD DEED-BK 7335 DEED-PG 755 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 29	
0850861	OSCAR H & SHERRY MILLER 17305 DRY RIDGE ROAD LOUISVILLE KY 40299	17305 DRY RIDGE ROAD DEED-BK 6078 DEED-PG 973 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 30	

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APPORTIONMENT WARRANT CONTRACT LIST

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850863	DONALD B & BRENDA MILLS	16223 DRY RIDGE ROAD	5,450.00		
	16223 DRY RIDGE ROAD	DEED-BK 6834	LIEN-DT		
	LOUISVILLE KY	DEED-PG 990	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	18	
0850864	PATRICK MITCHUM	17030 DRY RIDGE ROAD	5,450.00		
	17030 DRY RIDGE ROAD	DEED-BK 5941	LIEN-DT		
	LOUISVILLE KY	DEED-PG 531	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	118	
0850992	THE TERRI H NEAL TRUST	7525 OLD HEADY ROAD	5,450.00		
	7525 OLD HEADY ROAD	DEED-BK 7630	LIEN-DT		
	LOUISVILLE KY	DEED-PG 427	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	115	
0850866	STEVEN R & BETH A OPPEL	16220 DRY RIDGE ROAD	5,450.00		
	13001 TRUMP AVENUE	DEED-BK 7552	LIEN-DT		
	LOUISVILLE KY	DEED-PG 717	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	2	
0850867	ROBERT E & ELIZABET PATTERSON	17015 DRY RIDGE ROAD	5,450.00		
94	17015 DRY RIDGE ROAD	DEED-BK 4975	LIEN-DT		
	LOUISVILLE KY	DEED-PG 51	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	67	
0850999	JAMES F & EMMA JEAN PFAU	7401 OLD HEADY ROAD	5,450.00		
	7401 OLD HEADY ROAD	DEED-BK 6382	LIEN-DT		
	LOUISVILLE KY	DEED-PG 353	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	118	
0851002	LELAND & MARTHA ROGERS	7307 OLD HEADY ROAD	5,450.00		
	7307 OLD HEADY ROAD	DEED-BK 4573	LIEN-DT		
	LOUISVILLE KY	DEED-PG 185	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	126	
0850869	BARBARA K RUFF	17315 DRY RIDGE ROAD	5,450.00		
	17315 DRY RIDGE ROAD	DEED-BK 6470	LIEN-DT		
	LOUISVILLE KY	DEED-PG 51	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	35	
0851005	C D & HAZEL I SHAKE	7316 OLD HEADY ROAD	5,450.00		
	7316 OLD HEADY ROAD	DEED-BK 1842	LIEN-DT		
	LOUISVILLE KY	DEED-PG 384	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	37	

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850872	CHARLES D & HAZEL SHAKE 7316 OLD HEADY ROAD LOUISVILLE KY 40299	16304 DRY RIDGE ROAD DEED-BK 3884 DEED-PG 195 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0850873	T. JENKINS & KENNETH R SHAKE 16608 DRY RIDGE ROAD LOUISVILLE KY 40299	DRY RIDGE ROAD DEED-BK 6862 DEED-PG 347 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	20
0850874	CLARENCE W & IVA LE SHIELDS 17311 DRY RIDGE ROAD LOUISVILLE KY 40299	17311 DRY RIDGE ROAD DEED-BK 3099 DEED-PG 114 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	33
0851007	GERALD D & ETHEL R SWAN 8401 OLD HEADY ROAD LOUISVILLE KY 40299	8401 OLD HEADY ROAD DEED-BK 6454 DEED-PG 617 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	100
0851008	MAURICE FRANKLIN & B SWAN 3010 TUCKER STATION ROAD LOUISVILLE KY 40299	7415 OLD HEADY ROAD DEED-BK 7499 DEED-PG 396 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	212
0851012	ROBERT L & MARGARET SWARTZ 7317 OLD HEADY ROAD LOUISVILLE KY 40299	7317 OLD HEADY ROAD DEED-BK 3581 DEED-PG 472 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	69
0850875	JAMES A & SARAH TERRELL 16605 DRY RIDGE ROAD LOUISVILLE KY 40299	16605 DRY RIDGE ROAD DEED-BK 2920 DEED-PG 399 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	37
0850877	WILLIAM K & TAMMY K TERRELL 16724 DRY RIDGE ROAD LOUISVILLE KY 40299	16724 DRY RIDGE ROAD DEED-BK 6325 DEED-PG 830 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	76
0850878	GREGORY & CHANTEL TREADWAY 17016 DRY RIDGE ROAD LOUISVILLE KY 40299	17016 DRY RIDGE ROAD DEED-BK 7062 DEED-PG 154 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	132

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0853018	KEVIN UNDERWOOD 8013 OLD HEADY ROAD LOUISVILLE KY 40299	OLD HEADY ROAD	5,450.00		
		DEED-BK 7363	LIEN-DT		
		DEED-PG 318	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	74	
		8109 OLD HEADY ROAD			
		DEED-BK 7363			
		DEED-PG 318			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	19	
		7500 UNDERWOOD TRAIL			
		DEED-BK 7363			
		DEED-PG 318			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	127	
		7601 UNDERWOOD TRAIL			
		DEED-BK 7363			
		DEED-PG 318			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	126	
	MARY P VANEGAS	16723 DRY RIDGE ROAD	5,450.00		
	8004 SYCAMORE CREEK DRIVE	DEED-BK 7764	LIEN-DT		
	LOUISVILLE KY	DEED-PG 471	LIEN-BK		
	40222	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	146	
		16727 DRY RIDGE ROAD			
		DEED-BK 7764			
		DEED-PG 471			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	147	
07890881	GEORGE C & CAROLYN A VISSER	DRY RIDGE ROAD	5,450.00		
	5011 ROUNT ROAD	DEED-BK 6297	LIEN-DT		
	LOUISVILLE KY	DEED-PG 174	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	141	
		DRY RIDGE ROAD			
		DEED-BK 6297			
		DEED-PG 174			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	142	
		DRY RIDGE ROAD			
		DEED-BK 6297			
		DEED-PG 174			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	143	

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REGISTRATION

ASSESSMENT

PAID IN FULL

RELEASE OF LIEN

REGISTRATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850881	GEORGE C & CAROLYN A. VISSER (CONTINUED)	DRY RIDGE ROAD DEED-BK 6297 DEED-PG 174 TAX-DST TAX-BLK 60	LOT-NO. 145
0851020	RAY C & CORDIE WALLS	7321 OLD HEADY ROAD DEED-BK 4370 DEED-PG 149 TAX-DST TAX-BLK 59	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 98
		7321 OLD HEADY ROAD DEED-BK 5759 DEED-PG 569 TAX-DST TAX-BLK 59	LOT-NO. 113
0850882	JAMES A & MONICA WELER	16920 DRY RIDGE ROAD DEED-BK 6259 DEED-PG 10 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 86
0850883	ROBERT T WELER	17001 DRY RIDGE ROAD DEED-BK 6717 DEED-PG 525 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 42
0852654	W DOUGLAS & CAROL WICKERSHAM	16715 DRY RIDGE ROAD DEED-BK 5508 DEED-PG 228 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 78
0852652	SIDONIE G MILLIS	17300 DRY RIDGE ROAD DEED-BK 5647 DEED-PG 930 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 26
0850887	LEONARD W & HAZEL M WIMSATT	17319 DRY RIDGE ROAD DEED-BK 6788 DEED-PG 729 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 119
		17321 DRY RIDGE ROAD DEED-BK 6788 DEED-PG 729 TAX-DST TAX-BLK 60	LOT-NO. 120

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0851021	DALE E & BARBARA A WISE 7311 OLD HEADY ROAD LOUISVILLE KY 40299	7309 OLD HEADY ROAD DEED-BK 4170 DEED-PG 183 TAX-DST TAX-BLK 59	5,450.00		
		7311 OLD HEADY ROAD DEED-BK 4170 DEED-PG 183 TAX-DST TAX-BLK 59		208	
		7311 OLD HEADY ROAD DEED-BK 4170 DEED-PG 183 TAX-DST TAX-BLK 59		209	
0850890	JAMES H & JENEVA WORKMAN 17118 DRY RIDGE ROAD LOUISVILLE KY 40299	DRY RIDGE ROAD DEED-BK 4941 DEED-PG 586 TAX-DST TAX-BLK 60	5,450.00		
		DRY RIDGE ROAD DEED-BK 4927 DEED-PG 147 TAX-DST TAX-BLK 60		48	
		DRY RIDGE ROAD DEED-BK 4927 DEED-PG 147 TAX-DST TAX-BLK 60		16	
96		17118 DRY RIDGE ROAD DEED-BK 4927 DEED-PG 147 TAX-DST TAX-BLK 60		72	
0850895	CEBE DOUGLASS & SHEL WRIGHT 17312 DRY RIDGE ROAD LOUISVILLE KY 40299	17312 DRY RIDGE ROAD DEED-BK 5763 DEED-PG 409 TAX-DST TAX-BLK 60	5,450.00		
				28	
0850898	STEPHEN E SR. ZOELLER 17317 DRY RIDGE ROAD LOUISVILLE KY 40299	17317 DRY RIDGE ROAD DEED-BK 6643 DEED-PG 270 TAX-DST TAX-BLK 60	5,450.00		
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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850722	WILFRED & ELIZ ADAMS	16321 DRY RIDGE ROAD	5,450.00		
	16321 DRY RIDGE ROAD	DEED-BK 4975	LIEN-DT		
	LOUISVILLE KY	DEED-PG 751	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	22	
0850902	ADAM J ATZINGER	8316 OLD HEADY ROAD	5,450.00		
	8316 OLD HEADY ROAD	DEED-BK 3908	LIEN-DT		
	LOUISVILLE KY	DEED-PG 175	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	56	
0850723	CAROLYN A & STERLING BARNETT	17114 DRY RIDGE ROAD	5,450.00		
	17114 DRY RIDGE ROAD	DEED-BK 4327	LIEN-DT		
	LOUISVILLE KY	DEED-PG 158	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	70	
		17116 DRY RIDGE ROAD			
		DEED-BK 4810			
		DEED-PG 797			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	45	
		102 DRY RIDGE ROAD			
		DEED-BK 3927			
		DEED-PG 378			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	58	
		17106 DRY RIDGE ROAD			
		DEED-BK 4810			
		DEED-PG 797			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	44	
		17102 DRY RIDGE ROAD			
		DEED-BK 6066			
		DEED-PG 473			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	47	
		17116 DRY RIDGE ROAD			
		DEED-BK 4327			
		DEED-PG 158			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	71	
0850706	ROGER D & CYNTH BOSTON & ETAL	7300 OLD HEADY ROAD	5,450.00		
	8606 GARYDON DRIVE	DEED-BK 6113	LIEN-DT		
	LOUISVILLE KY	DEED-PG 638	LIEN-BK		
	40291	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	185	

Exhibit "D"

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850724	MICHAEL & DIANE ROYD	16711 DRY RIDGE ROAD	5,450.00		
	16711 DRY RIDGE ROAD	DEED-BK 5832	LIEN-DT		
	LOUISVILLE KY	DEED-PG 824	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	11	
0850727	ANDY & OMEGA F BROUGHTON	16904 DRY RIDGE ROAD	5,450.00		
	290 MAYWOOD CIRCLE	DEED-BK 4088	LIEN-DT		
	STANFORD KY	DEED-PG 340	LIEN-BK		
	40444	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	49	
0850728	HORACE DANIEL III BROWN	16902 DRY RIDGE ROAD	5,450.00		
	16902 DRY RIDGE ROAD	DEED-BK 7673	LIEN-DT		
	LOUISVILLE KY	DEED-PG 752	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	65	
0850907	DENNIS R & ROBIN BUTLER	8101 OLD HEADY ROAD	5,450.00		
	891 MARKWELL LANE	DEED-BK 5097	LIEN-DT		
	TAYLORSVILLE KY	DEED-PG 306	LIEN-BK		
	40071	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	98	
0850917	JOSEPH J & LULA M BUTLER	8100 OLD HEADY ROAD	5,450.00		
	891 MARKWELL LANE	DEED-BK 5508	LIEN-DT		
	TAYLORSVILLE KY	DEED-PG 241	LIEN-BK		
	40071	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	13	
0850918	LARRY WAYNE & TAMARA BUTLER	8301 OLD HEADY ROAD	5,450.00		
	8301 OLD HEADY ROAD	DEED-BK 6975	LIEN-DT		
	LOUISVILLE KY	DEED-PG 605	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	97	
0850910	MICHAEL A & SUZANNE BUTLER	8615 OLD HEADY ROAD	5,450.00		
	8615 OLD HEADY ROAD	DEED-BK 5097	LIEN-DT		
	LOUISVILLE KY	DEED-PG 312	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	101	
0850730	RICHARD JR. & RUBY BUTLER	16606 DRY RIDGE ROAD	5,450.00		
	16501 DRY RIDGE ROAD	DEED-BK 4035	LIEN-DT		
	LOUISVILLE KY	DEED-PG 379	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	7	
0850908	RICHARD LEE BUTLER	8501 OLD HEADY ROAD	5,450.00		
	16501 DRYRIDGE ROAD	DEED-BK 5097	LIEN-DT		
	LOUISVILLE KY	DEED-PG 308	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	99	

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850916	RICHARD M & RUBY BUTLER	DRY RIDGE ROAD	5,450.00		
	16501 DRY RIDGE ROAD	DEED-BK 5508	LIEN-DT		
	LOUISVILLE KY	DEED-PG 237	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	111	
0850733	RUBY & RICHARD JR BUTLER	16501 DRY RIDGE ROAD	5,450.00		
	16501 DRY RIDGE ROAD	DEED-BK 3884	LIEN-DT		
	LOUISVILLE KY	DEED-PG 175	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	4	
0850789	ANTHONY & BARBARA CASABELLA	17014 DRY RIDGE ROAD	5,450.00		
	17014 DRY RIDGE ROAD	DEED-BK 6158	LIEN-DT		
	LOUISVILLE KY	DEED-PG 485	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	103	
0850921	WALTER R & ROSA J CASHEN	7310 OLD HEADY ROAD	5,450.00		
	7310 OLD HEADY ROAD	DEED-BK 6903	LIEN-DT		
	LOUISVILLE KY	DEED-PG 659	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	184	
0850790	THOMAS J JR. CLARK	17101 DRY RIDGE ROAD	5,450.00		
	17101 DRY RIDGE ROAD	DEED-BK 6678	LIEN-DT		
	LOUISVILLE KY	DEED-PG 943	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	43	
0850791	ELMER & HELEN IRENE COULTER	17318 DRY RIDGE ROAD	5,450.00		
	17318 DRY RIDGE ROAD	DEED-BK 3594	LIEN-DT		
	LOUISVILLE KY	DEED-PG 243	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	24	
0850923	FRANK & IRENE CRENSHAM	7800 OLD HEADY ROAD	5,450.00		
	11511 SEATONVILLE ROAD	DEED-BK 7399	LIEN-DT		
	LOUISVILLE KY	DEED-PG 699	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	7	
0850927	JAMES A & EDITH DENNIS	8600 OLD HEADY ROAD	5,450.00		
	8600 OLD HEADY ROAD	DEED-BK 5456	LIEN-DT		
	LOUISVILLE KY	DEED-PG 885	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	54	
0850924	MITCHELL W & CECILE H DENNIS	8510 OLD HEADY ROAD	5,450.00		
	8510 OLD HEADY ROAD	DEED-BK 5456	LIEN-DT		
	LOUISVILLE KY	DEED-PG 885	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	110	

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850929	R GARY DENNIS	8500 OLD HEADY ROAD	5,450.00		
	8500 OLD HEADY ROAD	DEED-BK 5561	LIEN-DT		
	LOUISVILLE KY	DEED-PG 105	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	106	
0850930	RAYMOND L & IRMA DUNAWAY	8700 OLD HEADY ROAD	5,450.00		
	8700 OLD HEADY ROAD	DEED-BK 3920	LIEN-DT		
	LOUISVILLE KY	DEED-PG 512	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	15	
0850955	CHARLES G & MILDRED EISENBACK	17308 DRY RIDGE ROAD	5,450.00		
	17308 DRY RIDGE ROAD	DEED-BK 2979	LIEN-DT		
	LOUISVILLE KY	DEED-PG 163	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	27	
0850932	JR JANET & CHARLES EISENBACK	8701 OLD HEADY ROAD	5,450.00		
	8701 OLD HEADY ROAD	DEED-BK 4881	LIEN-DT		
	LOUISVILLE KY	DEED-PG 177	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	80	
0850956	DAVID & MELINDA ELDER	17017 DRY RIDGE ROAD	5,450.00		
	17017 DRY RIDGE ROAD	DEED-BK 4263	LIEN-DT		
	LOUISVILLE KY	DEED-PG 552	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	68	
0850933	DENISE EPPERSON	7212 OLD HEADY ROAD	5,450.00		
	7212 OLD HEADY ROAD	DEED-BK 7358	LIEN-DT		
	LOUISVILLE KY	DEED-PG 73	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	166	
0850934	LIC MCKINLEY TRACE FARM	7705 OLD HEADY ROAD	5,450.00		
	7705 OLD HEADY ROAD	DEED-BK 7596	LIEN-DT		
	LOUISVILLE KY	DEED-PG 667	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	128	
0850958	TIMOTHY & ANGELA M FLANERY	16720 DRY RIDGE ROAD	5,450.00		
	16720 DRY RIDGE ROAD	DEED-BK 6756	LIEN-DT		
	LOUISVILLE KY	DEED-PG 434	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	87	
0850959	WALTER & LINDA K FORD	16930 DRY RIDGE ROAD	5,450.00		
	16930 DRY RIDGE ROAD	DEED-BK 5254	LIEN-DT		
	LOUISVILLE KY	DEED-PG 888	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	108	

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850937	ROBERT FRENH JR	7409 OLD HEADY ROAD	5,450.00		
	7409 OLD HEADY ROAD	DEED-BK 7490	LIEN-DT		
	LOUISVILLE KY	DEED-PG 662	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	140	
0850880	WILLIAM A FRENCH	8600 WILLIAMS ROAD	5,450.00		
	6602 AMIGO COURT	DEED-BK 6303	LIEN-DT		
	LOUISVILLE KY	DEED-PG 263	LIEN-BK		
	40291	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	336	
0850883	CLIFTON & SUZANNE GADDIE	17010 DRY RIDGE ROAD	5,450.00		
	17010 DRY RIDGE ROAD	DEED-BK 5902	LIEN-DT		
	LOUISVILLE KY	DEED-PG 615	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	317	
0850807	RICHARD D GEISLER	16707 DRY RIDGE ROAD	5,450.00		
	16707 DRY RIDGE ROAD	DEED-BK 7304	LIEN-DT		
	LOUISVILLE KY	DEED-PG 941	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	60	
0850809	WAYNE & SYLVIA GILEZAN	16608 DRY RIDGE ROAD	5,450.00		
	2001 S POPE LICK ROAD	DEED-BK 7571	LIEN-DT		
	LOUISVILLE KY	DEED-PG 315	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	5	
0850811	BRUCE R & AMY M GOOD	16320 DRY RIDGE ROAD	5,450.00		
	16320 DRY RIDGE ROAD	DEED-BK 7070	LIEN-DT		
	LOUISVILLE KY	DEED-PG 500	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 64	LOT-NO.	21	
0850998	DONALD K JR & MARIE L GOOD	17320 DRY RIDGE ROAD	5,450.00		
	17320 DRY RIDGE	DEED-BK 4990	LIEN-DT		
	LOUISVILLE KY	DEED-PG 760	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	105	
		7932 OLD HEADY RD			
		DEED-BK 5922			
		DEED-PG 542			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	36	
		17323 DRY RIDGE RD			
		DEED-BK 5959			
		DEED-PG 11			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	121	

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APPORTIONMENT WARRANT CONTRACT E771W REGISTER

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850938	DONALD K JR & MARIE I GOOD (CONTINUED)	OLD HEADY RD	DEED-BK 5959 DEED-PG 11 TAX-DST TAX-BLK 60	LOT-NO. 122	
0850903	PAUL & GENEVA HAIRSTON 14812 TAYLORSVILLE RD LOUISVILLE KY 40023	7903 OLD HEADY ROAD	DEED-BK 7766 DEED-PG 400 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 46	5,450.00
		7903 OLD HEADY ROAD	DEED-BK 7766 DEED-PG 403 TAX-DST TAX-BLK 60	LOT-NO. 82	
0850975	SHIRLEY & JIMMIE HAMMOND 707 LOUISVILLE ROAD COXS CREEK KY 40013	OLD HEADY ROAD	DEED-BK 5077 DEED-PG 302 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 96	5,450.00
0850812	FRED HATMAKER 121 S 7TH STREET #400 LOUISVILLE KY 40202	17112 DRY RIDGE ROAD	DEED-BK 7707 DEED-PG 349 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 23	5,450.00
0850827	DANIEL H & GLENDA G HAWKINS 17313 DRY RIDGE ROAD LOUISVILLE KY 40299	17313 DRY RIDGE ROAD	DEED-BK 5676 DEED-PG 438 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 34	5,450.00
0850830	JOSEPH A HENEHAN 3351 DAYTON AVENUE LOUISVILLE KY 40207	16603 DRY RIDGE ROAD	DEED-BK 7307 DEED-PG 987 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 6	5,450.00
		DRY RIDGE ROAD	DEED-BK 7307 DEED-PG 987 TAX-DST TAX-BLK 64	LOT-NO. 13	
0850977	HANS MICHAEL & SUSAN J HERGET 7319 OLD HEADY ROAD LOUISVILLE KY 40299	7319 OLD HEADY ROAD	DEED-BK 6604 DEED-PG 403 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 35	5,450.00

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APPORTIONMENT WARRANT CONTRACT E771W REGISTER

BOOK

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RUN DATE 01/30/02
RUN TIME 11:34:05

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850832	BURNES A HILBERT 16908 DRY RIDGE ROAD LOUISVILLE KY 40299	16908 DRY RIDGE ROAD DEED-BK 5186 DEED-PG 747 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0850834	ROBERT F & LINDA HOLLAND 16722 DRY RIDGE ROAD LOUISVILLE KY 40299	16722 DRY RIDGE ROAD DEED-BK 5892 DEED-PG 93 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0850837	MIKE HOWARD 16208 DRY RIDGE ROAD LOUISVILLE KY 40299	16208 DRY RIDGE ROAD DEED-BK 7448 DEED-PG 293 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0850839	THELMA R & MALCOLM W JENKINS 6700 OLD HEADY ROAD LOUISVILLE KY 40299	16602 DRY RIDGE ROAD DEED-BK 5102 DEED-PG 223 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0850840	DOYLE R & WANDA I JOHNSON 6211 HOWELL WAY LOUISVILLE KY 40291	17018 DRY RIDGE ROAD DEED-BK 4996 DEED-PG 558 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0850981	JOHNIE & ANNIE F JUMP 7905 OLD HEADY ROAD LOUISVILLE KY 40299	7905 OLD HEADY ROAD DEED-BK 2579 DEED-PG 154 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0850982	STEPHEN & SUSAN KAREM 2111 PLEASANTVIEW COURT NEW ALBANY IN 47150	17201 ANSELMO LANE DEED-BK 7536 DEED-PG 570 TAX-DST TAX-BLK 3295	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0850983	MICHAEL A KARWEJNA 7933 OLD HEADY ROAD LOUISVILLE KY 40299	7933 OLD HEADY ROAD DEED-BK 6775 DEED-PG 933 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
		7935 OLD HEADY ROAD DEED-BK 6775 DEED-PG 933 TAX-DST TAX-BLK 60			

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850844	RICHARD C & MARY ANN KEY 17296 DRY RIDGE ROAD LOUISVILLE KY 40299	17296 DRY RIDGE ROAD DEED-BK 5213 DEED-PG 722 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	40	
0850984	EDNA K LAMASTER C/O BETTY DOEBLER 4815 NOTTINGHAM SHIRE DRIVE LOUISVILLE KY 40299	7207 OLD HEADY ROAD DEED-BK 2862 DEED-PG 30 TAX-DST TAX-BLK 59	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	32	
0850846	PAUL KENNETH LANHAM 16900 DRY RIDGE ROAD LOUISVILLE KY 40299	16900 DRY RIDGE ROAD DEED-BK 5070 DEED-PG 556 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	55	
0850848	MICHAEL & JOYCE LASLIE 16701 DRY RIDGE ROAD LOUISVILLE KY 40299	16701 DRY RIDGE ROAD DEED-BK 4842 DEED-PG 546 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	38	
0850850	BRADLEY M LEE 17307 DRY RIDGE ROAD LOUISVILLE KY 40299	17307 DRY RIDGE ROAD DEED-BK 7214 DEED-PG 577 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	31	
0850849	PAUL D & IDA B LEE 17021 DRY RIDGE ROAD LOUISVILLE KY 40299	17021 DRY RIDGE ROAD DEED-BK 5667 DEED-PG 891 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	66	
0850852	CHARLES I & EDITH M LYNCH 17309 DRY RIDGE ROAD LOUISVILLE KY 40299	17309 DRY RIDGE ROAD DEED-BK 3329 DEED-PG 445 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	32	
0850988	REVOCABLE TRUST LYNN JEANETTE 11700 SEATONVILLE ROAD LOUISVILLE KY 40299	7900 OLD HEADY ROAD DEED-BK 7563 DEED-PG 300 TAX-DST TAX-BLK 3295	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	1	
0850853	JACKIE W & I MAGGARD 16703 DRY RIDGE ROAD LOUISVILLE KY 40299	16703 DRY RIDGE ROAD DEED-BK 3974 DEED-PG 210 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	59	

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850989	JAMES & DIANE MASSEY 7809 OLD HEADY ROAD LOUISVILLE KY 40299	7809 OLD HEADY ROAD DEED-BK 4803 DEED-PG 612 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 6	5,450.00	
0850990	PAUL & RUTH MCCARTHY 7416 OLD HEADY ROAD LOUISVILLE KY 40299	7416 OLD HEADY ROAD DEED-BK 4129 DEED-PG 345 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 211	5,450.00	
0850854	EARL M III & SANDRA I MILLER 16901 DRY RIDGE ROAD LOUISVILLE KY 40299	16901 DRY RIDGE ROAD DEED-BK 7599 DEED-PG 671 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 140	5,450.00	
		DRY RIDGE ROAD DEED-BK 7599 DEED-PG 671 TAX-DST TAX-BLK 60	LOT-NO. 139		
0850856	GEORGE R & MARY SUE MILLER 17003 DRY RIDGE ROAD LOUISVILLE KY 40299	16810 DRY RIDGE ROAD DEED-BK 6187 DEED-PG 382 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 73	5,450.00	
		17003 DRY RIDGE ROAD DEED-BK 6500 DEED-PG 604 TAX-DST TAX-BLK 60	LOT-NO. 94		
0850858	JAMES & TERRI MILLER 17303 DRY RIDGE ROAD LOUISVILLE KY 40299	17303 DRY RIDGE ROAD DEED-BK 7335 DEED-PG 755 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 29	5,450.00	
0850861	OSCAR H & SHERRY MILLER 17305 DRY RIDGE ROAD LOUISVILLE KY 40299	17305 DRY RIDGE ROAD DEED-BK 6078 DEED-PG 973 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 30	5,450.00	
0850863	DONALD B & BRENDA MILLS 16223 DRY RIDGE ROAD LOUISVILLE KY 40299	16223 DRY RIDGE ROAD DEED-BK 6834 DEED-PG 990 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 18	5,450.00	

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850864	PATRICK MITCHUM 17030 DRY RIDGE ROAD LOUISVILLE KY 40299	17030 DRY RIDGE ROAD DEED-BK 5941 DEED-PG 531 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG		
0856241	JULIE MUNDT 7705 OLD HEADY ROAD LOUISVILLE KY 40299	7705 OLD HEADY ROAD DEED-BK 5657 DEED-PG 138 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG		
0850992	THE TERRI H NEAL TRUST 7525 OLD HEADY ROAD LOUISVILLE KY 40299	7525 OLD HEADY ROAD DEED-BK 7630 DEED-PG 427 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG		
0850866	STEVEN R & BETH A OPPEL 13001 TRUMP AVENUE LOUISVILLE KY 40299	13220 DRY RIDGE ROAD DEED-BK 7552 DEED-PG 717 TAX-DST TAX-BLK 64	5,450.00 LIEN-DT LIEN-BK LIEN-PG		
0850867	ROBERT F & ELIZABET PATTERSON 17015 DRY RIDGE ROAD LOUISVILLE KY 40299	17015 DRY RIDGE ROAD DEED-BK 4975 DEED-PG 51 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG		
0850999	JAMES F & EMMA JEAN PFAU 7401 OLD HEADY ROAD LOUISVILLE KY 40299	7401 OLD HEADY ROAD DEED-BK 6382 DEED-PG 353 TAX-DST TAX-BLK 59	5,450.00 LIEN-DT LIEN-BK LIEN-PG		
0851002	LELAND & MARTHA ROGERS 7307 OLD HEADY ROAD LOUISVILLE KY 40299	7307 OLD HEADY ROAD DEED-BK 4573 DEED-PG 185 TAX-DST TAX-BLK 59	5,450.00 LIEN-DT LIEN-BK LIEN-PG		
0850869	BARBARA K RUFF 17315 DRY RIDGE ROAD LOUISVILLE KY 40299	17315 DRY RIDGE ROAD DEED-BK 6470 DEED-PG 51 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG		
0851005	C D & HAZEL I SHAKE 7316 OLD HEADY ROAD LOUISVILLE KY 40299	7316 OLD HEADY ROAD DEED-BK 1842 DEED-PG 384 TAX-DST TAX-BLK 59	5,450.00 LIEN-DT LIEN-BK LIEN-PG		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850872	CHARLES D & HAZEL SHAKE 7316 OLD HEADY ROAD LOUISVILLE KY 40299	16304 DRY RIDGE ROAD DEED-BK 3884 DEED-PG 195 TAX-DST TAX-BLK 64	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 9		
0850873	T. JENKINS & KENNETH R SHAKE 16608 DRY RIDGE ROAD LOUISVILLE KY 40299	DRY RIDGE ROAD DEED-BK 6862 DEED-PG 347 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 20		
0850874	CLARENCE W & IVA LE SHIELDS 17311 DRY RIDGE ROAD LOUISVILLE KY 40299	17311 DRY RIDGE ROAD DEED-BK 3049 DEED-PG 114 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 33		
0851007	GERALD D & ETHEL R SWAN 8401 OLD HEADY ROAD LOUISVILLE KY 40299	8401 OLD HEADY ROAD DEED-BK 6454 DEED-PG 617 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 100		
0851008	MAURICE FRANKLIN & B SWAN 1010 TUCKER STATION ROAD LOUISVILLE KY 40299	7415 OLD HEADY ROAD DEED-BK 7499 DEED-PG 396 TAX-DST TAX-BLK 59	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 212		
0851012	ROBERT L & MARGARET SWARTZ 7317 OLD HEADY ROAD LOUISVILLE KY 40299	7317 OLD HEADY ROAD DEED-BK 3581 DEED-PG 472 TAX-DST TAX-BLK 59	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 69		
0850875	JAMES A & SARAH TERRELL 16603 DRY RIDGE ROAD LOUISVILLE KY 40299	16605 DRY RIDGE ROAD DEED-BK 2920 DEED-PG 399 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 37		
0850877	WILLIAM K & TAMMY K TERRELL 16724 DRY RIDGE ROAD LOUISVILLE KY 40299	16724 DRY RIDGE ROAD DEED-BK 6325 DEED-PG 830 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 76		
0850878	GREGORY & CHANTEL TREADWAY 17016 DRY RIDGE ROAD LOUISVILLE KY 40299	17016 DRY RIDGE ROAD DEED-BK 7062 DEED-PG 154 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 132		

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
085101A	KEVIN UNDERWOOD	OLD HEADY ROAD	5,450.00		
	8013 OLD HEADY ROAD	DEED-BK 7363	LIEN-DT		
	LOUISVILLE KY	DEED-PG 318	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO. 74		
		8109 OLD HEADY ROAD			
		DEED-BK 7363			
		DEED-PG 318			
		TAX-DST			
		TAX-BLK 60	LOT-NO. 19		
		7500 UNDERWOOD TRAIL			
		DEED-BK 7363			
		DEED-PG 318			
		TAX-DST			
		TAX-BLK 60	LOT-NO. 127		
		7601 UNDERWOOD TRAIL			
		DEED-BK 7363			
		DEED-PG 318			
		TAX-DST			
		TAX-BLK 60	LOT-NO. 126		
0850880	MARY P VANEGAS	16723 DRY RIDGE ROAD	5,450.00		
	8004 SYCAMORE CREEK DRIVE	DEED-BK 7764	LIEN-DT		
	LOUISVILLE KY	DEED-PG 471	LIEN-BK		
	40222	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO. 146		
		16727 DRY RIDGE ROAD			
		DEED-BK 7764			
		DEED-PG 471			
		TAX-DST			
		TAX-BLK 60	LOT-NO. 147		
0850881	GEORGE C & CAROLYN A VISSER	DRY RIDGE ROAD	5,450.00		
	5011 ROUTT ROAD	DEED-BK 6297	LIEN-DT		
	LOUISVILLE KY	DEED-PG 174	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO. 141		
		DRY RIDGE ROAD			
		DEED-BK 6297			
		DEED-PG 174			
		TAX-DST			
		TAX-BLK 60	LOT-NO. 142		
		DRY RIDGE ROAD			
		DEED-BK 6297			
		DEED-PG 174			
		TAX-DST			
		TAX-BLK 60	LOT-NO. 143		

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0850881	GEORGE C & CAROLYN A VISSER (CONTINUED)	DRY RIDGE ROAD	DEED-BK 6297 DEED-PG 174 TAX-DST TAX-BLK 60	LOT-NO. 145	
0851020	RAY C & CORDIE WALLS	7321 OLD HEADY ROAD	5,450.00		
	7321 OLD HEADY ROAD LOUISVILLE KY 40299	DEED-BK 4370 DEED-PG 149 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG	LOT-NO. 98	
		7321 OLD HEADY ROAD	DEED-BK 5759 DEED-PG 569 TAX-DST TAX-BLK 59	LOT-NO. 113	
0850882	JAMES A & MONICA WELLS	11920 DRY RIDGE ROAD	5,450.00		
	P O BOX 6104 LOUISVILLE KY 40206	DEED-BK 6259 DEED-PG 10 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG	LOT-NO. 86	
0850883	ROBERT T WELLS	17001 DRY RIDGE ROAD	5,450.00		
	17001 DRY RIDGE ROAD LOUISVILLE KY 40299	DEED-BK 6717 DEED-PG 525 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG	LOT-NO. 42	
0852654	W DOUGLAS & CAROL WICKERSHAM	16715 DRY RIDGE ROAD	5,450.00		
	16715 DRY RIDGE ROAD LOUISVILLE KY 40299	DEED-BK 5508 DEED-PG 228 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG	LOT-NO. 78	
0852652	SIDONIE G WILTS	17300 DRY RIDGE ROAD	5,450.00		
	17300 DRY RIDGE ROAD LOUISVILLE KY 40299	DEED-BK 5647 DEED-PG 930 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG	LOT-NO. 26	
0850887	LEONARD W & HAZEL M WIMSATT	17319 DRY RIDGE ROAD	5,450.00		
	17319 DRY RIDGE ROAD LOUISVILLE KY 40299	DEED-BK 6788 DEED-PG 729 TAX-DST TAX-BLK 60	LIEN-DT LIEN-BK LIEN-PG	LOT-NO. 119	
		17321 DRY RIDGE ROAD	DEED-BK 6788 DEED-PG 729 TAX-DST TAX-BLK 60	LOT-NO. 120	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0851021	DALE F & BARBARA A WISE	7309 OLD HEADY ROAD	5,450.00		
	7311 OLD HEADY ROAD	DEED-BK 4170	LIEN-DT		
	LOUISVILLE KY	DEED-PG 183	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	208	
		7311 OLD HEADY ROAD			
		DEED-BK 4170			
		DEED-PG 183			
		TAX-DST			
		TAX-BLK 59	LOT-NO.	209	
0850890	JAMES H & JENEVA WORKMAN	DRY RIDGE ROAD	5,450.00		
	17118 DRY RIDGE ROAD	DEED-BK 4941	LIEN-DT		
	LOUISVILLE KY	DEED-PG 586	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	48	
		DRY RIDGE ROAD			
		DEED-BK 4327			
		DEED-PG 147			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	16	
		17118 DRY RIDGE ROAD			
		DEED-BK 4327			
		DEED-PG 147			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	72	
0850895	CEBE DOUGLASS & SHEL WRIGHT	17312 DRY RIDGE ROAD	5,450.00		
	17312 DRY RIDGE ROAD	DEED-BK 5763	LIEN-DT		
	LOUISVILLE KY	DEED-PG 409	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	28	
0850898	STEPHEN F SR. ZOFER	17317 DRY RIDGE ROAD	5,450.00		
	17317 DRY RIDGE ROAD	DEED-BK 6643	LIEN-DT		
	LOUISVILLE KY	DEED-PG 270	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	109	

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**Minutes of Regular Meeting
Board of Water Works
March 12, 2002**

Board Members Present

Mr. Stewart Conner
Mr. Jack Segell
Mr. Phillip Bond
Ms. Wendy Welsh
Mr. Stephen Gault

Board Members Absent

Mr. Owen Hammons
The Honorable David L. Armstrong, Mayor

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel & Secretary
Mr. Gregory Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Mr. James Wehrle, Vice President, Assuring Human Resources & Organizational Effectiveness
Mr. Steve Hubbs, Vice President, New Technology
Ms. Kay Ball
Ms. Jane Driskell

Mr. Huber called the meeting to order at 12:40 P.M.

CONSENT AGENDA

- Minutes of previous meetings
- Claims paid during the previous month
- Petitions and applications for water main extensions
- Authorization for design and bid of projects under \$200,000
- Bid tabulations for contracts under \$500,000
- Listing for award of contracts less than \$100,000

Item A: Minutes of Regular Meeting Held **February 12, 2002**
Request: Approve Minutes

Item B: Claims Paid During **February**
Request: File claims for future audit.

Item C: Petitions and applications for Water Main Extensions and Relocations
(when in full compliance / SR&R)

Developer Installed Refunding Projects	Total Project Cost	Net Cost To LWC
Jefferson Trace Section 4 (Project No. 00-091)	\$42,085.00	
The Meadows at the Polo Fields Sec. 1 (Project No. 01-060)	\$102,215.00	\$22,350.00
The Gardens of Valley View (Project No. 01-076)	\$65,760.00	

Village of White Oaks (Project No. 01-077)	\$13,340.00	
St. Andrews Landing (Project No. 01-080)	\$64,505.00	
Summerfield Subdivision (Project No. 01-081)	\$88,730.00	
Academy Ridge at Landis Lakes Sec. 2 Ph.1 (Project No. 01-112)	\$8,665.00	
Billtown Farms Section 1C (Project No. 02-001)	\$79,870.00	\$7,800.00
Southern Farms Section 1 (Project No. 02-006)	\$76,965.00	
Bullitt County Main Extension Projects	Total Project Cost	
Ashby Lane (Project No. 02-307)	\$16,500.00	
Huber Station Road (Project No. 01-311)	\$50,000.00	
Pine Creek Court (Project No. 02-300)	\$15,000.00	
Lory Lane (Project No. 02-303)	\$20,000.00	
Livers Lane (Project No. 02-304)	\$70,000.00	
Walls Hollow Road (Project No. 02-305)	\$180,000.00	
Kentucky Transportation Cabinet Relocation Project	Total Project Cost	
Independence School Road Project (Project No. 02-1409D)	\$1,800.00	
Developer Relocation Projects	Total Project Cost	
Custom Quality Services (Project No. 01-1409D)	\$7,000.00	
Landis Lakes Meter Relocation (Project No. 02-408)	\$700.00	

Item D: Authorization for design and bid of projects (*estimated to cost less than \$200,000*)

Item E: Bid tabulations (*award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid*).

Item F: Award of contracts less than \$100,000.00

Capital Program	Total Project Cost
Modifications & Liner Installation: Reservoir (South Basin) (Project No. 99-414b)	\$28,500.00
Transylvania Beach Drainage Improvements (Project No. 99-438)	\$37,401.00
Radio Dispatch Recording Equipment (Project No. 20)	\$26,500.00
Procurement of Goods and Services	Total Project Cost
Sun Drafting—GIS Server Upgrade (Project No. 02-03)	\$33,697.00

Rubber Tire Rock Saw/Trencher (Project No. 02-04)	\$48,563.00
Cisco Maintenance Update (Project No. 02-05)	\$20,930.00
Vehicle Bodies (Project No. 02-07)	\$63,055.00 \$13,120.00
Procurement of Sole Source Materials and Services	Total Project Cost
TIP Software License Renewal (Sole Source)	\$35,280.00
Procurement by Emergency Certificate	Total Project Cost
Replacement of the Hillcrest 480 Volt Transformer (Certificate of Emergency)	\$37,000.00

Mr. Huber pointed out that on pages 38 and 39, Staff has included petitions and applications from Bullitt County. These will also appear on the Consent Agenda in the future.

The Consent Agenda was approved.

REPORT OF OFFICERS

Administrative Report

Mr. Huber gave an oral Administrative Report. He stated that LWC has now signed a purchase agreement with AquaSource for the purchase of Goshen Utilities. The agreement was signed on March 11, 2002. Mr. Huber asked for a motion to ratify his signature of the purchase agreement.

After proper motion and second, the Board voted to do so.

Financial Report

Mr. Miller gave the Income and Expense Summary for February 2002.

Income and Expense Summary

- 1) Total operating revenue of \$14,639,600 is \$201,200 or 1.36% less than budgeted and \$362,600 or 2.54% more than the same period in 2001. We sold 3.35% less water in 2002 than the same period in 2001.
- 2) Operation and maintenance expense of \$6,244,300 is \$210,400 or 3.26% less than budgeted and \$137,300 or 2.25% more than 2001.
- 3) Operating deductions of \$10,179,300 are \$65,300 or 0.64% less than budgeted and \$816,400 or 8.72% more than 2001.
- 4) Net operating income of \$4,460,300 is \$135,900 or 2.96% less than budgeted.
- 5) Total non-operating income of \$489,700 is \$139,500 or 22.17% less than budgeted. Total non-operating expense of \$1,117,900 is \$7,700 or 0.70% more than budgeted.
- 6) Net income of \$3,832,100 is \$283,200 or 6.88% less than budgeted and \$783,600 or 16.98% less than 2001.

Mr. Miller reported that the Executive Leadership Team has reviewed the financials and made a decision to reduce cost by \$1,000,000 this year.

Operations Report

Mr. Heitzman gave the Operations Report for February 2002.

Water Quality

The Company exceeded the water quality goals for the month for turbidity, chlorine, and bacteria with all samples above the 99 percent target. This was a challenge for the staff due to several operation constraints during the month, including rehabilitation of the Crescent Hill Reservoir south basin and cleaning of the Cardinal Hill Reservoir.

Cardinal Hill Reservoir Cleaning

A \$33,000 contract has been awarded to AST Services for cleaning the Cardinal Hill Reservoir. The reservoir has not been cleaned in over 12 years. Upon draining of the reservoir, an extensive amount of magnesium oxide was discovered on the interior concrete walls and there was calcium sediment build up on the reservoir floor. Internal exposed metal surfaces were severely corroded. The amount of material to be removed and delays associated with leaking valves and reservoir access will require a contract change order with AST. The revised contract amount will be below \$100,000 and will be approved by the President.

Palatka Road 30-inch Main

On February 12, a utility contractor damaged the 30-inch transmission main on Palatka Road near the Cardinal Hill Reservoir while boring under the roadway. Louisville Water Company crews quickly responded and repaired the damaged main within eight hours by installing a steel repair band. Typically this type of repair would be out-sourced under an emergency contract. Staff will submit repair costs to the contractor for reimbursement.

Serving Customers Report

Ms. Teasley gave the Serving Customers Report for February 2002.

Customer Service

The February 2002 abandonment rate was 9.61%, about the same as the January 2002 rate. The Call Center continued to experience somewhat higher than normal call volume associated with the RouteSmart project as well as higher estimated bills delivered in January. Call abandonment was again impacted by staff shortages due to illness.

Billing and RouteSmart

The number of estimated bills returned to a normal level of 1.32% in February. This was primarily due to re-routing of meter routes, which allowed readers to complete most routes.

Bad Debt

Bad debt for the month of February was below budget (\$25,708). The year to date number is still significantly above budget due to the sizable bankruptcies that were written off in January.

Litigation Report

After proper motion and second, the Board voted to go into closed session for the purpose of discussing litigation, acquisition of property, and a personnel matter.

Ms. Douglas provided a litigation report in closed session. The Board reconvened into open session without taking any action.

Renewal of 2000 Clean and Cement Mortar Line Contract

Approval of 2002 Clean and Cement Mortar Line Program

After proper motion and second, the Board authorized a one year renewal of the 2000 Clean and Line Contract for performance of the 2002 Clean and Line Program at an estimated cost of \$4,067,231. This represents no increase (i.e. no escalation) in cost for 2002 over 2001 costs.

REPORT OF COMMITTEES

Compensation Committee

Mr. Connor discussed the Compensation Committee meeting with the Board.

After proper motion and second, the Board voted to accept the committee's recommendation that the following 2002 Performance Goals be adopted:

2002 Incentive Plan Goals

Light Switch

2002 Net Income must exceed \$27,950,800 (budget \$27,350,800 plus \$600,000) in order to qualify for incentive plan goals payout.

- I. Return on Equity
VP Weighting - 2 Percent of the eligible 10 Percent
BSO Weighting - 1.5 Percent of the eligible 7.5 Percent

2002 net operating income exceed the budget. (2002 net operating income budget: \$30,047,500)

Level 1

Net operating income exceeds the budget by more than \$600,000

Level 2

Net operating income exceeds the budget by more than \$1,200,000.

- II. Customer Satisfaction
VP Weighting - 2 Percent of 10 Percent Maximum
BSO Weighting – 1.5 Percent of 7.5 Percent Maximum

Meet and exceed customer needs and expectations, including providing appropriate information on product quality and services.

Level 1

Overall Customer Satisfaction Index annual average is 835 or more.

Level 2

Overall Customer Satisfaction Index annual average is 845 or more.

III. Water Quality

VP Weighting - 2 Percent Overall with 5 goals at .4 Each of 10 Percent Maximum.

BSO Weighting - 1.5 Percent Overall with 5 goals at .3 Each of 7.5 Percent Maximum.

Reduce microbial risk, especially for cryptosporidium and gardia. Become fully compliant with the EPA Partnership for Safe Drinking Water. Note: The baseline to achieve any part of this objective is no MCL violations in 2002.

A. Combined filter effluent turbidity (BEP/CHWTP) for the period Jan. 1 – Dec. 31, 2002 less than or equal to 0.10 ntu, 95% of the time (based on on-line turbidity measurements taken each month). Achieving this goal provides 0.5 log credit for cryptosporidium removal.

B. Individual filter effluent turbidity (BEP/CHWTP) for the period Jan. 1 – Dec. 31, 2002 less than or equal to 0.15 ntu, 95% of the time (based on on-line turbidity measures taken each month). Achieving this goal provides 1.0 log credit for cryptosporidium removal.

C. Distribution system turbidity less than 0.5 ntu in 99% of samples.

D. Distribution system chlorine greater than 0.5 ppm in 99% of samples.

E. No distribution system coliform bacteria in 99% of samples.

IV. Productivity

VP Weighting - 2 Percent of 10 Percent Maximum

BSO Weighting – 1.5 Percent of 7.5 Percent Maximum

Perform work more productively.

Level 1

Operations and maintenance cost per metered customer is \$165.46 or less (excluding fire hydrants). (At budget with no adjustments. 2002 Budgeted O&M expense: \$42,530,600. 2002 Budgeted metered customers 257,049)

Level 2

O&M cost per metered customer is \$163.80 or less (excluding fire hydrants). (1% below budget with no adjustments).

- V. Human and Organizational Systems
 - VP Weighting - 2 Percent of 10 Percent Maximum
 - BSO Weighting – 1.5 Percent of 7.5 Percent Maximum

Provide an environment which values quality of work life and employee contribution and well being.

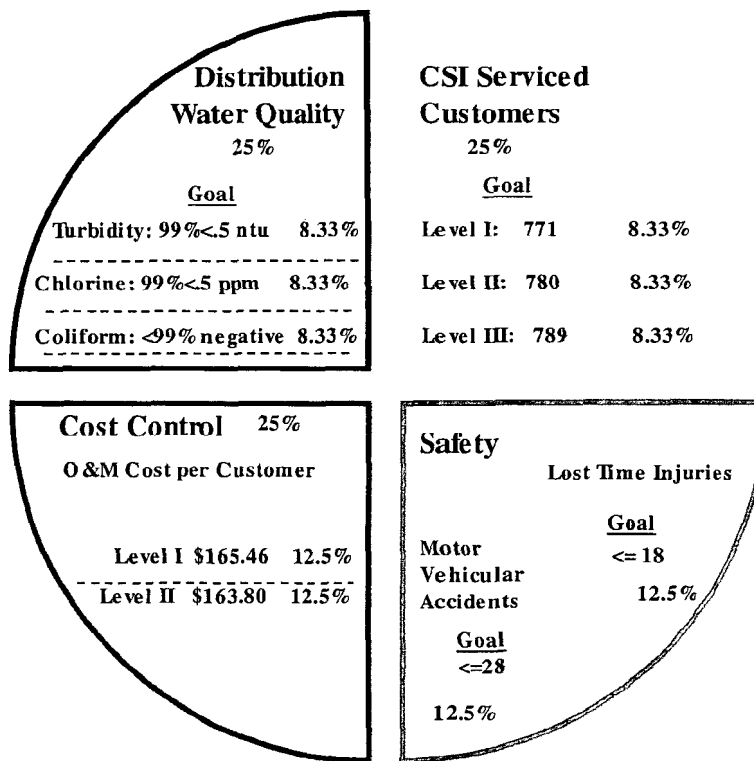
Level 1 – VP Weighting ½ Percent Each / BSO Weighting .375 Percent Each

- A. The number of Preventable Vehicular Accidents less than or equal to 28.
- B. The number of Lost Time Injuries less than or equal to 18.

Level 2 – VP Weighting 1 Percent / BSO Weighting .75 Percent

Employee Perception Index is 628 or higher.

Proposed 2002 Corporate Performance Award



2002 President/Vice President Shared Goals

OBJECTIVE	Weight	Rating Level	Measure
A Implement 2002 Capital Improvement Program of \$92.8 million (\$74.2 million plus 2001 carryover of \$18.6 million) Note: Measure should be calculated using the revised budget	4%	5	90% committed under contract, 80% expended
		4	85% committed under contract, 75% expended
		3	80% committed under contract, 70% expended
		2	75% committed under contract, 65% expended
		1	70% committed under contract, 60% expended
B. Increase 2002 revenue through increased water sales.	4%	5	105% of budget (\$96.5 million in revenue on sales of 41.4 billion gallons)
		4	103% of budget (\$94.7 million in revenue from sales of 40.6 billion gallons)
		3	at budget (\$91.9 million in revenue from sales of 39.4 billion gallons)
		2	97% of budget (\$89.2 million in revenue from sales of 38.2 billion gallons)
		1	95% of budget (\$87.3 million in revenue from 37.4 billion gallons)

OBJECTIVE	Weight	Rating Level	Measure
C. Proceed with development of Advanced Treatment Technology, defining the final critical design elements for RBF and establishing public acceptance for the project.	4%	5	Leakance research completed. BOWW authorization to move forward with final design of RBI option for Phase II. Easement program initiated
		4	Subsurface investigations and Project Definition Complete. PI program implemented
		3	BOWW approval to move forward with Project Definition for Phase II RBI @ BEP. Leakance research underway by July 2002
		2	BOWW approval to move forward with Phase II. Evaluation of construction options complete.
		1	Decision made for KY/IN Option and evaluating alternative RBI method @ BEP and Zorn
D. Increase operational performance through certification and operational improvements.	4%	5	8 system certification audits completed by 7/31/02 and 9 systems recertified (ELT approval) by 8/30/02 and demonstrate 14 measurable operational improvements.
		4	7 system certification audits complete by 7/31/02 and 8 systems recertified (ELT approval) by 8/30/02 and demonstrate 12 measurable operational improvements.
		3	6 system certification audits completed by 7/31/02 and 7 systems recertified by 8/30/02 and demonstrate 10 measurable operational improvements.
		2	5 system certification audits complete by 7/31/02 and 6 systems recertified (ELT approval) by 8/30/02 and demonstrate 8 measurable operational improvements.
		1	4 or fewer system certifications complete by 7/31/02 and less than 5 systems recertified (ELT approval) by 8/30/02 and demonstrate less than 6 measurable operational improvements. <u>Note:</u> If any system has not been re-certified by 12/31/02, performance will be evaluated as a 1.0.
E. Control the Cost of Risk (Excluding any significant change in the reserve).	4%	5	=< 1,298,198 (< 95% budget)
		4	=< 1,332,361 (97.5% budget)
		3	=< 1,366,524 (100% budget)

	2	=< 1,503,176 (110% budget)
	1	> 1,503,176 (> 110% budget)

SPECIAL ISSUES

Mr. Miller reported on the following:

Declaration of Dividend to the City of Louisville

Section 508 of the Series 1992 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 the City.

The annual audit has been completed. Net income of \$26,271,963 requires a total 2001 dividend to the City of \$13,076,344. This will result in an additional amount of \$477,094 to be added to the regular quarterly 2002 dividend payments.

After proper motion and second, the Board voted to adopt the dividend resolution, providing for a first quarter dividend of \$3,052,095, to the City of Louisville.

Ms. Teasley discussed the following:

Billing and Collection Agreement with Metropolitan Sewer District

Subsequent to the implementation of the new Customer Information System (CIS) and for most of 2001, Staff has been negotiating a new Billing and Collection Agreement with the Metropolitan Sewer District (MSD). This has been a lengthy process involving identifying goals of the two parties, determining the satisfaction level of MSD with current services provided, benchmarking other utilities with similar arrangements to provide billing and collection services, and negotiating key contract terms and conditions.

In February 2002 we were able to reach an agreement with MSD on all major terms of the Billing and Collection Agreement. These terms and conditions were documented in a Memorandum of Understanding between the parties which was executed February 28 (MOU) and has been approved by the MSD Board.

Staff recommends that the Company proceed with finalizing the proposed Billing and Collection Agreement with MSD.

After proper motion and second, the Board voted to ratify the Billing and Collection MOU that staff executed with MSD and to authorize the President to negotiate and execute a final billing and collection agreement with MSD.

Ms. Ball and Mr. Hubbs discussed the following with the Board:

Project 99-402: Riverbank Infiltration Phase II

In 2001 EPA regulations were developed that included riverbank filtration as a treatment technique for microbial reduction.

As pumping at the Payne Plant wells continued through the second year, it became evident that the capacity of the collector well was decreasing with time. The capacity calculated at start-up of the collector well exceeded expectations at greater than 22 MGD for the facility. This available capacity decreased as the aquifer in the immediate area of the well clogged. In the past 12 months this decrease is stabilizing, and the long-term yield is now estimated at 15 MGD. This capacity is consistent with historical values for collector wells in the Louisville area and in the Rhine River valley.

This decrease in anticipated well yield prompted staff to reconsider previous design assumptions for the next construction project. Both the number of wells and the length of riverfront were increased to accommodate the desired system capacity at the Payne Plant of 60 MGD. This increased the estimated cost of the project, and extended the facility beyond LWC property limits.

Staff evaluated alternative designs to minimize the impact of riverbank clogging while maintaining the project objectives for cost, maintainability, and community acceptance. An innovative design was developed that combined traditional vertical well technology with a hard-rock tunnel collector and a single pumphouse. This design concept is being evaluated against previous designs for the next phase of construction at the Payne plant. At this time, the vertical well/hard rock tunnel design appears to be the best design concept for the project.

Staff is re-negotiating the current contract with design engineers Jordan, Jones, and Goulding (JJ&G) to reflect proposed changes in the contract. Upon request, JJ&G submitted a revised contract amount for Task I, Project Definition.

If approved, preliminary design will begin immediately with the subsurface investigations of the alignment. It is anticipated that the final design will be complete and ready to bid in early 2003.

After proper motion and second, the Board authorized staff to proceed with the adjusted Task I, Project Definition, in the not-to-exceed amount of \$633,700, for a revised contract with Jordan, Jones & Goulding, Inc., in the amount of \$1,622,500. It is anticipated that staff will return to the Board in the summer of 2002 with an update and a request for authorization to proceed with Task II, Final Design.

BID TABULATIONS

Ms. Teasley reported on the following:

Project No. 01-318: Cupio Lane and Cupio Lodge Road, Bullitt County Extension Program—Public Road Petition Main

Bids were received and opened Wednesday, February 20, 2002 to furnish and install 4,325 linear feet of 8-inch water main along Cupio Lane and Cupio Lodge Road; furnish and install 3,120 linear feet of 6-inch water main along Cupio Lane and; install seven fire hydrants.

A total of 5 bids were received and opened from pre-qualified contractors. Three "T" Construction Company submitted the lowest responsive bid in the amount of \$107,700 resulting in a total project cost of \$137,300. The low bid is 31% below the Project Manager's Estimate.

After proper motion and second, the Board voted to authorize the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$ 107,700 to Three "T" Construction Company to install the water facilities associated with this project.

Project No. 02-521: Lead Service Renewal II—Portland/Russell Area

Bids were received and opened Wednesday, February 20, 2002 to renew a total of 380 lead services in the Portland/Russell Area of western Louisville. This proposed work would complete the renovation of the water distribution system in this area.

A total of 4 bids were received and opened from pre-qualified contractors. T+C Contracting, Inc. submitted the lowest responsive bid in the amount of \$351,253 resulting in a total project cost of \$416,853. The bid is 8.4% over the Project Manager's Estimate.

After proper motion and second, the Board voted to authorize the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$351,253 to T+C Contracting to renew the lead services associated with this project.

Mr. Heitzman reported on the following:

Project No. 02-LW01-B: Maintenance of Louisville Water Company Grounds

Bids were received and opened Wednesday, February 13, 2002, to obtain grounds maintenance services for the following Louisville Water Company sites:

- | | |
|---|--|
| Site 1 - B.E. Payne Water Treatment Plant | Site 6 - Eighteen (18) Pressure Systems south of Bardstown Rd. |
| Site 2 - Crescent Hill Filter Plant | Site 7 - Twenty-three (23) Pressure Systems north of Bardstown Rd. |
| Site 3 - Zorn Pumping Station | Site 8 - Corporate Headquarters |
| Site 4 - Middletown Distribution Ctr. | Site 9 - Bullitt County System Sites |
| Site 5 - Allmond Avenue Distribution Ctr. | |

Bids were received from eight (8) pre-qualified bidders. Staff recommends the I2.2 Process maintain Site 4; Site 5; Site 6 (Billtown, Bluegrass, Freys Hill, Hikes Lane areas); Site 7 (Cane Run and Zoneton areas); and Site 9 (Bullitt County Office).

After proper motion and second, the Board voted to authorize the Chief Engineer to award three contracts for maintenance of LWC grounds as follows:

- Metro Services for the amount of \$146,680
- GTK Lawn & Landscape for the amount of \$24,660
- Ward Brothers Mowing for the amount of \$3,600

COMMUNICATIONS

Mr. Heitzman discussed the following:

Jefferson County Water Extension Program Summary Report

In the spring of 1990, the Kentucky State Legislature passed Senate Concurrent Resolution 105 that created a Task Force to develop a plan for water service throughout Jefferson County. The Board of Water Works approved and adopted "The Report of the Task Force on the Extension of Water Service in Jefferson County" in July of 1991. Subsequently, the Board adopted "The Implementation Plan for the Extension of Water Service in Jefferson County" and staff initiated the Jefferson County Water Extension Program in 1992. One key goal of the program is to offer public water service to all unserved areas of Jefferson County within a 10-year period, by 2002.

The unserved areas of Jefferson County were divided into three priority areas, known as Extension Areas 1, 2, and 3. The original build out scope identified by the Task Force in 1991 included 255.5 miles of water main serving an estimated 4,340 properties for a budget of \$58.2 million. The Program is funded from a \$18.8 million commitment from LWC; \$6.0 million from Jefferson County through grants and general fund allocations; \$26.2 million from property owners in the form of a fair share apportioned cost (\$5,450 public road share, actual cost for private road share); \$6.3 million from the System Development Reserve for water main upsizing, booster pumping and storage to accommodate future growth. The customer response to the program has been overwhelming, with significant results over the past 10 years.

In 2002, staff will focus on the closeout of the Jefferson County Water Extension Program. Members of the original Task Force, or their replacement appointment, will convene this summer for a status update on the Program's success. Staff will be recommending a final deadline of December 31, 2002 for the subsidized apportionment warrant cost of \$5,450 for public road extensions. Water mains extended in 2003 and beyond can be accomplished by Apportionment Warrant Extension petition, however, the subsidy would not be available.

Staff will proceed to transition the Program in 2002, expecting construction and total Program closeout to be complete by December 2003. The meeting with Task Force members will be reported to the Board this fall, with specific recommendations on the public road subsidy.

Legislative Update

Ms. Teasley provided a Legislative Update to the Board.

HB 659: Merger Clean Up Bill (Rep. Larry Clark, D—Louisville)

This is the clean up language that was necessary to bring current state statutes in line with the new merged government of Louisville and Jefferson County. **Status:** Passed the House, is in the Senate State & Local Government Committee. It is likely to be heard on either Tuesday March 12 or 19.

The one change that is not included in Representative Larry Clark's bill is the language referencing the president of the company being appointed from the board membership. Due to a City of Louisville Ordinance and the Kentucky Revised Statute that gives the Board of Alderman local control over such issues statutory changes are not necessary at this time.

OLD BUSINESS

The next four items were addressed with a single motion.

Ms. Teasley discussed the following:

Issuance of Apportionment Warrants per KRS 96.265; Bush Farm Road: Aiken Road to Old Henry Road and Old Henry Road: Bush Farm Road to Old Henry Trail

A public hearing for the extension of water service along Bush Farm Rd: Aiken Rd to Old Henry Rd and Old Henry Rd: Bush Farm Rd to Old Henry Trail was waived by the one eligible property owner. The project was reviewed by the Board of Water Works in December 2000 and approved to proceed with construction of this main by appending the scope of the Bush Farm Rd: Aiken Rd to Old Henry Rd and Old Henry Rd: Bush Farm Rd to Old Henry Trail project to Project 99-600C: Aiken/Avoca Road 16-Inch Transmission Main. The construction contract was awarded to Southern Pipeline in April 2001.

Issuance of Apportionment Warrants per KRS 96.265; Deer Trace Estates: Deer Run Road, Deer Run Place and Elm Trace Place

A public hearing was held May 27, 1999 for the extension of water service along Deer Trace Estates: Deer Run Road, Deer Run Place and Elm Trace Place. The Board of Water Works adopted a resolution for Deer Trace Estates: Deer Run Road, Deer Run Place and Elm Trace Place on June 8, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 21, Series 1999 on July 13, 1999 for the Deer Trace Estates: Deer Run Road, Deer Run Place and Elm Trace Place project. Louisville Water Company Capital Construction Crews did the construction of this water main. Construction of the water main began in July 2001.

Issuance of Apportionment Warrants per KRS 96.265; Echo Trail: Seatonville Road to Thurman Road

A public hearing was held June 3, 1999 for the extension of water service along Echo Trail: Seatonville Road to Thurman Road. The Board of Water Works adopted a resolution for Echo Trail: Seatonville Road to Thurman Road on July 13, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 25, Series 1999 on August 10, 1999 for the Echo Trail: Seatonville Road to Thurman Road project. The construction contract was awarded to Reynolds, Inc. in December 2000.

Issuance of Apportionment Warrants per KRS 96.265; Routt Road: 9410 Routt Road to the County Line

A public hearing was held July 29, 1999 for the extension of water service along Routt Road: 9410 Routt Road to the County Line. The Board of Water Works adopted a resolution Routt Road: 9410 Routt Road to the County Line on September 14, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 34, Series 1999 on October 12, 1999 for the Routt Road: 9410 Routt Road to the County Line. The construction contract was awarded to Tom Brown Construction in December 2000.

After proper motion and second, the Board adopted the following Resolutions for issuance of Apportionment Warrants and liens against benefited properties in accordance with KRS 96.265:

- On page 90, for Bush Farm Road: Aiken Road to Old Henry Road and Old Henry Road: Bush Farm Road to Old Henry Trail
- On page 94, for Deer Trace Estates: Deer Run Road, Deer Run Place, and Elm Trace Place
- On page 103, for Echo Trail: Seatonville Road to Thurman Road
- On page 116, for Routt Road: 9410 Routt Road to the County Line

**Water Extension Project Pursuant to KRS 96.265;
Rockycreek Lane: Back Run Road to North 2,600 Feet**

The Board of Water Works approved staff's request to proceed with a public hearing for Rockycreek Lane: Back Run Road to North 2,600 at its November 2001 meeting. In accordance with KRS 96.265 a public hearing was held on January 3, 2002 for the property owners along Rockycreek Lane to consider the extension of a water main along this private roadway.

As presented, using the equal assessment method, seven (7) eligible property owners on this private roadway were presented with the "equal share" cost per property of \$20,800. The attending property owners did not agree to proceed with the project at the cost presented.

On January 9, 2002 a certified mail letter was sent to all nine eligible property owners asking them to decide whether they "agree" or "do not agree" to proceed with the water main extension along Rockycreek Lane for an equal cost per property not to exceed \$16,100. Twenty two percent (22%) of the eligible property owners' responses indicate that they agree to proceed with the water main extension.

The staff agreed that it would not proceed with an extension project at this time. No Board action is required.

Mr. Heitzman reported on the following:

Project 97-430A: Cross County Transmission Improvement Project- Pennsylvania Run Road to Bardstown Road Tank: Request to Increase Consulting Engineer Fees (Contract D434)

In March 1997 the Board granted authorization to design and bid project 97-430. The original design contract provided for a single design. For purposes of timing the project was broken into two phases. The first phase was Bardstown Road from Cedar Creek Road to the Bardstown Standpipe. The second phase was primarily in easement between Pennsylvania Run Road and the Bardstown Road Standpipe.

The engineering service contract was adjusted 2 times previously since its execution in March 1997. The requested change to Quest Engineers contract D434 is \$12,500. The total change over the life of this contract is \$24,369, which amounts to 10.6% of the original contract amount.

After proper motion and second, the Board voted to increase consulting engineering fees for Quest Engineers, Inc., under contract D434, in the amount of \$12,500.

Project 97-403B: Shady Acres Booster Pump Station Change Action

In October 2001 the BOWW awarded the subject project to Southern Pipeline in the amount of \$147,269. During final stages of installation of the underground booster pump station the electrical equipment and components required to power the station were damaged as a result of flooding. This correspondence describes repair cost and change order and recommends an increase to the contract with Southern Pipeline.

Two change actions with Southern Pipeline, totaling \$11,810, were issued previously for removal of trees per Jefferson County permit, and for drainage improvements to the site. In addition, a change action with Dakota Pump, in the amount of \$2,180 was authorized in July 2001 to increase the pumps from 30 HP to 40 HP. The total changes for this project increase the budget to \$364,658.

After proper motion and second, the Board voted to increase the value of contract F548 with Southern Pipeline Company, Inc. from \$147,268 to \$171,078, and to increase the project budget from \$338,668 to \$364,658.

Ms. Teasley reported on the following:

Bullitt County Water Improvement Program – Bullitt County Extension Program, Change Action to Contract No. F-165 Engineering Services for KT #2, Central Associated Engineers, Inc.

This contract was originally presented to the BOWW on January 9, 2001, and approved for the provision of engineering services in the amount of \$734,780.90. Since this time, one change action has been approved and a second change action is being considered that would increase the contract amount over 10% of the original contract amount and requires Board approval. This correspondence presents the change action additions to contract F-165 and requests authorization to expand the scope of this project to include these additional engineering design services and hydraulic analyses.

Change Action No. 1 added the provision of a required hydraulic analysis submittal to the Kentucky Division of Water for each water main extension project in KT #2. Change Action No. 2 will add design services and hydraulic analysis required to construct a water storage tank and booster pump station at both Rams Run Road and Ridge Road areas.

After proper motion and second, the Board voted to expand the scope of this project to include Change Action Nos. 1 and 2 for an updated total contract amount of \$839,096.72.

Mr. Heitzman reported on the following:

Project 00-306: Waterford Road Water Main Extension

The Board of Water Works approved Contract No. F380 with Debbie Sutherland Excavating, Inc. on July 16, 2001 in the amount of \$80,000. The project scope includes 1,530 feet of 6-inch DI water main to serve four properties along Waterford Road near the Jefferson/Bullitt County line.

In the past month, the Company has been advised that a large tract of land has been assembled in the vicinity of Waterford Road for future residential development. This development, with full build-out, will have as many as 500 to 700 dwelling units. With the primary entrance from Bardstown Road, a secondary grid supply will be necessary from Waterford Road for adequate system reliability in the future. Further, the City of Taylorsville has expressed an interest in obtaining additional water capacity for Spencer County. Therefore, installation of a 12-inch water main in Waterford Road can provide the first leg to support this future development in Jefferson and Spencer Counties.

Staff has negotiated a revised contract price with Debbie Sutherland Excavating to install 12-inch ductile iron pipe instead of 6-inch DI pipe. The additional contract cost of \$39,000 includes all rock removal for a minimum depth of bury in rock of 36-inches and in dirt of 42-inches.

After proper motion and second, the Board voted to authorize a change order to Debbie Sutherland Engineering for installation of a 12-inch water main in Waterford Road, and establish the new contract limit

of \$119,200. The project budget will be increased to \$166,600 with additional funds coming from the System Development Reserve for the upsizing costs.

NEW BUSINESS

Ms. Teasley reported on the following:

Bullitt County Water Improvement Program – Bullitt County Extension Program

Project 01-314: Rams Run Road Tank, Booster Pump Station and Water Main Extension

Proposed under the Bullitt County Extension Program is a project for Rams Run Road for which we have received a 2/3 majority petition. This correspondence presents a proposed project to construct a portion of this program, and requests authorization for engineering design and advertisement for bid. The proposed Tapping Fee project will provide fire protection and water service to a previously unserved area. Due to the elevations of this road, a water storage tank and booster pump station will be required to serve this area. There are 18 residents along this route and we have 13 "Letters of Intent" for 72% participation.

After proper motion and second, the Board voted to proceed with engineering design and advertisement for bid for the subject project. The results of the bids will be presented to the Board with recommendation for contract award.

Mr. Heitzman presented the following:

Project 01-702: Dry Ridge Road Elevated Water Tank

Project 02-602: Dry Ridge Road Booster Pump Station

Proposed under the 2002 Capital Budget are funds for construction of a new storage facility and booster pump station required to support system growth in southeastern Jefferson County in conjunction with the County-wide Expansion Program.

The proposed facilities will consist of a 250,000-gallon elevated steel storage tank and underground booster pump station operating within a proposed 900-foot pressure zone, along Dry Ridge Road and Old Heady Road. The budget for the proposed tank project is \$750,000 and for the booster pump station project \$200,000.

After proper motion and second, the Board voted to proceed with engineering design and advertisement for bid for the subject projects. Any significant change in project scope or budget identified during bidding will be presented to the Board for review and re-authorization to proceed.

Project 02-454: BEP Roof Replacement Program

Project 02-455: CHWTP Roof Replacement Program

Proposed under the 2002 Capital Budget are funds for replacement of roofs at Crescent Hill and B. E. Payne Water Treatment Plants. A roof condition survey was conducted in 2001 on production facilities roofs by consultant Roof Resources, Inc. Data was collected on the individual roofs based on age, observations, damage, moisture intrusion, etc. A software program calculates a numerical roof condition rating, determines economic return of repair vs. replacement, and provides a ranking and schedule of repair and replacement.

Based on results from the condition survey, the following facilities are proposed for roof replacement in 2002: Project 02-454: B. E. Payne Filter Building Complex and Project 02-455: Crescent Hill Old East Filter Building and Laboratory.

After proper motion and second, the Board voted to proceed with engineering design and advertisement for bid and increase Project 02-454 to \$300,000 and Project 02-455 to \$300,000.

Project 02-611: Sandblast and Re-coat Steel Storage Tanks Annual Allowance

Proposed under the 2002 Capital Budget are annual allowance funds to re-coat steel storage tanks. This correspondence presents the project scope and requests authorization to proceed with engineering design and advertisement for bid.

LWC steel water storage tanks are re-coated on a 15- to 20-year cycle to assure maximum life cycle and to provide optimum internal protection to meet water quality goals and standards. The following two facilities are proposed to be re-coated in 2002: Crestwood Elevated Water Tank and Prospect Elevated Water Tank.

After proper motion and second, the Board voted to proceed with engineering design and advertisement for bid for the Crestwood and Prospect Tank Re-coating projects.

Consulting Engineering Services – Cardinal Hill Secondary Supply – LWC Project 01-557

In August 2001 the Transmission Program presented the results of a RFP for Transmission Program Consulting Proposals to the Board of Water Works. These proposals are to be used on projects identified for outsourcing to consultants. Four firms have been selected and approved by the Board for solicitation of cost proposals.

A cost proposal was requested, from PDR Engineers (PDR), for final design engineering and contract administration services for a secondary supply to Cardinal Hill Reservoir. PDR submitted a cost proposal in the amount of \$272,900, which is \$18,356 less than the independent estimate of \$291,256. This project, initially presented to the Board in March 2001, will improve reliability and connectivity to Cardinal Hill Reservoir.

After proper motion and second, the Board voted to enter into an engineering service contract with PDR Engineers in the amount of \$272,900 for Final Design Engineering Services and proceed with advertisement for bid of phase 1 of this project.

Mr. Miller reported on the following:

Bank Resolution for New Certificate of Deposit

Louisville Water Company has purchased a thirty-six month Certificate Deposit at Louisville Community Development Bank in the amount of \$100,000 and paying 3.5%. The bank has requested an updated corporate resolution to reflect the current authorized signatories.

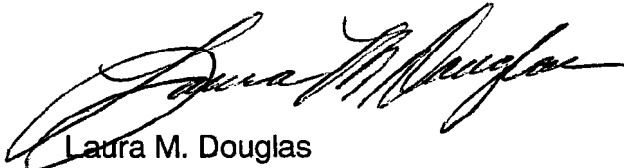
After proper motion and second, the Board voted to adopt a resolution which updates the authorized signatures for the corporation for deposit accounts.

The meeting adjourned at 3:30 P.M.

CERTIFICATION

This is to certify that the following: Bush Farm Road: Aiken Road to Old Henry Road and Old Henry Road: Bush Farm Road to Old Henry Trail is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville, on March 12, 2002, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas". The signature is fluid and cursive, with a large initial "L" and "D".

Laura M. Douglas
Vice President, General Counsel
Secretary

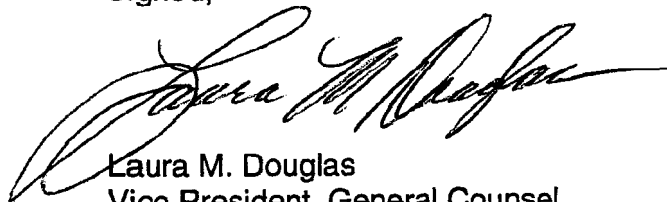
APPORTIONMENT WARRANT RESOLUTION
March 12, 2002

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Bush Farm Rd: Aiken Rd to Old Henry Rd and Old Henry Rd: Bush Farm Rd to Old Henry Trl** main extension project, such warrants to be against one (1) benefited property identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

CERTIFICATION

This is to certify that the following: Deer Trace Estates: Deer Run Road, Deer Run Place and Elm Trace Place is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville, on March 12, 2002, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

Laura M. Douglas
Vice President, General Counsel
Secretary

APPORTIONMENT WARRANT RESOLUTION
March 12, 2002

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Deer Trace Estates: Deer Run Road, Deer Run Place and Elm Trace Place** main extension project authorized by Ordinance No. 21, Series 1999 of the Jefferson Fiscal Court, adopted on July 13, 1999 such warrants to be against twenty (20) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0853247	JUDY L DONALDSON 15200 DEER RUN ROAD LOUISVILLE KY 40299	15200 DEER RUN ROAD DEED-BK 7432 DEED-PG 417 TAX-DST TAX-BLK 66	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
		15300 DEER RUN ROAD DEED-BK 7432 DEED-PG 419 TAX-DST TAX-BLK 66	LOT-NO.	5	
		15501 DEER RUN ROAD DEED-BK 7554 DEED-PG 976 TAX-DST TAX-BLK 66	LOT-NO.	7	
0857949	DONALD & MARY ELDRIDGE 15501 DEER RUN ROAD LOUISVILLE KY 40299	15501 DEER RUN ROAD DEED-BK 7554 DEED-PG 976 TAX-DST TAX-BLK 66	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
		15600 DEER RUN ROAD DEED-BK 7138 DEED-PG 776 TAX-DST TAX-BLK 66	LOT-NO.	10	
0857927	SUSAN & CHRISTOPHER GLEN 15600 DEER RUN RD LOUISVILLE KY 40299	15600 DEER RUN ROAD DEED-BK 7138 DEED-PG 776 TAX-DST TAX-BLK 66	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
		15601 DEER RUN ROAD DEED-BK 6486 DEED-PG 366 TAX-DST TAX-BLK 66	LOT-NO.	12	
0857934	WILLIAM & DARLENE HOLZBACH 15601 DEER RUN ROAD LOUISVILLE KY 40299	15601 DEER RUN ROAD DEED-BK 6486 DEED-PG 366 TAX-DST TAX-BLK 66	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
		5001 ELM TRACE PLACE DEED-BK 7812 DEED-PG 902 TAX-DST TAX-BLK 66	LOT-NO.	11	
0857924	BRIGHT BUILT HOMES 10001 TAYLORSVILLE RD LOUISVILLE KY 40299	5001 ELM TRACE PLACE DEED-BK 7812 DEED-PG 902 TAX-DST TAX-BLK 66	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
		15500 DEER RUN ROAD DEED-BK 7755 DEED-PG 727 TAX-DST TAX-BLK 66	LOT-NO.	15	
0857930	MORTGAGE ELECTRONIC INC 636 REGENCY BLVD BRANDON FL 33510	15500 DEER RUN ROAD DEED-BK 7755 DEED-PG 727 TAX-DST TAX-BLK 66	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
		15601 R DEER RUN RD DEED-BK 7458 DEED-PG 220 TAX-DST TAX-BLK 3257	LOT-NO.	13	
0858377	JEFF COUNTY KY 527 W JEFFERSON ST LOUISVILLE KY 40202	15601 R DEER RUN RD DEED-BK 7458 DEED-PG 220 TAX-DST TAX-BLK 3257	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
		4500 DEER RUN PL DEED-BK 7374 DEED-PG 169 TAX-DST TAX-BLK 3257	LOT-NO.	2	
				1	

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EXHIBIT "A"

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0851248	JOHN D & SANDRA JOHNSON 7534 PIMLICO DRIVE LOUISVILLE KY 40214	4801 ELM TREE PLACE DEED-BK 6236 DEED-PG 481 TAX-DST TAX-BLK 66	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	14
0851251	WILLIAM T KEATING JR 15301 DEER RUN ROAD LOUISVILLE KY 40299	15301 DEER RUN ROAD DEED-BK 7724 DEED-PG 512 TAX-DST TAX-BLK 66	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	8
		15401 DEER RUN ROAD DEED-BK 7724 DEED-PG 512 TAX-DST TAX-BLK 66	LOT-NO.		9
0851253	WILLIAM & SANDRA KEHRT 15000 DEER RUN ROAD LOUISVILLE KY 40299	15000 DEER RUN ROAD DEED-BK 6552 DEED-PG 765 TAX-DST TAX-BLK 66	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	3
0857943	COUNTRY ESTATES L.R. WILSON 3775 WILDERNESS TRAIL LOUISVILLE KY 40299	4900 ELM TRACE PLACE DEED-BK 5864 DEED-PG 998 TAX-DST TAX-BLK 66	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	19
0857946	CHRISTINA M LEAHY 5101 ELM TREE PLACE LOUISVILLE KY 40299	5101 ELM TREE PLACE DEED-BK 6740 DEED-PG 778 TAX-DST TAX-BLK 66	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	16
0851254	RONNIE & KATHY LILE 15101 DEER RUN ROAD LOUISVILLE KY 40299	15101 DEER RUN ROAD DEED-BK 7158 DEED-PG 908 TAX-DST TAX-BLK 66	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	2
0857948	MATTINGLY FAMILY 5100 ELM TRACE PL LOUISVILLE KY 40299	5100 ELM TREE PLACE DEED-BK 7203 DEED-PG 328 TAX-DST TAX-BLK 66	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	17
0851255	ROBERT & LENORA OTT 15201 DEER RUN ROAD LOUISVILLE KY 40299	15201 DEER RUN ROAD DEED-BK 7755 DEED-PG 721 TAX-DST TAX-BLK 66	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	6

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0857938	ANN REVOCABLE TRUST AGREEMENT	5000 ELM TRACE PLACE	5,450.00		
	4202 WILLOW BLVD	DEED-BK 7739	LIEN-DT		
	LOUISVILLE KY	DEED-PG 164	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 66	LOT-NO.	18	
0851256	KEVIN & LISA SCHOOLING	4630 DEER RUN PLACE	5,450.00		
	4630 DEER RUN PLACE	DEED-BK 6771	LIEN-DT		
	LOUISVILLE KY	DEED-PG 833	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 3257	LOT-NO.	4	
0851257	STEVEN & LORT STALLINGS	15100 DEER RUN ROAD	5,450.00		
	15100 DEER RUN ROAD	DEED-BK 7473	LIEN-DT		
	LOUISVILLE KY	DEED-PG 11	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 66	LOT-NO.	4	
0851258	MARK J & DIANNA WISE	15001 DEER RUN ROAD	5,450.00		
	15001 DEER RUN ROAD	DEED-BK 6453	LIEN-DT		
	LOUISVILLE KY	DEED-PG 645	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 66	LOT-NO.	1	

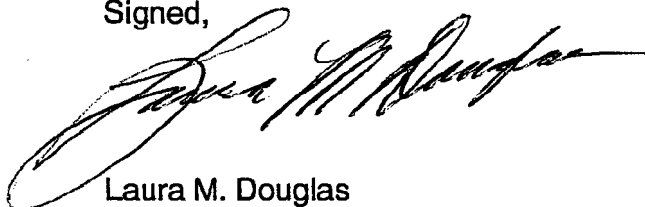
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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
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3	TOTAL PRINCIPAL REMAINING 103,550.00				
2	19 NUMBER OF CUSTOMERS LISTED				
1					

CERTIFICATION

This is to certify that the following: Echo Trail: Seatonville Road to Thurman Road is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville, on March 12, 2002, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

Laura M. Douglas
Vice President, General Counsel
Secretary

APPORTIONMENT WARRANT RESOLUTION
March 12, 2002

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Echo Trail: Seatonville Road to Thurman Road** main extension project authorized by Ordinance No. 25, Series 1999 of the Jefferson Fiscal Court, adopted on August 10, 1999 such warrants to be against sixty (60) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0857477	JAMES & JUDY ALLEN 10302 VENADO DR LOUISVILLE KY 40291	6435 ECHO TRL DEED-BK 5822 DEED-PG 511 TAX-DST TAX-BLK 53	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 143		
0857480	JOHN BELL 6401 ECHO TRL LOUISVILLE KY 40299	6401 ECHO TRL DEED-BK 6103 DEED-PG 216 TAX-DST TAX-BLK 53	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 142		
0857483	DAVID & LINDA BLANTON 6914 ECHO TRL LOUISVILLE KY 40299	6914 ECHO TRL DEED-BK 6331 DEED-PG 337 TAX-DST TAX-BLK 58	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 121		
0857491	DAVID & VIRGINIA BRIGHT 7100 ECHO TRL LOUISVILLE KY	7100 ECHO TRL DEED-BK 6966 DEED-PG 445 TAX-DST TAX-BLK 58	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 194		
0857495	RAYMOND & MAUREEN BROWN 6307 ECHO TRL LOUISVILLE KY 40299	6307 ECHO TRL DEED-BK 6268 DEED-PG 744 TAX-DST TAX-BLK 53	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 123		
0857501	WILLIAM G BURK 3805 BIGELOW DR LOUISVILLE KY 40299	6703 ECHO TRL DEED-BK 6989 DEED-PG 127 TAX-DST TAX-BLK 53	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 105		
0857505	BONNIE & BETTY CALHOUN 6323 ECHO TRL LOUISVILLE KY 40299	6311 ECHO TRL DEED-BK 5253 DEED-PG 951 TAX-DST TAX-BLK 53	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 122	00/0000	
0857512	FREDDIE & MARY CARNEY 6910 ECHO TRL LOUISVILLE KY 40299	6910 ECHO TRL DEED-BK 5460 DEED-PG 39 TAX-DST TAX-BLK 58	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 138		
0857514	JOSEPH & SHIRLEY CLARK 7006 ECHO TRL LOUISVILLE KY 40299	7006 ECHO TRL DEED-BK 4588 DEED-PG 36 TAX-DST TAX-BLK 58	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 120		

EXHIBIT 'A'

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0857533	TOMMEE H CLARK 6516 ECHO TRL LOUISVILLE KY 40299	6516 ECHO TRL DEED-BK 7570 DEED-PG 472 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0857534	C.E. COBB IRROV. TRUST 6705 ECHO TRL LOUISVILLE KY 40299	6705 ECHO TRL DEED-BK 6594 DEED-PG 294 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0857544	MICHAEL COLGAN 7413 ECHO TRL LOUISVILLE KY 40299	7424 ECHO TRL DEED-BK 7448 DEED-PG 81 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0857536	MICHAEL & BARBARA COLGAN 7413 ECHO TRL LOUISVILLE KY 40299	7413 ECHO TRL DEED-BK 7235 DEED-PG 265 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0857546	DAVID & KAREN DECKARD 7105 ECHO TRL LOUISVILLE KY 40299	7105 ECHO TRL DEED-BK 6304 DEED-PG 58 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0857547	JOHN T DONAHUE 7103 ECHO TRL LOUISVILLE KY 40299	7103 ECHO TRL DEED-BK 7508 DEED-PG 131 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0857549	ROBIN & RAYMOND FARRAR 6405 ECHO TRL LOUISVILLE KY 40299	6405 ECHO TRL DEED-BK 6073 DEED-PG 184 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0857553	CHARLES FOREMAN 10702 BLACK IRON RD LOUISVILLE KY 40291	6335 ECHO TRL DEED-BK 6838 DEED-PG 715 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
		6331 ECHO TRL DEED-BK 6838 DEED-PG 715 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.		139

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0857558	DANNY & MELISSA GOFF 6802 ECHO TRL LOUISVILLE KY 40299	6802 ECHO TRL DEED-BK 6811 DEED-PG 462 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	118
0857559	DAVID & MARGARET GOHMANN 6900 ECHO TRL LOUISVILLE KY 40299	6900 ECHO TRL DEED-BK 4899 DEED-PG 489 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	131
0857560	EDWARD & PATRICIA HAAG 7307 ECHO TRL LOUISVILLE KY 40299	7307 ECHO TRL DEED-BK 5291 DEED-PG 866 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	74
0857561	MICHAEL & DANA HAAG 7216 FERN CREEK RD LOUISVILLE KY 40291	7317 ECHO TRL DEED-BK 7367 DEED-PG 953 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	203
0857562	EDWARD & TEENA HALBIG 6505 ECHO TRL LOUISVILLE KY 40299	6505 ECHO TRL DEED-BK 4678 DEED-PG 210 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	35
0857563	MICHAEL J HARRIS 10102 NATALIE WAY LOUISVILLE KY 40299	6317 ECHO TRL DEED-BK 6839 DEED-PG 701 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	16
0857571	SHERMAN C. & DEBORAH HINO 1421 ROSEWOOD AVE LOUISVILLE KY 40204	6510 ECHO TRL DEED-BK 5564 DEED-PG 745 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	135
0857572	RICK & MARILYN HUBER 6903 HALLWOOD CT LOUISVILLE KY 40291	14005 ECHO HILL TRL DEED-BK 6777 DEED-PG 672 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	2
0857580	JUDITH P HUNT 6701 ECHO TRL LOUISVILLE KY 40299	6701 ECHO TRL DEED-BK 6678 DEED-PG 333 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	107

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0857643	PINNACLE TOWERS INC 301 N CATTLEMEN RD SARASOTA FL 34232	6321 ECHO TRL DEED-BK 7638 DEED-PG 422 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 124	
0857678	THE FUTURE FUND INC P.O. BOX 5635 LOUISVILLE KY 40255	6500 ECHO TRL DEED-BK 7151 DEED-PG 160 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 153	
0857582	BRAINARD & BETTY JACKSON 5113 FERRER WAY LOUISVILLE KY 40291	6215 ECHO TRL DEED-BK 5030 DEED-PG 646 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 127	
0857583	JAY & JOYCE ANN JOEL 6906 ECHO TRL LOUISVILLE KY 40299	6906 ECHO TRL DEED-BK 4995 DEED-PG 823 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 122	
0857597	KENNETH & LINDA KINSER 7401 ECHO TRL LOUISVILLE KY 40299	7401R ECHO TRL DEED-BK 5125 DEED-PG 437 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 141	
		7401 ECHO TRL DEED-BK 5125 DEED-PG 437 TAX-DST TAX-BLK 58			LOT-NO. 75
		7405 ECHO TRL DEED-BK 5195 DEED-PG 702 TAX-DST TAX-BLK 58			LOT-NO. 158
0857608	NICHOLAS D KNOTH 6500 ECHO TRL LOUISVILLE KY 40299	6500 ECHO TRL DEED-BK 7300 DEED-PG 384 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 134	
0857613	KATHY & EUGENE KOONS 6911 ECHO TRL LOUISVILLE KY 40299	6911 ECHO TRL DEED-BK 6081 DEED-PG 752 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 1	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0857615	SHERON LEAR P.O. BOX 91041 LOUISVILLE KY 40291	ECHO TRL DEED-BK 6579 DEED-PG 904 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 8	5,450.00	
0857617	ROBERT & SHARON LUCAS 2103 SOUTH PARK RD LOUISVILLE KY 40221	7008 ECHO TRL DEED-BK 6869 DEED-PG 235 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 196	5,450.00	
0857620	ALLAN & VIRGINIA MARKS 6301 ECHO TRL LOUISVILLE KY 40299	6301 ECHO TRL DEED-BK 5182 DEED-PG 611 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 120	5,450.00	
0857618	RICHARD & MARGARET MARKS 7101 ECHO TRL LOUISVILLE KY 40299	7101 ECHO TRL DEED-BK 6298 DEED-PG 245 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 23	5,450.00	
0857622	JAMES & KATHLEEN MCCAULEY 6004 RIDGE CREEK CT LOUISVILLE KY 40291	6507 ECHO TRL DEED-BK 7321 DEED-PG 155 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 108	5,450.00	
0857624	DENNIS & CATHY MILAM 7107 ECHO TRL LOUISVILLE KY 40299	7107 ECHO TRL DEED-BK 6712 DEED-PG 510 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 20	5,450.00	
0857626	PATRICIA L MILES LIVING TRUST 6001 OLD HEADY RD LOUISVILLE KY 40299	6711 ECHO TRL DEED-BK 7492 DEED-PG 322 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 125	5,450.00	
0857628	RONALD & CINDY MORAN 6329 ECHO TRL LOUISVILLE KY 40299	6329 ECHO TRL DEED-BK 6346 DEED-PG 912 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 141	5,450.00	
0857631	JOSEPH & LILLIE & TH MORSEY 13711 BRUSH RUN RD LOUISVILLE KY 40299	7424 R ECHO TRL DEED-BK 5072 DEED-PG 272 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 132	5,450.00	

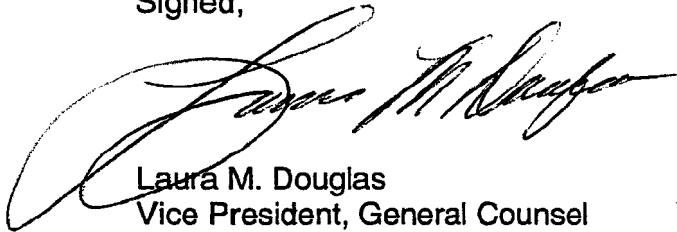
ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0857631	JOSEPH & LILLIE & TH MORSEY (CONTINUED)	DEED-BK DEED-PG TAX-DST TAX-BLK	LOT-NO.		
		COMMENT NAMES NOT LISTED THAT ALSO OWN ARE THOMAS & DOROTHY			
0857638	RUTH AARON MORSEY 7426 ECHO TRL LOUISVILLE KY 40299	7426 ECHO TRL DEED-BK 7195 DEED-PG 157 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	153
0857641	THOMAS & DOROTHY MORSEY 2600 TREGARON AVE LOUISVILLE KY 40299	7419 ECHO TRL DEED-BK 5174 DEED-PG 710 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	94
0857642	ALVIN & HALLIE PFEFFER 7004 ECHO TRL LOUISVILLE KY 40299	7004 ECHO TRL DEED-BK 4588 DEED-PG 33 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	119
0857645	H E & PHYLLIS REED 7012 ECHO TRL LOUISVILLE KY 40299	7012 ECHO TRL DEED-BK 6873 DEED-PG 308 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	195
0857647	LOUIS & ONEDA & HARO REINHART 12807 SEATONVILLE RD LOUISVILLE KY 40299	7422 ECHO TRL DEED-BK 4675 DEED-PG 532 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	123
		7400 ECHO TRL DEED-BK 4507 DEED-PG 71 TAX-DST TAX-BLK 58	LOT-NO. 85		
		COMMENT HAROLD IS ALSO INCUDED AS OWNER			
0857649	BRANTLEY & KATHRYN REYNOLDS 7002 ECHO TRL LOUISVILLE KY 40299	7002 ECHO TRL DEED-BK 4588 DEED-PG 29 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	118

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0857651	FRANCIS & SUSAN RUMAN	6327 ECHO TRL	5,450.00		
	6327 ECHO TRL	DEED-BK 5828	LIEN-DT		
	LOUISVILLE KY	DEED-PG 281	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 53	LOT-NO.	138	
0857672	RAYMOND & ELIZABETH SCHAEFER	6501 ECHO TRL	5,450.00		
	6501 ECHO TRL	DEED-BK 5693	LIEN-DT		
	LOUISVILLE KY	DEED-PG 508	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 53	LOT-NO.	137	
0857674	PHILIP & CINDY SPROWL	6308 ECHO TRL	5,450.00		
	6310 ECHO TRL	DEED-BK 6816	LIEN-DT		
	LOUISVILLE KY	DEED-PG 94	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 53	LOT-NO.	121	
		6310 ECHO TRL			
		DEED-BK 6617			
		DEED-PG 583			
		TAX-DST			
		TAX-BLK 53	LOT-NO.	125	
0857677	WAYNE TABOR	7009 ECH TRL	5,450.00		
	7009 ECHO TRL	DEED-BK 7416	LIEN-DT		
	LOUISVILLE KY	DEED-PG 186	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	104	
0857681	RALP TROMBLE REVOCABLE TRUST	6907 ECHO TRL	5,450.00		
	6907 ECHO TRL	DEED-BK 7602	LIEN-DT		
	LOUISVILLE KY	DEED-PG 283	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	144	
		6903 ECHO TRL			
		DEED-BK 7602			
		DEED-PG 283			
		TAX-DST			
		TAX-BLK 58	LOT-NO.	163	
0857694	TERRY & THERESA WRIGHT	6804 ECHO TRL	5,450.00		
	6804 ECHO TRL	DEED-BK 6055	LIEN-DT		
	LOUISVILLE KY	DEED-PG 929	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 53	LOT-NO.	33	

CERTIFICATION

This is to certify that the following: Routt Road: 9410 Routt Road to the County Line is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville, on March 12, 2002, a quorum being present.

Signed,

A handwritten signature in black ink, appearing to read "Laura M. Douglas", written in a cursive style.

Laura M. Douglas
Vice President, General Counsel
Secretary

APPORTIONMENT WARRANT RESOLUTION
March 12, 2002

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Rouff Road: 9410 Rouff Road to the County Line** main extension project authorized by Ordinance No. 34, Series 1999 of the Jefferson Fiscal Court, adopted on October 12, 1999 such warrants to be against eleven (11) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

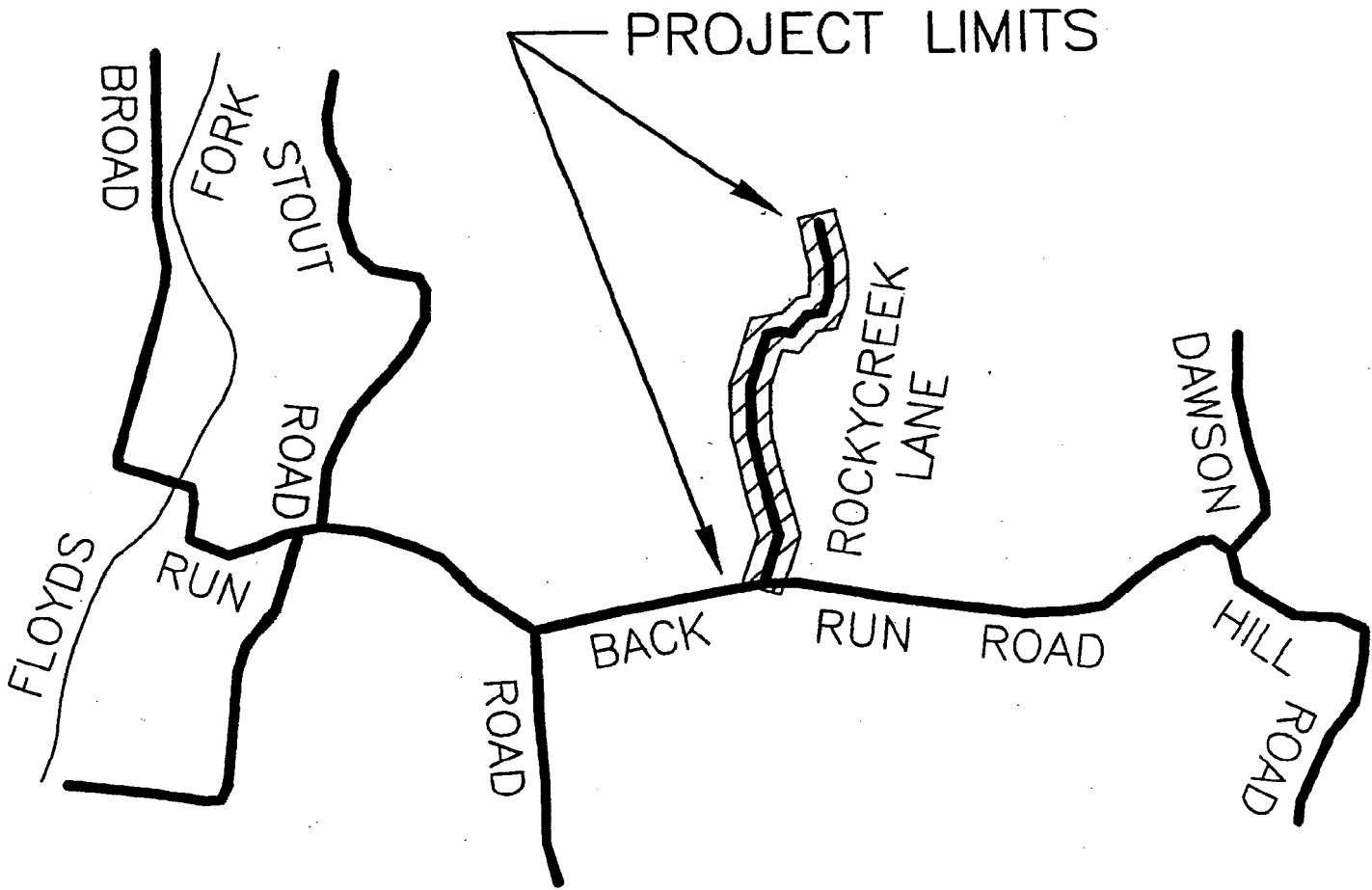
ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0857173	GARY ALCORN 9701 ROUTT ROAD LOUISVILLE KY 40299	9701 ROUTT ROAD DEED-BK 6723 DEED-PG 963 TAX-DST TAX-BLK 64	5,450.00		
0857218	JAMES & KAREN DAVIS 9560 ROUTT ROAD LOUISVILLE KY 40299	9560 ROUTT ROAD DEED-BK 7274 DEED-PG 365 TAX-DST TAX-BLK 59	5,450.00		
0857695	DAVID & MARIE GUELDIA 8810 TIMBERLINE LOUISVILLE KY 40291	35440 ELLIE LN DEED-BK 6470 DEED-PG 427 TAX-DST TAX-BLK 59	5,450.00		
0857697	WAYNE & BONNITA KLOTZ 9411 ROUTT ROAD LOUISVILLE KY 40299	9411 ROUTT ROAD DEED-BK 4922 DEED-PG 661 TAX-DST TAX-BLK 64	5,450.00		
0857698	SUSAN KUTE 2221 DOUGLASS BLVD LOUISVILLE KY 40205	ROUTT ROAD DEED-BK 5378 DEED-PG 22 TAX-DST TAX-BLK 63	5,450.00		
0857712	WALTER & JESSICA MCGEE 9550 ROUTT ROAD LOUISVILLE KY 40299	9550 ROUTT ROAD DEED-BK 6823 DEED-PG 384 TAX-DST TAX-BLK 59	5,450.00		
0857713	JAMES & THERESA PAULIN 9421 ROUTT ROAD LOUISVILLE KY 40299	9421 ROUTT ROAD DEED-BK 7006 DEED-PG 215 TAX-DST TAX-BLK 64	5,450.00		
0857714	CALVIN & ANNA SHAKE 9559 ROUTT ROAD LOUISVILLE KY 40299	9559 ROUTT ROAD DEED-BK 4808 DEED-PG 413 TAX-DST TAX-BLK 64	5,450.00		
0857715	THE SHAKE FAMILY TRUST 9559 ROUTT ROAD LOUISVILLE KY 40299	9559 ROUTT ROAD DEED-BK 6968 DEED-PG 516 TAX-DST TAX-BLK 64	5,450.00		

EXHIBIT "A"

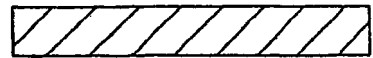
ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

0857216 DONALD H SMITH 9554 ROUTE ROAD LIEN-DT 5,450.00
1 11503 SHELBYVILLE RD SUITE 2 & DEED-BK 6769
2 LOUISVILLE KY DEED-PG 224
3 40243 TAX-DST LIEN-PG
4 TAX-BLK 59 LOT-NO. 158

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PROJECT AREA



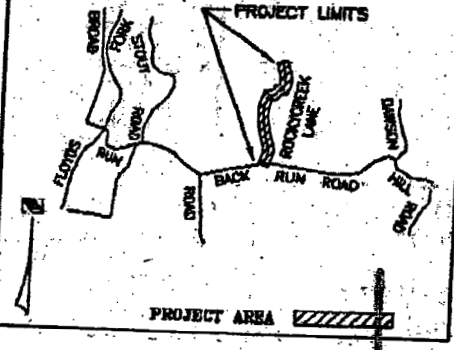
FILE NAME: ROCKYCREEK LN

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 98.265, the Louisville Water Company will hold a public hearing for the property owners along Rockycreek Lane: Back Run Road to North 2,600 feet (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Rockycreek Lane.

This public hearing will be held on Thursday, January 3, 2002 at 6:00 p.m. at the Fern Creek Fire Protection District, Station #3, 7700 Routt Road.

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.



CORPORATE RESOLUTION
(for Deposit Accounts)

Depositor: Louisville Water Company
550 South Third Street
Louisville, KY 40202

Financial Institution: Louisville Community Development Bank
2901 West Broadway
Louisville, KY 40211-1220

I, the undersigned Secretary of the Corporation named above, HEREBY CERTIFY that the Corporation is organized and existing under and by virtue of the laws of the state of Kentucky as a corporation, with its principal office at 550 South Third Street, Louisville, KY 40202

Account Holder, Louisville Water Company is the complete and correct name of the Account Holder.

I FURTHER CERTIFY that at a meeting of the Board of Directors of the Corporation, duly and regularly called and held on March 12, 2002 at which a quorum was present and voting, the following resolutions were adopted:

RESOLVED, that the Financial Institution named above at any one or more of its offices or branches, be and it hereby is designated as the Financial Institution of and depository for the funds of this Corporation, which may be withdrawn on checks, drafts, advices of debit, notes or other orders for the payment of monies bearing the following appropriate number of signatures: Any 2 (#) of the following named officers or employees of this Corporation ("Agents"), whose actual signatures are shown below:

X _____ Authorized Signer	<u>John L. Huber</u> Printed Name
X _____ Authorized Signer	<u>Robert K. Miller</u> Printed Name
X _____ Authorized Signer	<u>Amber A. Halloran</u> Printed Name
X _____ Authorized Signer	<u>Laura M. Douglas</u> Printed Name

and that the Financial Institution shall be and is authorized to honor and pay the same whether or not they are payable to bearer or to the individual order of any Agent or Agents signing the same.

FURTHER RESOLVED, that the Financial Institution is hereby directed to accept and pay without further inquiry any item drawn against any of the Corporation's accounts with the Financial Institution bearing the signature or signatures of Agents, as authorized above or otherwise, even though drawn or endorsed to the order of any Agent signing or tendered by such Agent for cashing or in payment of the individual obligation of such Agent or for deposit to the Agent's personal account, and the Financial Institution shall not be required or be under any obligation to inquire as to the circumstances of the issue or use of any item signed in accordance with the resolutions contained herein, or the application or disposition of such item or the proceeds of the item.

FURTHER RESOLVED, that any one of such Agents is authorized to endorse all checks, drafts, notes and other items payable to or owned by this Corporation for deposit with the Financial Institution, or for collection or discount by the Financial Institution; and to accept drafts and other items payable at the Financial Institution.

FURTHER RESOLVED, that the above named agents are authorized and empowered to execute such other agreements, including, but not limited to, special depository agreements and arrangements regarding the manner, conditions, or purposes for which funds, checks, or items of the Corporation may be deposited, collected, or withdrawn and to perform such other acts as they deem reasonably necessary to carry out the provisions of these resolutions.

FURTHER RESOLVED, that the authority hereby conferred upon the above named Agents shall be and remain in full force and effect until written notice of the revocation thereof shall have been delivered to and received by the Financial Institution at each location where an account is maintained. Any such notice shall not affect any items in process at the time notice is given.

I FURTHER CERTIFY that the persons named above occupy the positions set forth opposite their respective names and signatures; that the foregoing Resolutions now stand of record on the books of the Corporation; that they are in full force and effect and have not been modified in any manner whatsoever.

IN TESTIMONY WHEREOF, I have hereunto set my hand on _____, 200__ and attest that the signatures Set opposite the names listed above are their genuine signatures.

CERTIFIED TO AND ATTESTED BY:

X _____
*Secretary or Assistant Secretary

X _____

CORPORATE
SEAL

*NOTE: In case the Secretary or other certifying officer is designated by the foregoing resolutions as one of the signing officers, this certificate should also be signed by a second Officer or Director of the Corporation.

**BOARD OF WATER WORKS
ANNUAL MEETING MINUTES
April 9, 2002**

The Annual Meeting of the Board of Water Works was called to order at 12:30 p.m. by President, John L. Huber.

Mr. Huber then relinquished the chair to Ms. Laura Douglas, General Counsel, for the purpose of receiving nominations for the office of the President.

A motion was made by Ms. Wendy C. Welsh to place in nomination the name of Mr. Huber for the ensuing year. Mr. Owen C. Hammons seconded the motion. The BOWW then unanimously voted to appoint Mr. Huber as President for the ensuing year.

The President then asked for nominations for the office of Vice President, to be filled by election of one of the Board members. The President reminded the Board that the Vice President elected from the Board membership serves in that office without salary.

The motion was made by Ms. Welsh to place in nomination the name of Mr. Phillip D. Bond for the office of Vice President for the ensuing year. Mr. Hammons seconded the motion, and the Board so voted.

The President asked for nominations for the position of Vice President-Chief Engineer. Mr. Bond nominated Mr. Gregory Heitzman to that position for the ensuing year. Mr. Jack Segal seconded, and the Board so voted.

The President then asked for nominations for the office of Vice President-Treasurer. Mr. Hammons nominated Mr. Robert K. Miller for that position for the ensuing year. Mr. Bond seconded, and the Board so voted.

The President asked for nominations for the office of Corporate Secretary. Mr. Hammons nominated Ms. Laura M. Douglas for that position for the ensuing year. Ms. Welsh seconded, and the Board so voted.

The President asked for nominations for the office of Vice President-General Counsel, whereupon Ms. Welsh nominated Ms. Laura M. Douglas for the position for the ensuing year. Mr. Bond seconded, and the Board so voted.

The President asked for nominations for the Office of Vice President – Serving Customers and Business Development, whereupon Mr. Segal nominated Ms. Karla O. Teasley for the position for the ensuing year, The Board so voted.

Ms. Douglas administered the oath of office to Ms. Teasley.

Nominations for Auditor will be brought to the Board in the future after consideration.

The President requested nominations for the Audit Committee, consisting of three Board Members. Mr. Segal nominated Mr. Phillip Bond, Chairperson, Mr. Owen C. Hammons, and Ms. Wendy C. Welsh as members of the Audit Committee for the ensuing year. Mr. Stephen Gault seconded, and the Board so voted.

The President requested nominations for the Compensation Committee, consisting of three Board members. Mr. Hammons nominated Mr. Stewart E. Conner as Chairperson, Mr. Phillip Bond and Ms. Wendy C. Welsh as Committee Members for the ensuing year. Mr. Segal seconded, and the Board so voted.

The President requested nominations for the Public Information and Customer Satisfaction Committee, consisting of three board members. Ms. Welsh nominated Mr. Segal, Chairperson, Mr. Stewart E. Conner and Mr. Stephen C. Gault as Committee Members for the ensuing year. Mr. Bond seconded and the Board so voted.

There being no further business, the Annual Meeting adjourned at 12:45.

**Minutes of 2002 Regular Monthly Meeting
Board of Water Works
APRIL 9, 2002**

Board Members Present

Ms. Wendy C. Welsh
Mr. Phillip D. Bond
Mr. Owen C. Hammons
Mr. Jack H. Segal

Board Members Absent

Mr. Stephen C. Gault
Mr. Stewart E. Conner
The Honorable David L. Armstrong

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel & Secretary
Mr. Gregory Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Mr. Larry Lenahan
Ms. Rhonda Plunkett
Mr. Kevin Grant

Mr. Huber called the meeting to order at 12:50 P.M.

CONSENT AGENDA

- Minutes of previous meetings
- Claims paid during the previous month
- Petitions and applications for water main extensions
- Authorization for design and bid of projects under \$200,000
- Bid tabulations for contracts under \$500,000
- Listing for award of contracts less than \$100,000

Item A: Minutes of Regular Meeting Held **March 12, 2002**
Request: Approve Minutes

Item B: Claims Paid During **March, 2002**
Request: File claims for future audit.

Item C: Petitions and applications for Water Main Extensions and Relocations
(when in full compliance / SR&R)

Developer Installed Refunding Main Extension Projects	Total Project Cost
Greenridge Estates Section 6 (Project No. 99-088)	\$30,740.00
Hillcrest Section 5 (Project No. 01-088)	\$166,210.00
Greenwood Meadows Section 1 (Project No. 01-098)	\$48,660.00

Winchester Subdivision Phase II (Project No. 02-012)	\$67,360.00	
Forest Springs North Section 4A (Project No. 02-013)	\$24,155.00	
Grandview Estates Subdivision (Project No. 02-024)	\$47,095.00	
Bullitt County Main Extension Projects	Total Project Cost	
Old KY Highway 245 (Project No. 02-308)	\$35,000.00	
Bullitt County System Improvements	Total Project Cost	
High Water Road (Project No. 02-306)	\$26,500.00	
Oldham County Water Extension Program	Total Project Cost	
Rollington Road Extension (Project No. 01-319)	\$12,500.00	
Glenarm Road (Project No. 01-310)	\$105,000.00	
Ash Avenue (Highway 362) (Project No. 01-321)	\$52,600.00	
Highway 1694 (Project No. 01-309)	\$159,000.00	
City of St. Matthews Projects	Total Project Cost	Net Cost To LWC
Wallace Avenue (Project No. 02-411)	\$3,100.00	\$3,100.00
Developer Relocation Projects	Total Project Cost	Net Cost To LWC
Brooks Road (KY Hwy. 1526) Widening/Prologis Park I-65 (Project No. 01-544)	\$163,050.00	\$72,625.00
Arnold Boats West (Project No. 02-612)	\$2,000.00	
Wayside Drive (Project No. 02-1409D)	\$5,600.00	

Item D: Authorization for design and bid of projects *(estimated to cost less than \$200,000)*

Item E: Bid tabulations *(award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).*

Item F: Award of contracts less than \$100,000.00

Capital Program		Total Project Cost
Project No.	Project Name	
98-C01-B	Carpet Cleaning Services at Various Louisville Water Company Sites	\$22,259.00
01-317 & 01-317A	Cow Branch Road Water Main Extension	\$81,000.00
Procurement of Goods and Services		Total Project Cost
Project No.	Project Name	
99-04	PPI Renewal—Precast Meter Vaults	\$64,607.00
02-06	Small Hand Tools	\$85,379.00

Procurement of Sole Source Materials and Services		Total Project Cost
Project No.	Project Name	
Sole Source	Backwash Valves at BEPWTP	\$22,714.00
Procurement of Professional Services		Total Project Cost
Professional Service	Highway 329 Secondary Transmission Main— Apple Patch Tank	\$31,634.00

REPORT OF OFFICERS

Administrative Report

Mr. Huber reported on the 48' water main break at the Zorn Avenue pump station. He credited Mr. Heitzman and his staff with remedying the problem. The cost of repair will be \$60,000.00 to \$80,000.00. Mr. Huber also reported that the implementation of "Route Smart" caused some customers to receive "long bills." These individuals were inadvertently billed at a higher rate. We will be crediting these customers approximately \$92,000.00 during the next two weeks.

Financial Report

Mr. Miller gave the Income and Expense Summary for March 2002.

Income and Expense Summary

- 1) Total operating revenue of \$22,064,100 is \$394,400 or 1.82% more than budgeted and \$1,249,000 or 6% more than the same period in 2001. We sold 1.5% more water in 2002 than the same period in 2001. Water delivered to the mains was 0.85% less than 2001.
- 2) Operation and maintenance expense of \$9,520,100 is \$400,500 or 4.04% less than budgeted and \$42,500 or 0.45% more than 2001.
- 3) Operating deductions of \$15,377,800 are \$249,900 or 1.60% less than budgeted and \$717,200 or 4.89% more than 2001.
- 4) Net operating income/deductions of \$6,686,300 is \$644,300 or 10.67% more than budgeted.
- 5) Total non-operating income of \$685,600 is \$264,400 or 27.84% less than budgeted. Total non-operating expense of \$1,680,900 is \$16,000 or 0.96% more than budgeted.
- 6) Net income of \$5,691,000 (line 26) is \$363,900 or 6.83% more than budgeted and \$177,200 or 3.02% less than 2001.

Capital Projects Summary

The capital program as shown on the Capital Projects Summary attached reflects net expenditures of \$9,480,985 against a budget of \$69,509,847 including noncompleted previous year projects carried forward. Gross disbursements were \$11,170,253; however, \$1,689,268 was received as reimbursements. Projects committed aggregate \$82,762,963 or 119.07% of budget. Projects in progress or completed to year-end total \$15,036,065 or 21.63% of budget.

Mr. Heitzman gave the Operations Report for March 2002.

Production and Water Quality - Water pumping for the month averaged 111.3 MGD, consistent with the five-year average pumping. Water quality for the month was outstanding, with turbidity, chlorine, and bacteria at 100 percent of the goal for the month.

Distribution Water Quality - The laboratory staff is evaluating the distribution sampling protocol and schedule for the upcoming summer months. Sampling locations are being reviewed and standard operating procedures developed. Critical storage reservoirs and tanks are being cleaned, including the Cardinal Hill Reservoir. Staff is developing a contingency plan for remote distribution disinfection with chlorine for Cardinal Hill and areas in Bullitt County. Flushing crews continue to flush areas that exhibit low chlorine levels in summer months.

Hydrant Vandalism - The Company has received several reports of individuals tampering with fire hydrants at various locations within the distribution system. Staff is responding to each incident with a defined protocol, which includes dispatching employees and police to the reported sites and following up with flushing and sampling when it is determined to be prudent. Staff will continue to be vigilant in responding to these events.

Ms. Teasley gave the Serving Customers Report for March 2002.

Customer Service – The March 2002 abandonment rate was 7.80%, an improvement over the previous month's abandonment rate of 9.61%. Call volume has returned to normal levels after the RouteSmart implementation. A number of measures to improve Call Center performance were implemented in March, including hiring additional staff. Once new employee training is complete, additional improvement in abandonment rate is expected.

Bad Debt – Bad debt for the month of March was \$30,459, slightly above budget. This amount includes \$12,000 in bankruptcies, with about \$10,000 relating to bankruptcies from cases filed in 2000 and 2001. Controllable bad debt is \$18,439, well under the monthly budget.

First Quarter CSI Results – The Total CSI for the first quarter of 2002 was 838, a seven point drop from the fourth quarter 2001 high of 845. The Service Total CSI for the first quarter was 774, a nine-point drop from the 783 level in the fourth quarter of 2001. These drops were not statistically significant. It appears that some of this decrease relates to the RouteSmart project and the January rate increase. Also, the drop was exclusively for the residential customers, with all factor scores for commercial customers increasing in the first quarter.

Oldham Co Advisory Board Meeting Summary – The Oldham County District No. 1 Advisory Board met March 5, 2002 to review the status of Oldham County capital improvement and water extension programs, and the Oldham County Reserve Fund. Total funding of \$254,959.88 remains in the Oldham County Reserve Fund with \$155,000 of this total committed for projects. LWC staff will develop a plan for committing the remaining balance of the fund (\$99,960) on system improvements.

LITIGATION REPORT

After proper motions and second, the Board adjourned to a closed session for the purpose of discussing litigation, personnel issues and acquisitions of property. Ms. Douglas gave a litigation report in closed session. The Board reconvened in open session without taking any action.

REPORT OF COMMITTEES

Compensation Committee Report

Ms. Welsh gave the compensation committee report. The committee recommended the following salaries for the President, Vice Presidents and Officers for 2002 – 2003 (effective April 1, 2002):

Mr. John Huber:	\$175,350.00
Mr. Greg Heitzman:	\$126,677.00
Mr. Robert Miller:	\$120,927.00
Ms. Laura Douglas:	\$120,927.00
Ms. Karla Teasley	\$122,850.00
Mr. Steve Hubbs:	\$102,918.00
Mr. James Wehrle	\$112,747.00

The recommendation was adopted.

Audit Committee Report

Mr. Bond gave the Audit Committee report. Mr. Bond reported on the inventory count that was performed on October 26, 2001. The warehouse is operating within acceptable control limits. Staff will continue to perform bi-monthly cycle counts and will evaluate this process for use with the truck inventories in 2002. There is no concern, at this time, that theft may be occurring.

Mr. Bond discussed the apparent customer over charge that Mr. Huber outlined in his administrative report. Rates are being approximately charged. However, credits will be given to customers with long bills who were charged a higher rate for gallons beyond 6,000 or greater than sixty days.

Mr. Bond reported that the company received an unqualified audit from Crowe Chizek without adjustments or reportable conditions.

After proper motions and second, the Board voted to accept the financial statements.

SPECIAL ISSUES

Mr. Huber spoke to the Board regarding Divestiture of Property at 435 South Third Street.

The City of Louisville is interested in taking direct ownership of the Louisville Water Company's previous office site at 435 South Third Street and locating certain City operations in the facilities.

Title to property acquired by the Louisville Water Company is ultimately vested in the City of Louisville and thus enjoys tax exempt status. Disposition of property owned by the Louisville Water Company is governed by bond resolution. In Section 611 of the 1992 Bond Resolution the Company covenants it will not dispose of or encumber the Waterworks System or any part thereof except as the resolution otherwise permits. Section 661 specifically states:

"Sale or Lease of Properties: "...Nothing herein shall prevent the Company from transferring for nominal consideration real property that is not needed or is no longer useful in connection with the operation or maintenance of the Waterworks System to the City for the exclusive use and enjoyment of the City, including, without limitation, the Crescent Hill Golf Course. Any portion of the Waterworks System consisting of real estate being used as administrative offices may be transferred, at the discretion of the Issuer, to the City for nominal consideration."

Accordingly, the property at 435 South Third Street may be transferred to the City of Louisville at the discretion of the Board of Water Works.

After proper motion and second, the Board voted to authorize the Company to divest itself real estate and facilities located at 435 South Third Street with the City of Louisville taking direct ownership and control of the property and facilities upon closing of the transaction and signing of the deed.

BID TABULATIONS

Mr. Miller discussed the following:

Bid 01-12/Copper Tubing

On March 6, 2002, bids were opened to award a six-month contract for the purchase of copper tubing. Copper tubing is used throughout the distribution system for the installation, renewal and repair of domestic service lines.

A total of six (6) bids were submitted. The lowest, most responsive bidder was the Plumbers Supply Company.

After proper motion and second, the Board voted to ratify the purchase of six (6) month supply of copper tubing from the Plumbers Supply Company totaling \$116,392.08.

BID 02-09/Tapping Saddles for Distribution Pipe

On March 6, 2002, bids were opened to award a two-year contract for the purchase of tapping saddles. Tapping saddles are used to make service installation taps.

A total of six (6) bids were submitted, in which two (2) were bid: (1) a stainless steel strap (for bearing area) brass saddle for PVC pipe and (2) a traditional dual strap brass saddle for iron pipe. The responsive bidder for PVC pipe and iron pipe saddles was the Mueller Company.

After proper motions and second, the Board voted to authorize Staff to award a two-(2) year contract to the Mueller Company totaling \$259,596.00.

BID 01-11: Cold Water Meters (1st PPI Renewal)

On April 25, 2001, proposals were opened to award a one-year contract for cold water meters, with the option to renew up to four additional years utilizing the Producers Price Index as the cost adjustment factor. Water meters are used throughout the Louisville Water Company system to measure cold water usage for billing purposes.

In 2001, a total of two (2) proposals were submitted. The lowest, most responsive proposal was received from **Schlumberger Resource Management** for an estimated amount of **\$1,276,841.00**

This is the first PPI renewal on this contract. This renewal shall be in effect for one (1) year, from May 14, 2002 to May 13, 2003, for an estimated amount of \$1,276,841.00.

Staff requests Board authorization to continue the contract with **Schlumberger Resource Management** for one (1) additional year at the 1.7% PPI increase. The total contract amount is estimated at **\$1,276,841.00**

BID 01-45/Locating Services

On March 13, 2002 proposals were opened to award a one-year contract for locating services. This contract is renewable for up to four (4) additional one-year terms at the sole discretion of the Company. This was a competitive negotiation proposal, whereby services provided are for locating and marking of underground facilities.

A total of three proposals were received. The bidder submitting the best-evaluated proposal was **STS, Inc.** at an estimated cost of **\$265,138**.

After proper motion and second, the Board voted to authorized staff to award a one-year contract, renewable for up to four additional years, for an estimated total of **\$265,138** to **STS, Inc.**

Mr. Miller and Mr. Grant reported on the following:

Project 01-55 Automated Reading Technology and Services LWC KTII service territory

In January 2002, The Accounting for Water Process circulated a Request for Proposal to install, maintain, and read automated reading technology in Kentucky Turnpike District II. Two companies submitted proposals, Itron and Neptune.

The proposals were evaluated on the following criteria: adherence to specifications, quality, delivery and completion, price and experience. The evaluation identified Neptune as the vendor with the better proposal. Neptune submitted an install and bimonthly read cost of \$4.18/read for the first five years and a read cost of \$.44 for the remaining ten years.

This project will provide LWC with operational savings, improved customer information and service as well as the information needed to evaluate future use of Automated Meter Reading in our distribution system.

After proper motion and second, the Board voted to authorize staff to enter into a lease and service unit price contract with Neptune Equipment Company. The contract will be for 2830 units at a cost of \$527,369 for the 15-year period.

Ms. Teasley reported on the following:

Project 01-324 Weavers Run/Pauleys Gap Water Main Extension Project

Title: Wavers Run/Pauleys Gap Water Main Extension Project

Bids were received and opened Wednesday, April 3, 2002 to install 15,089 linear feet of 12-inch and 2,273 linear feet of 8-inch water line along Weavers Run and Pauleys Gap Roads between Highway 44 and the Jefferson County Line.

A total of four bids were received and opened from pre-qualified contractors. Tom Brown Construction Company submitted the lowest responsive bid in the amount of #382,851.00 resulting in a total project costs of \$556,051.00.

After the proper motion and second, the Board voted to authorize the staff to award a contract in the amount of \$382,851.00 to Tom Brown Construction Company to install the water facilities associated with this project.

Mr. Miller reported on the following:

Request Authorization for Award of Contracts for the Purchase and Installation of a Storage Area Network under Project 02-653

One of the Information Technology Systems primary business tasks is to store and manage the Company's data and information in a secure environment to ensure data integrity and the data is accessible for business reporting and analysis. The Technical and Data Architectures have been established to manage this task.

The re-engineering and replacement of our core Information Supply Systems have led to distribution of data processing and storage management to application servers connected to our network. This has allowed for increased data sharing and information access, but has presented LWC with data storage, management, security, and scalability issues. In addition, the Data General platform is nearing the end of its useful life and plans have been made for replacement with more current technology.

To meet these challenges, staff has recommended the purchase of an EMC Symmetrix Storage Area Network (SAN) that will aggregate data storage management, provide for data security and controlled access to information, and provide for scalable storage to meet our system replacement and expanding data storage and information management needs.

After proper motion and second, the Board voted to authorize staff to issue contracts for implementation of this project to EMC Corporation in the amount of \$1,062,531 for the EMC Symmetrix Storage Area Network hardware, software, implementation services, and three-year operations and maintenance agreement and awards a contract to Abacus Solutions in the amount of \$77,550 for networking and interface components to implement the project.

COMMUNICATIONS

None

OLD BUSINESS

Ms. Teasley reported on the following:

Issuance of Apportionment Warrants per KRS 96.265

Private Road: Wolf Pen Branch Road to End

A public hearing was held October 29, 1998 for the extension of water service along Private Road: Wolf Pen Branch Road to End. The Board of Water Works adopted a resolution for Private Road: Wolf Pen Branch Road to End on January 19, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 5, Series 1999 on February 23, 1999 for the Private Road: Wolf Pen Branch Road to End project.

After proper motion and second, the Board voted to adopt a resolution for the issuance of Apportionment Warrants and liens against 11 benefited properties along Private Road: Wolf Pen Branch Road to End in accordance with KRS. 96.265, as described.

Water Extension Project Pursuant to KRS 96.265

Buttermilk Ridge Road: Dawson Hill Road to West 2,250 feet

The Board of Water Works approved staff's request to proceed with a public hearing for Buttermilk Ridge Road: Dawson Hill Road to West 2,250 feet at its January 2002 meeting. In accordance with KRS 96.265 a public hearing was held on January 17, 2002 for the property owners along Buttermilk Ridge Road to consider the extension of a water main along this private roadway.

At the public hearing property owners had an opportunity to ask questions about the Apportionment Warrant program and decide if they wanted to proceed with the project.

On February 14, 2002 a certified mail letter was sent to all five eligible property owners asking them to decide whether they "agree" or "do not agree" to proceed with the water main extension Buttermilk Ridge Road for an equal cost per property not to exceed \$19,300. None of the eligible property owners' responses indicate that they agree to proceed with the water main extension.

Staff recommended that the Board of Water Works not refer the Buttermilk Ridge Road water main extension to Jefferson County Fiscal Court.

This item was offered as an advisory to the Board. No Board action was requested.

Request for Change Action Watterson Trail – Main Replacement Project

LWC Project 99-512

On February 1, 2002, the Company entered into a contract in the amount of \$270,350 with MAC Construction and Excavating for the construction of 3,890 LF of new water main along Watterson Trail between Rivanna Drive and Ruckriegel Parkway in the Jeffersontown Area of eastern Jefferson County. Included with the project are the renewal or transfer of 7 fire hydrants and 53 customer services.

After consultation with MAC Construction, LWC Staff is requesting a change in material to HDPE to accommodate the use of directional drilling technology.

The increased cost to supply and install 12-inch HDPE pipe is estimated to be \$45,815 (a 16.9% increase in the contract amount). Savings of over \$63,000 in LWC-supplied materials should be realized by LWC with this switch to contractor-supplied materials.

After proper motion and second, the Board voted to increase the contract amount with MAC Construction and Excavating from \$270,350.00 to \$316,165.00 and to proceed with the project and the change in materials.

Request for Change Action

Beechmont Area – Main Replacement Project LWC Project 01-500

On March 23, 2001, the Company entered into a contract in the amount of \$1,458,000 with MAC Construction and Excavating for the construction of over 23,000 LF of 6, 8, and 12-inch pipe in the Beechmont Area of south-central Louisville. Included with the project are the renewal or transfer of over 30 fire hydrants and 500 customer services.

The project specifications for the Beechmont Area project included a provision that the Contractor could submit a set of supplementary unit prices for the supply and installation of 6 and 8-inch HDPE pipe. Subsequent to the award of the contract, MAC Construction requested to supply and install HDPE pipe on a significant portion of the project to make use of directional drilling technology.

With the switch to contractor-supplied HDPE pipe and service tap materials, significant cost savings can be realized in the quantity of the materials traditionally supplied by LWC. Based on the footage of pipe to be supplied by the contractor as well as a reduction in other materials, cost savings of over \$183,600 in materials supplied by LWC should be realized.

The estimated increase cost in the total project is approximately \$1,500.

After proper motion and second, the Board voted to authorize the Vice President of Serving Customers and Business Development to increase the contract amount with MAC Construction and Excavating from \$1,458,000 to \$1,643,129 and to proceed with the change in materials.

Request for Change Action

Brownsboro Road – Main Replacement Project

LWC Project 01-501

On December 6, 2001, the Company entered into a contract in the amount of \$152,800 with Southern Pipeline Construction Company for the construction of the Brownsboro Road Main Replacement Project in eastern Jefferson County.

MSD has had a long-term plan to install a storm drainage line across Brownsboro Road in the vicinity of Ballard High School. MSD has recently decided to pursue their drainage project at this time to take advantage of low traffic volumes during Spring Break (April 1st to April 5th).

The proposed change will not increase the cost of the Brownsboro Road Main Replacement project, but will allow MSD an opportunity to partner with LWC on a critical public works project.

After proper motion and second, the Board voted to ratify the action taken by the Vice President of Serving Customers and Business Development to increase the contract amount with Southern Pipeline from \$152,800 to \$183,641 and change I scope.

NEW BUSINESS

Ms. Teasley reported on the following:

Bullitt County Water Improvement Program – Bullitt County Extension Program

KT #2 Community Development Block Grant and Drinking Water State Revolving Loan Fund Project
Proposed under the Bullitt County Extension Program is the extension of water mains to existing unserved residents of Bullitt County. The Community Development Block Grant (CDBG) program is a Federal grant program that is administered by the State to assist communities in constructing infrastructure improvements affecting low to moderate income areas. In November of 2001 staff requested authorization to prepare an application for \$1 million in CDBG funding, which was granted. Recently, we received conditional commitment letters from the Kentucky Infrastructure Authority (KIA) for a total of \$206,500 in grant funding for two of the routes in this project. In order to improve the affordability of this project to the low to moderate income residents of this area and to improve the viability of our CDBG application, we request authorization to apply for a \$2.2 million low interest loan from the Drinking Water State Revolving Loan Fund (DWSRF).

The source funding for this project would be a combination of CDBG, DWSRF and KIA funding. The benefiting residents along the proposed routes will pay the debt service on the DWSRF loan, which is estimated to be \$28.03 per month for 20 years, and the Bullitt County Reserve will pay for engineering design and inspection estimated to be \$397,484.00. The Bullitt County Water Reserve will fund any default in the benefiting resident's debt service payments until restitution can be recovered.

After proper motion and second, the Board voted to authorize the staff to proceed with the preparation of an application for DWSRF funding for the subject project.

Mr. Heitzman reported on the following:

Lead Service Line Renewals – Request to Expand the 2002 Program

A stated objective of the Louisville Water Company is to eliminate lead service lines from the distribution system. Although a significant effort has been placed on this activity over the past decade, current records indicate that more than twenty-six thousand lead services remain.

The task of “renewing” a lead service consists of replacing the lead service line from the water main to the meter and from the meter to the customer’s property service connection.

In 2002 staff is budgeted, and has the capacity, to perform approximately 900 lead service renewals. This does not include an additional increment of services, which will be renewed under the Main Replacement and Rehabilitation Program in conjunction with pipeline projects.

Staff has recently reviewed the size of the lead service renewal program and has concluded that an additional work-load of 500 renewals can be accommodated by existing staff. The incremental cost of this work is estimated at \$500,000.

After proper motion and second the Board voted to authorize staff to proceed with execution of an additional 500 lead service renewals in 2002, utilizing incremental funding in the amount of \$500,000 in capital funds. Further, staff will review the lead service renewal program and make appropriate recommendations for funding in the 2003 capital budget.

Ms. Teasley reported on:

Goshen Utilities Improvement

There are two proposed grid tic projects necessary in order to serve the Goshen Utilities service area. Currently, only one connection exists along US 42 at the current Master Meter. Two additional connections will be required in order to initially supply this new service area and this letter requests authorization for engineering design and construction. Descriptions are as follows:

Highway 329 Connection – Constantine Farms west to existing 8-inch water main
Install 800 lf of 8-inch PVC water main and gate valve \$22,000.00

Belknap Beach Connection
Install 1400 lf of 12-inch PVC along Rose Island Road to Belknap Beach Rd.

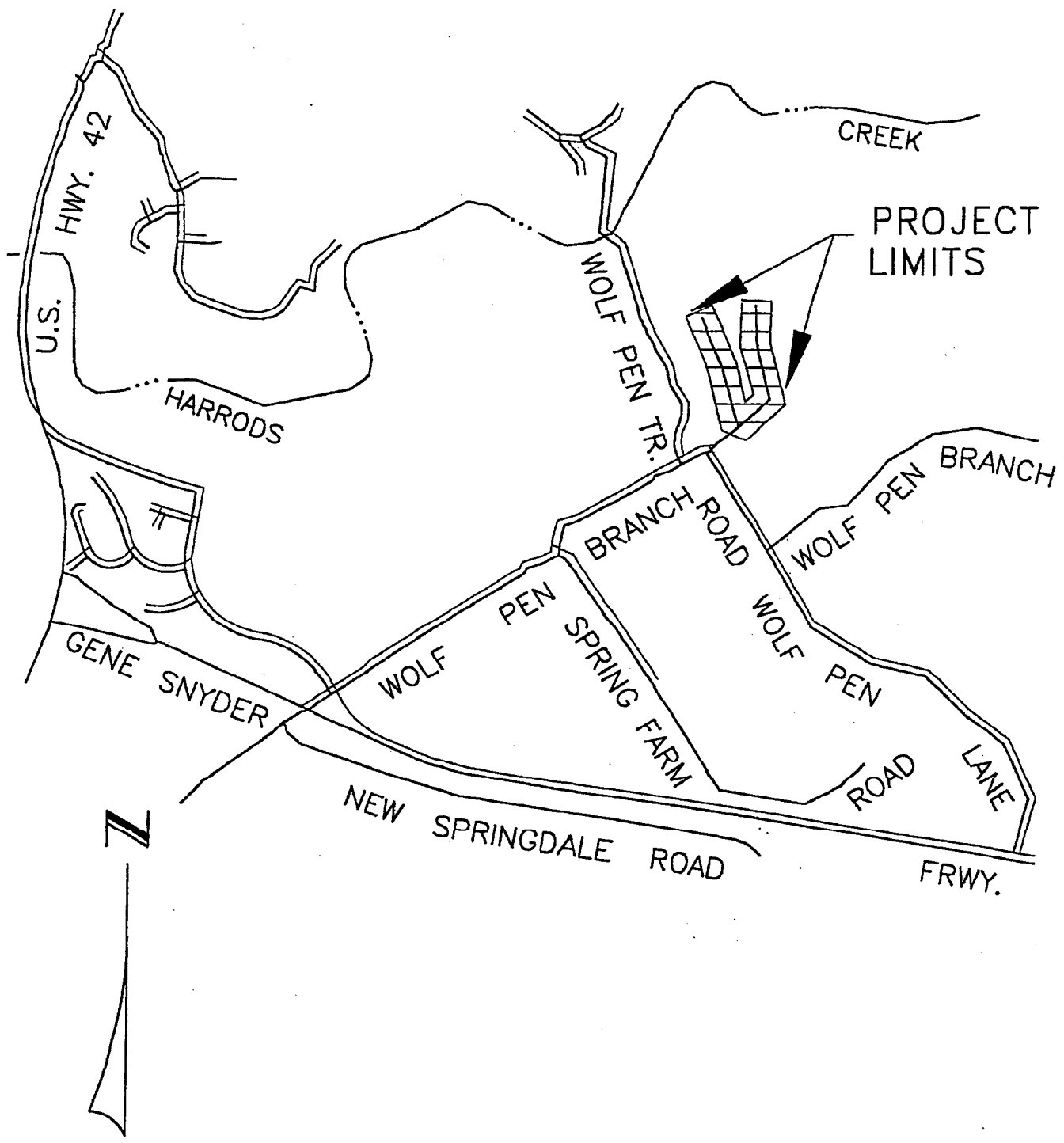
Install 1100 lf of 8-inch PVC along Belknap Beach Road to an existing 8-inch water main. \$125,650.00

After proper motion and second the Board voted to authorize staff to proceed with engineering design and construction for the subject projects.

The meeting adjourned at 3:05 p.m.

APPORTIONMENT WARRANT RESOLUTION
April 9, 2002

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Private Road: Wolf Pen Branch Road to End** main extension project authorized by Ordinance No. 5, Series 1999 of the Jefferson Fiscal Court, adopted on February 23, 1999 such warrants to be against eleven (11) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$7,045 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA 

FILE NAME: PRIV WOLF PEN BRANCH

Board of Water Works
Resolution
January 19, 1998

It appearing that this Board has received a petition, signed by a majority of the owners of property abutting the **Private Road off Wolf Pen Branch Road**, a private roadway in Jefferson County, and acting thereon convened a Public Hearing on October 29, 1998, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon the Vice President-Chief Engineer of the Company has recommended the extension of such water service to the **Private Road off Wolf Pen Branch Road**, as being feasible and beneficial.

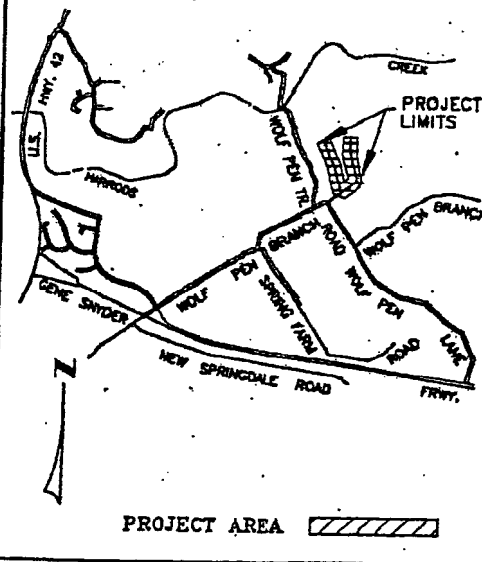
NOW THEREFORE BE IT RESOLVED, that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along the **Private Road off Wolf Pen Branch Road**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Private Roadway off Wolf Pen Branch Road (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Private Roadway off Wolf Pen Branch Road.

This public hearing will be held on Thursday, October 29, 1998 at 6:00 p.m. at the Harrods Creek Fire Department, 8905 U.S. Highway 42 (Prospect, KY).

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.



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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0859186	MILTON COOPER 3404 WOODSIDE RD LOUISVILLE KY 40222	7839 WOLF PEN BRANCH RD DEED-BK 7026 DEED-PG 544 TAX-DST TAX-BLK 7	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	7,045.00	65
0859191	JOHN & JOAN HAFNER 7815 WOLF PEN BRANCH RD PROSPECT KY 40059	7815 WOLF PEN BRANCH RD DEED-BK 7583 DEED-PG 185 TAX-DST TAX-BLK 3	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	7,045.00	87
0859193	DAVID HODGE 7843 WOLF PEN BRANCH RD PROSPECT KY 40059	7843 WOLF PEN BRANCH RD DEED-BK 4090 DEED-PG 350 TAX-DST TAX-BLK 7	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	7,045.00	76
0859199	SUSAN HOYER 7825 WOLF PEN BRANCH RD PROSPECT KY 40059	7825 WOLF PEN BRANCH RD DEED-BK 6899 DEED-PG 806 TAX-DST TAX-BLK 7	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	7,045.00	87
		7825 WOLF PEN BRANCH RD DEED-BK 6899 DEED-PG 806 TAX-DST TAX-BLK 7	LIEN-DT LIEN-BK LIEN-PG LOT-NO.		91
0859203	AUSTIN & SUSAN PRYOR 7835 WOLF PEN BRANCH RD PROSPECT KY 40059	7835 WOLF PEN BRANCH RD DEED-BK 5449 DEED-PG 638 TAX-DST TAX-BLK 3	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	7,045.00	182
		7817 WOLF PEN BRANCH RD DEED-BK 5138 DEED-PG 366 TAX-DST TAX-BLK 3	LIEN-DT LIEN-BK LIEN-PG LOT-NO.		88
0859207	HENRY & NAOMI SCHEIRICH 7823 WOLF PEN BRANCH RD PROSPECT KY 40059	7823 WOLF PEN BRANCH RD DEED-BK 4272 DEED-PG 490 TAX-DST TAX-BLK 7	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	7,045.00	88
0859214	ROBERT & MARTHA SPENCE 7829 WOLF PEN BRANCH RD PROSPECT KY 40059	7829 WOLF PEN BRANCH RD DEED-BK 6729 DEED-PG 424 TAX-DST TAX-BLK 3	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	7,045.00	91

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Exhibit "A"

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
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0859221	CLAY & ALICE VERMILLION	7819 WOLF PEN BRANCH RD	7,045.00		
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P.O. BOX 160	DEED-BK 5570	LIEN-DT			
PROSPECT KY	DEED-PG 2	LIEN-BK			
40059	TAX-DST	LIEN-PG			
	TAX-BLK 3	LOT-NO.	103		

	7819 WOLF PEN BRANCH RD				
	DEED-BK 5570				
	DEED-PG 2				
	TAX-DST				
	TAX-BLK 3	LOT-NO.	109		

**Minutes of 2002 Regular Monthly Meeting
Board of Water Works
May 14, 2002**

Board Members Present

Mr. Jack H. Segal
Mr. Phillip D. Bond
Mr. Stephen C. Gault
Mr. Stewart E. Conner

Board Members Absent

Ms. Wendy Welsh
Mr. Owen Hammons
The Honorable David L. Armstrong

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Mr. Gregory Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President Serving Customers & Business Development
Mr. James Wehrle, Vice President, Assuring Resource and Organizational Effectiveness
Mr. Larry Lenahan, City of Louisville Finance & Budget Department

Mr. Huber called the meeting to order at 12:35 p.m.

APPROVAL OF CONSENT AGENDA WAS RECOMMENDED

- Minutes of previous meetings
- Claims paid during the previous month
- Petitions and applications for water main extensions
- Authorization for design and bid of projects under \$200,000
- Bid tabulations for contracts under \$500,000
- Listing for award of contracts less than \$100,000

Item A: LWC's New Diversity Training Video: Dilemmas in Diversity – Appreciating Differences in the Workplace

Item B: Minutes of Regular Meeting Held April 9, 2002
Request: Approve Minutes

Item C: Claims Paid During **May, 2002**
Request: File claims for future audit.

Item D: Petitions and applications for Water Main Extensions and Relocations
(when in full compliance / SR&R)

Developer Installed Refunding Main Extension Projects	Total Project Cost	LWC Cost
Old Six Mile Lane Condominiums (Project No. 01-103)	18,260.00	
Sycamore Ridge Estates Phase I (Project No. 02-011)	72,610.00	
Cooper Farms Section 5 (Project No. 02-014)	63,190.00	15,500.00

Landis Lakes Subdivision Section 2 (Project No. 02-016)	104,035.00	22,575.00
Fox Run Subdivision (Project No. 02-021)	94,945.00	22,300.00
Developer Installed Tapping Fee Main Extension Projects	Total Project Cost	
Jefferson Pavilion Phase I (Project No. 02-004)	267,420.00	
Bullitt County Extension Projects	Total Project Cost	
Bullitt County Extension Project – White Run Road	50,000.00	
Bullitt County Extension Project – Rustic Way	27,000.00	
Developer Relocation Projects		
Cooper Farms Section 5 (LWC Project No. 02-436)	36,300.00	
Thornton's Gas and Food Mart (LWC Project No. 02-441)	4,750.00	
Little Spring Farm Section 1 (LWC Project No. 02-438)	120,600.00	
Jewish Hospital Medical Center East (LWC Project No. 02-435)	66,800.00	

- Item D:** Authorization for design and bid of projects *(estimated to cost less than \$200,000)*
- Item E:** Bid tabulations *(award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).*
- Item F:** Award of contracts less than \$100,000.00

Capital Program	Total Project Cost
Project No. Project Name	
Procurement of Sole Source Materials and Services	Total Project Cost
Project No. Project Name	
02-15 48" Joint Clamps – Hughes Supply, Inc.	46,092.00
02-19 Towing Services	20,374.00
Procurement of Professional Services	Total Project Cost
00-0479C AM/FM Quality Control Survey	35,225.00
Orell Road Engineering Design Contract	83,2227.00
12"/Rogers Gresham Smith Partners (gsp)	
Lane 16"	

REPORT OF OFFICERS

Administrative Report

Mr. Huber reported that he has been invited by the League of Women Voters and the Neighborhood Councils to talk about the Louisville Water Company.

The company has now transferred ownership of the 455 South Third Street property to the City of Louisville. The City of Indianapolis has repurchased the water utility for \$540 million.

Mr. Huber also reported that he attended the Derby this year by purchasing three tickets through Neptune Company. He disclosed this due to his interest in making full disclosure to the Board, given an item on today's agenda.

Financial Report

Mr. Miller presented the Income and Expense Summary for April 2002. He began by providing a review of the billing schedule and describing its impact on LWC's receipt of revenue.

Income and Expense Summary

- 1) Total operating revenue of \$28,632,300 is \$346,500 or 1.20% less than budgeted and \$459,500 or 1.63% more than the same period in 2001.
- 2) Operation and maintenance expense of \$13,133,000 is \$483,500 or 3.55% less than budgeted and \$742,700 or 5.99% more than 2001.
- 3) Operating deductions of \$20,861,100 are \$436,100 or 2.05% less than budgeted and \$1,283,700 or 6.56% more than 2001.
- 4) Net operating income of \$7,771,200 is \$89,600 or 1.17% more than budgeted.
- 5) Total non-operating income of \$2,263,100 is \$996,900 or 78.74% more than budgeted.

The journal entries for the retirement and transfer of the old corporate headquarters facility were recorded in April. The remaining book value of the facility was \$879,563, while the most recent appraisal (from June 1, 1998) is \$2,084,000. A new line was created under Dividend Declared (line 21 on the Statement of Income and Retained Earnings) to transfer the property at market value. This entry went directly to Retained Earnings and was similar to a dividend. It is currently identified as Donated Property but will be changed to Distributed Property in May. The total impact to retained earnings is a reduction of the remaining book value. These entries have been reviewed with Crowe Chizek and they concur with our treatment of this transaction.

- 6) Net income of \$7,794,500 is \$1,066,600 or 15.85% more than budgeted and \$313,400 or 3.87% less than 2001.

Capital Projects Summary

The capital program reflects net expenditures of \$14,068,147 against a budget of \$69,509,847 including noncompleted previous year projects carried forward. Projects committed aggregate \$78,297,024 or 112.64% of budget. Projects in progress or completed to year-end total \$16,389,859 or 23.58% of budget.

Financial Information System Proposals Received

Proposals were received on May 8, 2002 from Oracle, SAP, Lawson, JD Edwards and several implementation consultants for software and implementation services related to the new Financial Information System. Staff is currently evaluating these proposals and anticipates that a recommendation for selection will be forwarded to the Board of Water Works for consideration at the September 2002 meeting.

Mr. Conner and Mr. Segal expressed concern regarding the financial treatment of the sale of the building. They asked staff to reconsider the treatment given. Mr. Huber stated that staff would review the action taken and report back to the Board.

Mr. Heitzman provided the Operations Report for April 2002.

Production – Pumping for the month averaged 115.5 MGD, slightly above the five-year average of 114.2 MGD. Spring rainfall has slowed the water demand for irrigation sales that often increase demand by May of each year.

Distribution Water Quality Strategy – In an effort to maintain distribution water quality during summer demand periods, the following activities have been initiated:

- The chlorine residuals for plant effluent have been increased from 2.5 PPM to 3.0 PPM to help residual maintenance in the distribution system.
- Managing storage tank volume by creating a 33 percent turnover volume on each daily cycle
- Seven critical storage reservoirs and tanks have been pressure washed and disinfected for the upcoming summer demand period, including Brooks Hill, Cardinal Hill, Crestwood, Gap in Knob, Peaceful Valley, Phelps Knob, and Zoneton.
- Distribution system flushing, focusing on SW Jefferson and Bullitt Counties
- Evaluation of chlorine and ammonia feed rates at the treatment plant to optimize disinfecting
- Preliminary design on a booster chloramination system for installation in Bullitt County.

Blankenbaker/Buegrass Industrial Park Water Outage - Unauthorized turning of Louisville Water Company valves by contractors resulted in a large portion of the Bluegrass Industrial Park being out of water on April 19 and 20. In addition to customer inconvenience, the activity also necessitated a boil water advisory to be issued due to positive coliform water test results. Louisville Water Company employees worked approximately eighteen hours to resolve this situation.

Crescent Hill Reservoir Status – The north and south basins of the Crescent Hill Reservoir are currently out of service for installation of a new drain system and liner in the south basin. The north basin has been in service for two years since rehabilitation, and draining has allowed an inspection of the liner performance and sediment buildup. Approximately 18 inches of sediment has accumulated and the liner appears to be

in good shape. The north basin will be placed back in service in June, and relining of the south basin will be complete by September.

Ms. Teasley gave the Serving Customers Report for April 2002 Customer Service –

The April 2002 abandonment rate was 8.2%, a slight increase over the previous month's abandonment rate of 7.8%. The increase was caused exclusively by high call volume during the week of Spring Break, April 1 through 5, when many customers typically move or handle billing issues. The balance of the month averaged 4.5%

Bad Debt – Bad debt for the month of April was \$45,814, about \$17,000 above budget. However, bankruptcies made up \$12,000 of the total.

Bullitt County Advisory Board Meeting Summary – The Bullitt County Advisory Board met on April 25, 2002 to review first quarter results. Staff provided financial information regarding the status of the Bullitt County Water Reserve as well as the status on a number of capital projects underway in the former service areas of KT#1 and KT#2. By the end of the first quarter, the Bullitt County Water Reserve became depleted as expected and LWC funds are being loaned to the reserve at 5.34% interest in accordance with the Merger Agreement. Additionally, the Advisory Board reached agreement on a procedure to address high cost per customer majority petition main extension projects to assure that funds from the Bullitt County Water Reserve are being spent wisely.

MSD/LWC Memorandum of Understanding for Sharing of Digital Base Mapping Data – The Company and MSD have prepared a Memorandum of Understanding (MOU) for sharing of digital base mapping data. LWC has been compiling digital base mapping for all of Bullitt County, Kentucky, excluding Fort Knox, as a part of the foundation of the Automated Mapping/Facilities Management (AM/FM) System. In parallel with this effort, MSD has funded the compilation of digital base mapping for approximately 80 square miles of Southwestern Oldham County, Kentucky, as a component of updates for the LOJIC GIS. The Oldham Co. mapping includes all of the current LWC service area as well as the area served by Goshen Utilities. The MOU outlines the intent for LWC to allow MSD to utilize base mapping covering approximately 80 square miles of Northeastern Bullitt County in exchange for the use of the Oldham Co. base data. Both LWC and MSD will retain ownership and copyright of their respective data sets.

REPORT OF COMMITTEES

No committee reports were submitted.

LITIGATION REPORT

After proper motion and second, the Board adjourned to a closed session for the purpose of discussing litigation, personnel issues and acquisitions of property. Ms. Douglas gave a litigation report in closed session. The Board reconvened in open session without taking any action.

SPECIAL ISSUES

Mr. Miller presented the following:

Transfer of Anthem Stock

Anthem Insurance Companies, Inc. successfully completed its conversion from a mutual insurance company to a stock insurance company through a process known as demutualization. As a result of the conversion, Louisville Water Company received 4,195 shares of stock. The value of these shares is

approximately \$287,350 (based upon a price of \$68.50 per share at the close of business on Wednesday, May 8, 2002).

After proper motion and second, the Board authorized staff to transfer the shares of stock LWC received as a result of the Anthem demutualization to Republic Bank investment Trust Account and conduct any and all subsequent transactions regarding said Republic Trust account which will facilitate the investment sale transfer and/or disposition of such shares.

BID TABULATIONS

Mr. Heitzman reported on the following:

Project No.: 01-316 North Lakeview Drive 16"

Bids were received Wednesday, April 17, 2002, to Furnish and Install approximately 6,195 feet of 16-inch water main in North Lakeview between National Turnpike and Blue Lick Road. In addition, 3,175 feet of 4" PVC water main will be furnished and installed in North Lakeview.

A total of seven (7) bids were received. These bids were evaluated using several weighted factors.

This work will complete a transmission connection to provide improved hydraulics and fire flow availability for the Northern Bullitt County area.

After proper motion and second the Board authorized the Chief Engineer to award a contract in the amount of \$666,538 to T & C Contracting to install water facilities associated with this project.

Mr. Miller reported the following:

Project No.: 02-13 Crane and Compressor, Tractor, Rider Sweeper

Bids were received and opened Wednesday, March 27, 2002 to award a contract for purchase and delivery of one (1) crane with a mounted compressor, one (1) tractor and one (1) diesel powered rider sweeper.

A total of eleven (11) responses were received, of which two (2) were disqualified. The lowest, most responsive bids are listed below:

Diesel Powered Rider Sweeper	Swift Industrial Power	\$ 36,239
General Purpose Tractor	Hunt Tractor, Inc.	\$ 30,678
PTO Air Compressor		
Crane Service Body		
Hydraulic Service Crane	J. Edinger & Son, Inc.	<u>\$ 52,986</u>
TOTAL CONTRACT PRICE		<u>\$119,923</u>

After proper motion and second, the Board authorized staff to award contracts totaling \$119,923 to the bidders listed above.

Project No.: 02-17 Flanged Spool Pieces

Bids were received and opened Wednesday, April 3, 2002 to award a two- (2) year contract for flanged spool pieces for large meter bypasses and test spools. Spool pieces are used in the installation and

renovation of large meters.

A total of 2 responses were received, of which one (1) was a "no-bid". **Derby Welding** was the sole bidder, whose bid totals \$132,689.00. After proper motion and second, the Board authorized the staff to award a two (2) year contract to **Derby Welding** in the amount of **\$132,689.00**.

Mr. Huber decided to move communication to the end of the Agenda. He moved forward to discuss Old Business.

OLD BUSINESS

Mr. Miller reported on the **Automated Reading Technology and Services**. Mr. Miller reviewed the status of the automatic meter reading equipment lease with the Board. The Board authorized staff to lease automatic reading equipment from Neptune Equipment Company at the April Board meeting. The staff now believes purchasing the equipment rather than leasing the equipment is more prudent.

After proper motion and second, the Board voted to ratify staff's decision to move from a lease contract to a purchase contract. The total cost of the contract for 2830 units over the 15-year period will decrease from \$527,369 to \$492,859. All other components of the contract remain unchanged.

Ms. Teasley reported on the following:

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265 Deer Run Place: 4590 Deer Run Place to 4630 Deer Run Place (Private Road)

An Apportionment Warrant public hearing was held for Deer Run Place: 4590 Deer Run Place to 4630 Deer Run Place on November 15, 2001. The public hearing was held in response to receipt of a majority petition for this private road project.

The property owners in attendance asked Louisville Water Company staff to further research alternative routes for the water main as well as hold a follow up meeting to discuss the results. The follow up meeting was held on December 14, 2001. Three alternative routes were proposed with the attending property owners agreeing that the best alternative provided was the original scope shortened to 1,295 feet at a revised cost per property of \$9,540 based upon five eligible properties.

After proper motion and second and based upon staff recommendation that the project was feasible and beneficial, the Board voted to refer this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of the County ordinance, the Company will proceed with construction on this project.

Ms. Teasley reported on the following:

Amendment of Apportionment Warrant Register Taylorsville Road: Highway 155 to 15903 Taylorsville Rd

The Board approved a resolution for the issuance of Apportionment Warrants for Taylorsville Road: Highway 155 to 15903 Taylorsville Rd at it's October 30, 2000 meeting in accordance with KRS 96.265.

It was determined that Ms. Kimberly Hester's property does have frontage on the water main extension Taylorsville Road: Highway 155 to 15903 Taylorsville Rd and was not included in the original Apportionment Warrant Register due to incorrect Property Valuation Administrator information.

Secondly, the Apportionment Warrant Register approved at the October 30, 2000 Board of Water Works meeting incorrectly identified Tax Block 54 lot 175, owned by Williard and Joan Hester as an eligible property for the Taylorsville Road: Highway 155 to 15903 Taylorsville Rd extension project. Said property was incorrectly identified due to incorrect Property Valuation Administrator information.

After proper motion and second, the Board voted to amend the Apportionment Warrant Register thereby, adding Tax Block 54 Lot 173 (William and Kimberly Hester property) to the apportionment warrant register and omitting Tax Block 54 Lots 175 in accordance with KRS. 96.265.

Amendment of Apportionment Warrant Register

Dixie Beach Road: Dixie Highway West to End of Private Roadway

The Board of Water Works approved a resolution for the issuance of Apportionment Warrants for Dixie Beach Road: Dixie Highway West to End of Private Roadway at its June 12, 2001 meeting in accordance with KRS 96.265(11).

In response to a phone conversation initiated by Mr. Joseph Mattingly, staff was informed by Mr. Mattingly that Tax Block 1138 Lot 22, a benefited property along Dixie Beach Road: Dixie Highway West to End of Private Roadway, transferred from Robert H. & Jean G. Benton to Joseph and Patricia Mattingly. Mr. Mattingly requested staff change the billing of the Apportionment Warrant for Tax Block 1138 Lot 22 to reflect the property transference.

After proper motion and second, the Board voted to amend the resolution for Dixie Beach Road: Dixie Highway West to End of Private Roadway thereby, reflecting the current ownership and address of Tax Block 1138 Lot 22, encumbering Deed Book 7738 Page 681 and releasing the lien for Deed Book 6204 Page 684, in accordance with KRS. 96.265(11).

NEW BUSINESS

Mr. Heitzman reported on Metered Concrete.

Historically the Louisville Water Company has used contractors as an extension of the work force for certain specific activities required in the maintenance of the distribution system. Contractors are traditionally used in areas where the company either lacks expertise or when the capital investment to in-source the work is not cost effective.

Metered concrete is used on a daily basis to prepare roadway sub-bases for final asphalt pavement.

The Company currently has a contract with Preston Highway Metered Concrete, Inc. for the product and services required, however, this contract will expire this month. This contract was recently re-advertised for bid with only Preston Highway submitting a bid. Due to an informality the bid was not accepted. The contract was re-advertised and again Preston received no competition, however, their bid proposal increased by \$133,250 (30%) although the scope did not change. Staff does not recommend award of this contract.

Given the volume of metered concrete used by the company, and considering that the need for this product exists on a daily basis, staff has concluded that current market conditions indicate that it would be advantageous for the company to in-source this work activity.

Although the investment is significant, savings would be immediately realized by elimination of the contractor-provided truck driver. In-sourcing would be accomplished using the two-person crew, which LWC already dedicates to this work; thus, there will be no increase in LWC's workforce and the effective workforce would be reduced by 33%.

After proper motion and second, the Board authorized the staff to proceed with procurement of a metered concrete truck and associated equipment using funding in the amount of \$175,000. Staff will also work with local concrete suppliers to encourage competition in the metered concrete market.

COMMUNICATIONS

Mr. Miller reported that the 2001 strategic plan results will be discussed in June. He then presented the **Bond Rating from Moody's Investors Service**. Moody's Investors Service has affirmed the Aa1 Rating and stable outlook on the Water System Revenue Bonds.

Moody's report states "while system officials indicate a new multi-year capital plan is currently under discussion, officials do not expect any debt issuance for any purpose until at least the 2005-2006 time frame". Upon acceptance of the 2001-2020 Facilities Plan by the Board of Water Works, staff will begin communicating with Moody's and Standard & Poors regarding any additional borrowing needs in order to make every effort to retain this high quality bond rating.

The Board then viewed the Diversity Training Videos created by Human Resources and Organizational Effectiveness. All of the roles were played by LWC Employees.

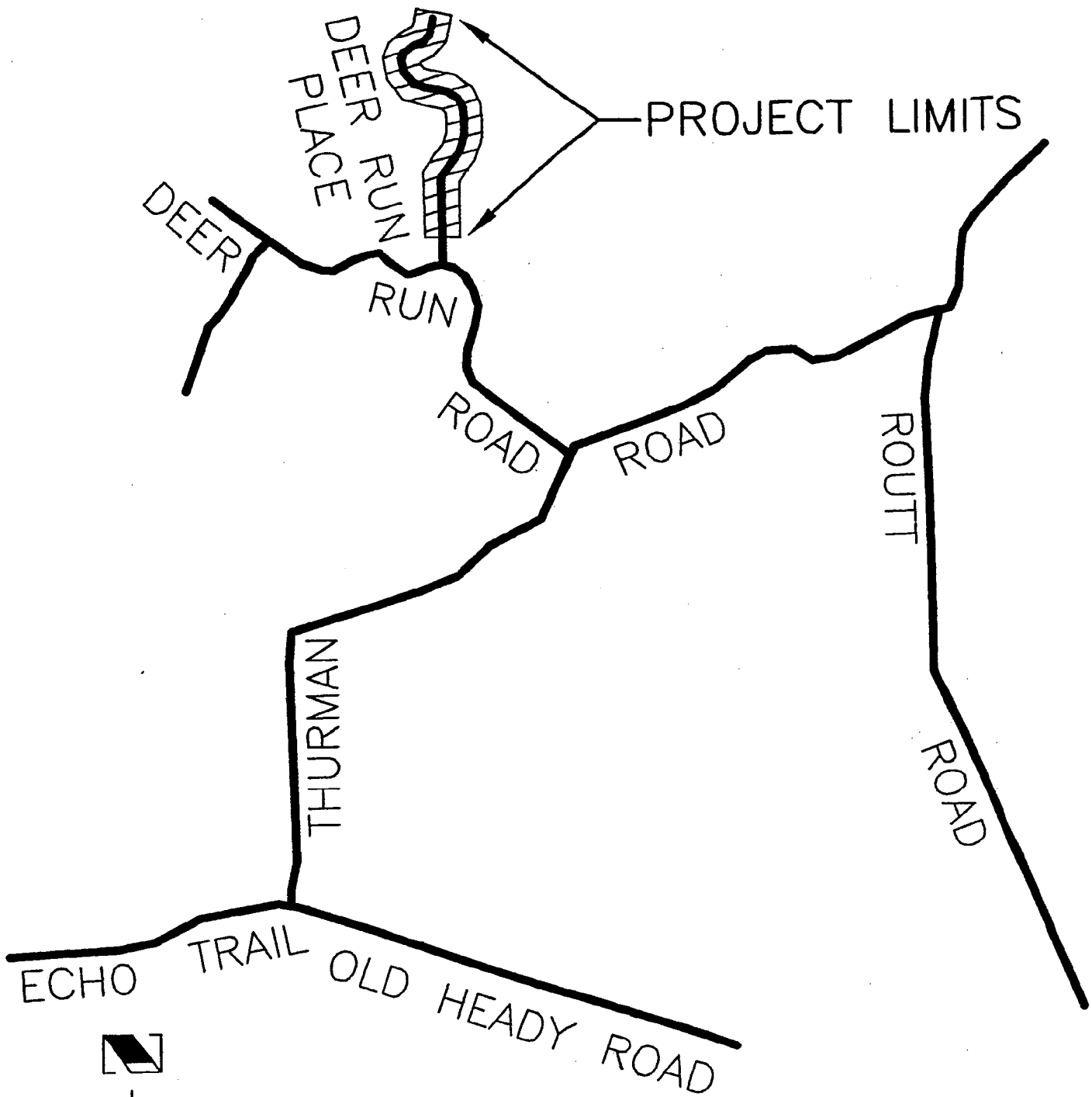
The meeting adjourned at 2:40 p.m.

**Board of Water Works
Resolution**

May 14, 2002

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Deer Run Place: 4590 Deer Run Place to 4630 Deer Run Place**, a private way in Jefferson County, and acting thereon convened a public hearing on November 15, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President- Serving Customers & Business Development of the Company has recommended the extension of such water service along **Deer Run Place: 4590 Deer Run Place to 4630 Deer Run Place**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Deer Run Place: 4590 Deer Run Place to 4630 Deer Run Place**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



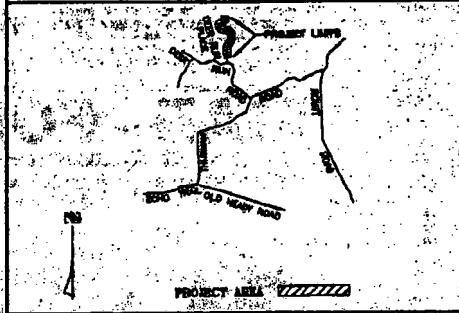
FILE NAME: DEER RUN PLACE

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 98.265, the Louisville Water Company will hold a public hearing for the property owners along Deer Run Place: 4590 Deer Run Place to 4630 Deer Run Place (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Deer Run Place: 4590 Deer Run Place to 4630 Deer Run Place.

This public hearing will be held on Thursday, November 15, 2001 at 6:00 p.m. at the Fern Creek Fire Protection District, Station #3, 7700 Rount Road.

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.



Sunday November 4, 2001

APPORTIONMENT WARRANT CONTRACT E254W REGISTER

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0796722	A T & T	TAYLORSVILLE ROAD	5,450.00		
	COMM. OF S. CENTRAL STATES INC	DEED-BK 5377	LIEN-DT		RELS-DT
	BASKING RIDGE NJ	DEED-PG 506	LIEN-BK		RELS-BK
	7720	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	37	
		TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 5377	LIEN-DT		RELS-DT
		DEED-PG 506	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	55	
0796740	MICHAEL K BENNETT	TAYLORSVILLE ROAD	5,450.00		
	16101 TAYLORSVILLE ROAD	DEED-BK 5152	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 876	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	40	
		16101 TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 5152	LIEN-DT		RELS-DT
		DEED-PG 876	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	59	
0796756	JOHN K. & PATRICIA BLOCK	17014 TAYLORSVILLE ROAD	5,450.00		
	17014 TAYLORSVILLE ROAD	DEED-BK 4820	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 428	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 54	LOT-NO.	37	
0796894	WILLIAM D & CAROL E CORUM	16605 TAYLORSVILLE ROAD	5,450.00		
	16605 TAYLORSVILLE RD	DEED-BK 6898	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 229	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 54	LOT-NO.	164	
0796897	ROBERT & DALARNA BRETZ	16323 TAYLORSVILLE ROAD	5,450.00		
	16323 TAYLORSVILLE RD	DEED-BK 5639	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 276	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	30	
0796908	JAMES & MARY DEPPEN	16615 TAYLORSVILLE ROAD	5,450.00		
	16615 TAYLORSVILLE ROAD	DEED-BK 5639	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 305	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 54	LOT-NO.	86	
0796909	JAMES & URSULA DEPPEN	TAYLORSVILLE ROAD	5,450.00		
	16701 TAYLORSVILLE ROAD	DEED-BK 4235	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 2	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 54	LOT-NO.	181	

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Exhibit "A"

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0796933	DUNBAR SPRINGS LLC 306 HEDDLETON PARK PL. UNIT C LOUISVILLE KY 40293	TAYLORSVILLE ROAD DEED-BK 4239 DEED-PG 2 TAX-DST TAX-BLK 54	5,450.00		RELS-DT RELS-BK RELS-PG
0796934	LARRY GABBERT 16418 TAYLORSVILLE ROAD FISHERVILLE KY 40023	TAYLORSVILLE ROAD DEED-BK 4239 DEED-PG 2 TAX-DST TAX-BLK 54	5,450.00		RELS-DT RELS-BK RELS-PG
0796935	JOHN M. & JOYCE GADDIE 17302 TAYLORSVILLE ROAD FISHERVILLE KY 40023	TAYLORSVILLE ROAD DEED-BK 7039 DEED-PG 549 TAX-DST TAX-BLK 55	5,450.00		RELS-DT RELS-BK RELS-PG
0796944	THOMAS H. & ANN L GALLAGHER 15911 TAYLORSVILLE ROAD FISHERVILLE KY 40023	TAYLORSVILLE ROAD DEED-BK 4940 DEED-PG 744 TAX-DST TAX-BLK 54	5,450.00		RELS-DT RELS-BK RELS-PG
0796946	STEPHEN & JANICE GREGG 15903 TAYLORSVILLE ROAD FISHERVILLE KY 40023	TAYLORSVILLE ROAD DEED-BK 5729 DEED-PG 236 TAX-DST TAX-BLK 49	5,450.00		RELS-DT RELS-BK RELS-PG

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0796948	WILLARD & JOAN HESTER	TAYLORSVILLE ROAD	5,450.00		
	16950 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 5114 DEED-PG 766 TAX-DST TAX-BLK 54	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	175	RELS-DT RELS-BK RELS-PG
0796955	SHARON HOFFMAN	16507 TAYLORSVILLE ROAD	5,450.00		
	16601 OLD TAYLORSVILLE ROAD LOUISVILLE KY 40223	DEED-BK 7163 DEED-PG 993 TAX-DST TAX-BLK 49	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	50	RELS-DT RELS-BK RELS-PG
	16601 TAYLORSVILLE ROAD	DEED-BK 7163 DEED-PG 993 TAX-DST TAX-BLK 49	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	55	RELS-DT RELS-BK RELS-PG
	TAYLORSVILLE ROAD	DEED-BK 7163 DEED-PG 996 TAX-DST TAX-BLK 55	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	70	RELS-DT RELS-BK RELS-PG
0796990	HUNT COUNTY HOMES LLC	4700 DUNBAR VALLEY ROAD	5,450.00		
	306 MIDDLETOWN PARK PL. UNIT C LOUISVILLE KY 40243	DEED-BK 7472 DEED-PG 925 TAX-DST TAX-BLK 325	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	38	RELS-DT RELS-BK RELS-PG
		COMMENT SOUTH SIDE OF DUNBAR SPRINGS			
0797368	HARRELL & CAROL HURST	15905 TAYLORSVILLE ROAD	5,450.00		
	15905 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 5037 DEED-PG 563 TAX-DST TAX-BLK 49	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	44	RELS-DT RELS-BK RELS-PG
	15907 TAYLORSVILLE ROAD	DEED-BK 5037 DEED-PG 563 TAX-DST TAX-BLK 49	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	43	RELS-DT RELS-BK RELS-PG
0797369	HARRELL & CAROL HURST	16200 TAYLORSVILLE ROAD	5,450.00		
	15905 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 6150 DEED-PG 846 TAX-DST TAX-BLK 49	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	34	RELS-DT RELS-BK RELS-PG

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APPORTIONMENT WARRANT CONTRACT E254W REGISTER

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797370	JAMES E. & DONNA B. JONES	TAYLORSVILLE ROAD	5,450.00		
	2503 MELODY WAY JEFFERSONTOWN KY 40299	DEED-BK 6992 DEED-PG 731 TAX-DST TAX-BLK 54	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 166		RELS-DT RELS-BK RELS-PG
0797371	LISA L KOIER	16429 TAYLORSVILLE ROAD	5,450.00		
	16431 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 7209 DEED-PG 910 TAX-DST TAX-BLK 3125	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 39		RELS-DT RELS-BK RELS-PG
		16431 TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 6782 DEED-PG 46 TAX-DST TAX-BLK 49	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 17		RELS-DT RELS-BK RELS-PG
0797373	JOHN & MIYO LITTLE	16103 TAYLORSVILLE ROAD	5,450.00		
	16103 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 6323 DEED-PG 708 TAX-DST TAX-BLK 49	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 64		RELS-DT RELS-BK RELS-PG
0797374	CONSTANCE LUSKY	16231 TAYLORSVILLE ROAD	5,450.00		
	16231 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 5020 DEED-PG 534 TAX-DST TAX-BLK 49	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 46		RELS-DT RELS-BK RELS-PG
0797379	IRVIN & BERNICE MARILLIA	16442 TAYLORSVILLE ROAD	5,450.00		
	16407 TAYLORSVILLE ROAD JEFFERSONTOWN KY 40299	DEED-BK 6389 DEED-PG 190 TAX-DST TAX-BLK 49	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 84		RELS-DT RELS-BK RELS-PG
0797386	JOHN P. & RHONDA JO MARKS	1590A TAYLORSVILLE ROAD	5,450.00		
	1590A TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 6473 DEED-PG 248 TAX-DST TAX-BLK 49	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 95		RELS-DT RELS-BK RELS-PG
0797393	JAMES & HELENE MARKS	16104 TAYLORSVILLE ROAD	5,450.00		
	16104 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 6180 DEED-PG 744 TAX-DST TAX-BLK 49	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 84		RELS-DT RELS-BK RELS-PG
0797443	CHAS & STEFANA MARKS	TAYLORSVILLE ROAD	5,450.00		
	16104 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 6748 DEED-PG 432 TAX-DST TAX-BLK 49	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 24		RELS-DT RELS-BK RELS-PG

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

0797445	MARK & LISA MCGILL 16422 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16422 TAYLORSVILLE ROAD DEED-BK 6669 DEED-PG 177 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 53	5,450.00	RELS-DT RELS-BK RELS-PG
		TAYLORSVILLE ROAD DEED-BK 6669 DEED-PG 177 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 102	5,450.00	RELS-DT RELS-BK RELS-PG
0797447	DAVID H. & LINDA M. MILES 4550 CLARK STATION RD FINCHVILLE, KY 40022-6724	16520 TAYLORSVILLE ROAD DEED-BK 5507 DEED-PG 353 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 23	5,450.00	RELS-DT RELS-BK RELS-PG
0797448	DEBORAH H OWEN 17317 TAYLORSVILLE ROAD FISHERVILLE KY 40023	17317 TAYLORSVILLE ROAD DEED-BK 6784 DEED-PG 423 TAX-DST TAX-BLK 55	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 35	5,450.00	RELS-DT RELS-BK RELS-PG
0797453	DANIEL L. & JULIE M PATTERSON 16420 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16420 TAYLORSVILLE ROAD DEED-BK 6184 DEED-PG 381 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 52	5,450.00	RELS-DT RELS-BK RELS-PG
0797460	THOMAS & VALINDA PETRI 16730 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16730 TAYLORSVILLE ROAD DEED-BK 6189 DEED-PG 743 TAX-DST TAX-BLK 54	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 87	5,450.00	RELS-DT RELS-BK RELS-PG
0797462	MARGARET ROBERTSON 16219 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16219 TAYLORSVILLE ROAD DEED-BK 5159 DEED-PG 657 TAX-DST TAX-BLK 49 COMMENT CONTINUOUS W/ 49/71	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 70	5,450.00	RELS-DT RELS-BK RELS-PG
		16219 TAYLORSVILLE ROAD DEED-BK 5127 DEED-PG 523 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO. 71	5,450.00	RELS-DT RELS-BK RELS-PG

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APPORTIONMENT WARRANT CONTRACT E254W REGISTER

PAGE 6

RUN TIME 14:43:37

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797466	TR. FRANK O. & IMO6 SCHOOLER	TAYLORSVILLE ROAD	5,450.00		
	17301 TAYLORSVILLE ROAD	DEED-BK 6530	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 688	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 55	LOT-NO. 59		
		TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 6530	LIEN-DT		RELS-DT
		DEED-PG 688	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 55	LOT-NO. 60		
		TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 6530	LIEN-DT		RELS-DT
		DEED-PG 688	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 55	LOT-NO. 62		
95		TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 6530	LIEN-DT		RELS-DT
		DEED-PG 688	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 55	LOT-NO. 63		
0797467	MARLIN & HELEN SHAFFER	16312 TAYLORSVILLE ROAD	5,450.00		
	16312 TAYLORSVILLE ROAD	DEED-BK 4999	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 434	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO. 51		
0797469	DENIS & CHRISTINE SPALDING	TAYLORSVILLE ROAD	5,450.00		
	16609 OLD TAYLORSVILLE ROAD	DEED-BK 7031	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 294	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 54	LOT-NO. 165		
0797471	OWEN & GERALDINE TAMME	16109 TAYLORSVILLE ROAD	5,450.00		
	16109 TAYLORSVILLE ROAD	DEED-BK 3792	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 559	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO. 28		
0797473	RICHARD THOMPSON	4701 DUNBAR VALLEY ROAD	5,450.00		
	16415 TAYLORSVILLE ROAD	DEED-BK 4110	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 3A	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 3125	LOT-NO. 1		
		TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 4559	LIEN-DT		RELS-DT
		DEED-PG 457	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO. 94		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797478	RICHARD A. & MARY A. THOMPSON	TAYLORSVILLE ROAD	5,450.00		
	16415 TAYLORSVILLE ROAD	DEED-BK 7303	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 487	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 55	LOT-NO.	69	
0797480	ROBERT E. & CHRISTI VAN BUREN	16600 TAYLORSVILLE ROAD	5,450.00		
	5832 SOUTHLAND TERRACE	DEED-BK 6546	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 443	LIEN-BK		RELS-BK
	40214	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	97	
06		16620 TAYLORSVILLE ROAD	5,450.00		
		DEED-BK 7139	LIEN-DT		RELS-DT
		DEED-PG 458	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	96	
0797483	J.T. & J.U. WHITAKER	17515 TAYLORSVILLE ROAD	5,450.00		
	583 POUND LANE	DEED-BK 2352	LIEN-DT		RELS-DT
	SIMPSONVILLE KY	DEED-PG 147	LIEN-BK		RELS-BK
	40067	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 55	LOT-NO.	7	
0797485	JOHN & ESTHER WOLFE	16115 TAYLORSVILLE ROAD	5,450.00		
	280 SECOND AVENUE S	DEED-BK 6573	LIEN-DT		RELS-DT
	NAPLES FL	DEED-PG 438	LIEN-BK		RELS-BK
	33440	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 49	LOT-NO.	4	
0797487	TINA WOLFE	17302 TAYLORSVILLE ROAD	5,450.00		
	17302 TAYLORSVILLE ROAD	DEED-BK 7327	LIEN-DT		RELS-DT
	FISHERVILLE KY	DEED-PG 213	LIEN-BK		RELS-BK
	40023	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 54	LOT-NO.	174	
0797489	E PRESTON YOUNG	18205 TAYLORSVILLE ROAD	5,450.00		
	413 OREAD ROAD	DEED-BK 3883	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 14	LIEN-BK		RELS-BK
	40207	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 55	LOT-NO.	32	

APPORTIONMENT WARRANT CONTRACT E2548 REGISTER

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ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

42 NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 228,900.00

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0796722	A T & T	TAYLORSVILLE ROAD	5,450.00		
	COMM. OF S. CENTRAL STATES INC	DEED-BK 5399	LIEN-DT 01/05/2001		
	BASKING RIDGE NJ	DEED-PG 506	LIEN-BK 625		
	7920	TAX-DST	LIEN-PG 143		
		TAX-BLK 49	LOT-NO. 37		
		TAYLORSVILLE ROAD			
		DEED-BK 5399			
		DEED-PG 506			
		TAX-DST			
		TAX-BLK 49	LOT-NO. 55		
0796740	MICHAEL K BENNETT	TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	16101 TAYLORSVILLE ROAD	DEED-BK 5152	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	FISHERVILLE KY	DEED-PG 876	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 143		RELS-PG 311
		TAX-BLK 49	LOT-NO. 40		
		16101 TAYLORSVILLE ROAD			
		DEED-BK 5152			
		DEED-PG 876			
		TAX-DST			
		TAX-BLK 49	LOT-NO. 39		
0796756	JOHN K. & PATRICIA BLOCK	17014 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	17014 TAYLORSVILLE ROAD	DEED-BK 4820	LIEN-DT 01/05/2001		RELS-DT 04/18/2001
	FISHERVILLE KY	DEED-PG 428	LIEN-BK 625		RELS-BK 635
	40023	TAX-DST	LIEN-PG 143		RELS-PG 684
		TAX-BLK 54	LOT-NO. 37		
0830292	JAMES & JULIA BRADLEY	15901 TAYLORSVILLE ROAD	5,450.00		
	15901 TAYLORSVILLE ROAD	DEED-BK 5328	LIEN-DT 08/16/2001		
	FISHERVILLE KY	DEED-PG 880	LIEN-BK 648		
	40023	TAX-DST	LIEN-PG 856		
		TAX-BLK 49	LOT-NO. 60		
0796877	ROBERT & DALARNA BREETZ	16323 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	16323 TAYLORSVILLE RD	DEED-BK 5639	LIEN-DT 01/05/2001		RELS-DT 04/18/2001
	FISHERVILLE KY	DEED-PG 276	LIEN-BK 625		RELS-BK 635
	40023	TAX-DST	LIEN-PG 144		RELS-PG 684
		TAX-BLK 49	LOT-NO. 30		
0796909	JAMES & URSULA DEPPEN	TAYLORSVILLE ROAD	5,450.00		
	16701 TAYLORSVILLE ROAD	DEED-BK 4239	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	FISHERVILLE KY	DEED-PG 2	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 144		RELS-PG 312
		TAX-BLK 54	LOT-NO. 181		
		TAYLORSVILLE ROAD			
		DEED-BK 4239			
		DEED-PG 2			
		TAX-DST			
		TAX-BLK 54	LOT-NO. 182		

Exhibit "B"

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

0796908 JAMES & URSULA DEPPEN TAYLORSVILLE ROAD
 (CONTINUED)
 DEED-BK 4239
 DEED-PG 2
 TAX-DST
 TAX-BLK 54 LOT-NO. 183

0845175 DUNBAR SPRINGS LLC TAYLORSVILLE ROAD 5,450.00
 305 MIDDLETOWN PARK PL. UNIT C DEED-BK 7039 LIEN-DT
 LOUISVILLE KY DEED-PG 689 LIEN-BK
 40023 TAX-DST LIEN-PG
 TAX-BLK 55 LOT-NO. 68

0796914 LARRY GABBERT 16418 TAYLORSVILLE ROAD 5,450.00
 16418 TAYLORSVILLE ROAD DEED-BK 7041 LIEN-DT 01/05/2001
 FISHERVILLE KY DEED-PG 677 LIEN-BK 625
 40023 TAX-DST LIEN-PG 144
 TAX-BLK 49 LOT-NO. 48

0796915 JOHN M. & JOYCE GADDIE 17302 TAYLORSVILLE ROAD 5,450.00
 17302 TAYLORSVILLE ROAD DEED-BK 7373 LIEN-DT 01/05/2001
 FISHERVILLE KY DEED-PG 812 LIEN-BK 625
 40023 TAX-DST LIEN-PG 144
 TAX-BLK 54 LOT-NO. 180

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17300 TAYLORSVILLE ROAD
 DEED-BK 4960
 DEED-PG 766
 TAX-DST
 TAX-BLK 54 LOT-NO. 116

0796946 STEPHEN & JANICE GREGG 15903 TAYLORSVILLE ROAD 5,450.00
 15903 TAYLORSVILLE ROAD DEED-BK 4617 LIEN-DT 01/05/2001
 FISHERVILLE KY DEED-PG 457 LIEN-BK 625
 40023 TAX-DST LIEN-PG 145
 TAX-BLK 49 LOT-NO. 45

0862800 WILLIAM & KIMBERLY HESTER 17100 TAYLORSVILLE RD 5,450.00 00/0000
 17100 TAYLORSVILLE RD DEED-BK 7123 LIEN-DT
 FISHERVILLE KY DEED-PG 953 LIEN-BK
 40023 TAX-DST LIEN-PG
 TAX-BLK 54 LOT-NO. 173

0796955 SHARON HOFFMAN 16601 TAYLORSVILLE ROAD 5,450.00 02/2002
 C/O WILLIAM B. HOFFMAN DEED-BK 7163 LIEN-DT 01/05/2001
 16601 TAYLORSVILLE ROAD DEED-PG 993 LIEN-BK 625
 FISHERVILLE KY TAX-DST LIEN-PG 145
 40023 TAX-BLK 49 LOT-NO. 50

16601 TAYLORSVILLE ROAD
 DEED-BK 7163
 DEED-PG 993
 TAX-DST
 TAX-BLK 49 LOT-NO. 65

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0796955	SHARON HOFFMAN (CONTINUED)	TAYLORSVILLE ROAD DEED-BK 7163 DEED-PG 996 TAX-DST TAX-BLK 55	LOT-NO. 70		
0797368	HARRELL & CAROL HURST 15905 TAYLORSVILLE RD (PAID-UP) FISHERVILLE KY 40023	15905 TAYLORSVILLE ROAD DEED-BK 5037 DEED-PG 563 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 146 LOT-NO. 44	00/0000	RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 312
		15907 TAYLORSVILLE ROAD DEED-BK 5037 DEED-PG 563 TAX-DST TAX-BLK 49	LOT-NO. 43		
0797369	HARRELL & CAROL HURST 15905 TAYLORSVILLE ROAD (PAID-UP) FISHERVILLE KY 40023	16200 TAYLORSVILLE ROAD DEED-BK 6150 DEED-PG 846 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 146 LOT-NO. 34	00/0000	RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 312
0797370	JAMES E. & DONNA B. JONES 407-96-1177 16625 TAYLORSVILLE RD (PAID-UP) FISHERVILLE KY 40023	TAYLORSVILLE ROAD DEED-BK 6992 DEED-PG 731 TAX-DST TAX-BLK 54	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 146 LOT-NO. 166	07/2001	RELS-DT 08/01/2001 RELS-BK 647 RELS-PG 507
0797371	LISA L KOIER 16431 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16429 TAYLORSVILLE ROAD DEED-BK 7209 DEED-PG 910 TAX-DST TAX-BLK 3125	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 146 LOT-NO. 39		
		16431 TAYLORSVILLE ROAD DEED-BK 6782 DEED-PG 46 TAX-DST TAX-BLK 49	LOT-NO. 17		
0797373	JOHN & MIYO LITTLE 16103 TAYLORSVILLE ROAD (PAID-UP) FISHERVILLE KY 40023	16103 TAYLORSVILLE ROAD DEED-BK 6321 DEED-PG 748 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 146 LOT-NO. 64	11/2000	RELS-DT 04/18/2001 RELS-BK 635 RELS-PG 684
0797393	JAMES & HELENE MARKS 16104 TAYLORSVILLE ROAD (PAID-UP) FISHERVILLE KY 40023	16104 TAYLORSVILLE ROAD DEED-BK 6180 DEED-PG 744 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 147 LOT-NO. 89	00/0000	RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 312

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797386	JOHN P. & RHONDA JO MARKS 15908 TAYLORSVILLE ROAD FISHERVILLE KY 40023	15908 TAYLORSVILLE ROAD DEED-BK 6473 DEED-PG 248 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 147 LOT-NO. 95	5,450.00	
0797379	IRVIN & BERNICE MARRILLIA 12607 TAYLORSVILLE ROAD (PAID-UP) LOUISVILLE KY 40299	16442 TAYLORSVILLE ROAD DEED-BK 6389 DEED-PG 190 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 146 LOT-NO. 84	5,450.00	00/0000 RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 312
0797445	MARK & LISA MCGILL 16422 TAYLORSVILLE ROAD (PAID-UP) FISHERVILLE KY 40023	16422 TAYLORSVILLE ROAD DEED-BK 6669 DEED-PG 177 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 147 LOT-NO. 53	5,450.00	01/2001 RELS-DT 04/18/2001 RELS-BK 635 RELS-PG 684
		TAYLORSVILLE ROAD DEED-BK 6669 DEED-PG 177 TAX-DST TAX-BLK 49	LOT-NO. 102		
101 0797448	DEBORAH H OWEN 17317 TAYLORSVILLE RD (PAID-UP) FISHERVILLE KY 40023	17317 TAYLORSVILLE ROAD DEED-BK 6784 DEED-PG 423 TAX-DST TAX-BLK 55	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 147 LOT-NO. 35	5,450.00	05/2001 RELS-DT 08/01/2001 RELS-BK 647 RELS-PG 507
0797453	DANIEL L. & JULIE M PATTERSON 16420 TAYLORSVILLE RD (PAID-UP) FISHERVILLE KY 40023	16420 TAYLORSVILLE ROAD DEED-BK 6184 DEED-PG 381 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 147 LOT-NO. 52	5,450.00	02/2002 RELS-DT 03/28/2002 RELS-BK 674 RELS-PG 921
0797460	THOMAS & VALINDA PETRI 16730 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16730 TAYLORSVILLE ROAD DEED-BK 6189 DEED-PG 943 TAX-DST TAX-BLK 54	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 147 LOT-NO. 87	5,450.00	
0797462	MARGARET ROBERTSON 16219 TAYLORSVILLE ROAD (PAID-UP) FISHERVILLE KY 40023	16219 TAYLORSVILLE ROAD DEED-BK 5159 DEED-PG 657 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 148 LOT-NO. 70 COMMENT CONTINUOUS W/ 49/71	5,450.00	00/0000 RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 313

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797462	MARGARET ROBERTSON (CONTINUED)	16219 TAYLORSVILLE ROAD	DEED-BK 5127 DEED-PG 523 TAX-DST TAX-BLK 49	LOT-NO. 71	
0797466	TR. FRANK O. & IMO G SCHOOLER 17301 TAYLORSVILLE ROAD (PAID-UP) FISHERVILLE KY 40023	TAYLORSVILLE ROAD	DEED-BK 6530 DEED-PG 688 TAX-DST TAX-BLK 55	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 148 LOT-NO. 59	5,450.00 00/0000 RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 313
		TAYLORSVILLE ROAD	DEED-BK 6530 DEED-PG 688 TAX-DST TAX-BLK 55	LOT-NO. 60	
		TAYLORSVILLE ROAD	DEED-BK 6530 DEED-PG 688 TAX-DST TAX-BLK 55	LOT-NO. 62	
		TAYLORSVILLE ROAD	DEED-BK 6530 DEED-PG 688 TAX-DST TAX-BLK 55	LOT-NO. 63	
0797467	MARLIN & HELEN SHAFFER 16312 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16312 TAYLORSVILLE ROAD	DEED-BK 4399 DEED-PG 136 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 148 LOT-NO. 51	5,450.00
0797469	DENIS & CHRISTINE SPALDING 3112 CHICKADEE RD LOUISVILLE KY 40213	TAYLORSVILLE ROAD	DEED-BK 7011 DEED-PG 298 TAX-DST TAX-BLK 54	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 148 LOT-NO. 165	5,450.00
0797447	DR RAY & DOROTHY TAYLOR (PAID-UP) 4631 FAIRMOUNT ROAD LOUISVILLE KY 40291	16520 TAYLORSVILLE ROAD	DEED-BK 5507 DEED-PG 311 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 147 LOT-NO. 23	5,450.00 02/2001 RELS-DT 04/18/2001 RELS-BK 635 RELS-PG 685
0830293	CHRIS & BARBARA WM. & THARP (PAID-UP) 5310 MILLWOOD COURT LOUISVILLE KY 40291	15897 TAYLORSVILLE ROAD	DEED-BK 7193 DEED-PG 697 TAX-DST TAX-BLK 49	LIEN-DT 08/16/2001 LIEN-BK 648 LIEN-PG 856 LOT-NO. 3	5,450.00 00/0000 RELS-DT 09/27/2001 RELS-BK 653 RELS-PG 579

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0815412	MICHAEL G & LINDA L THOMPSON	17210 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	17210 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 5718 DEED-PG 717 TAX-DST TAX-BLK 54	LIEN-DT 04/18/2001 LIEN-BK 635 LIEN-PG 666 LOT-NO. 39		RELS-DT 06/06/2001 RELS-BK 643 RELS-PG 77
0797473	RICHARD THOMPSON	4701 DUNBAR VALLEY ROAD	5,450.00	00/0000	
(PAID-UP)	16415 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 4110 DEED-PG 38 TAX-DST TAX-BLK 3125	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 1		RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 313
		TAYLORSVILLE ROAD			
		DEED-BK 5159 DEED-PG 657 TAX-DST TAX-BLK 49	LOT-NO. 94		
0797478	RICHARD A. & MARY A. THOMPSON	TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	16415 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 7103 DEED-PG 489 TAX-DST TAX-BLK 55	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 69		RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 314
0830305	JOHN & ANGELA TUCKER	15899 TAYLORSVILLE ROAD	5,450.00	11/2001	
(PAID-UP)	15899 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 7235 DEED-PG 839 TAX-DST TAX-BLK 49	LIEN-DT 08/16/2001 LIEN-BK 648 LIEN-PG 856 LOT-NO. 59		
0797480	ROBERT E. & CHRISTI VAN BUREN	16600 TAYLORSVILLE ROAD	5,450.00	01/2001	
(PAID-UP)	5812 SOUTHLAND TERRACE LOUISVILLE KY 40214	DEED-BK 6546 DEED-PG 443 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 97		RELS-DT 04/18/2001 RELS-BK 635 RELS-PG 685
		16620 TAYLORSVILLE ROAD			
		DEED-BK 7139 DEED-PG 158 TAX-DST TAX-BLK 49	LOT-NO. 96		
0797483	J.T. & J.U. WHITAKER	17515 TAYLORSVILLE ROAD	5,450.00		
	581 POUND LANE SIMPSONVILLE KY 40067	DEED-BK 2352 DEED-PG 147 TAX-DST TAX-BLK 55	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 7		
0797485	JOHN & ESTHER WOLFE	16115 TAYLORSVILLE ROAD	5,450.00		
	280 2ND AVE S NAPLES FL 34102-5970	DEED-BK 6573 DEED-PG 838 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 4		

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797487	TINA WOLFE	17302 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	17302 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 7327 DEED-PG 213 TAX-DST TAX-BLK 54	LIEN-DT 01/05/2001 LIEN-BK 629 LIEN-PG 149 LOT-NO. 179		RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 314
0797489	E PRESTON YOUNG	18205 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	413 OREAD ROAD LOUISVILLE KY 40207	DEED-BK 3883 DEED-PG 14 TAX-DST TAX-BLK 55	LIEN-DT 01/05/2001 LIEN-BK 629 LIEN-PG 149 LOT-NO. 32		RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 314

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ACCOUNT

NAME

LOCATION

ASSESSMENT

PAID IN FULL

RELEASE OF LIEN

39 NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 70,028.82

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0830277	ROBERT H & JEAN G BENTON	16219 DIXIE BEACH ROAD	2,472.00		
	16222 DIXIE BEACH ROAD	DEED-BK 6204	LIEN-DT		RELS-DT
	WEST POINT KY	DEED-PG 684	LIEN-BK		RELS-BK
	40177	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	22	
0830278	ROBERT H & JEAN G BENTON	16222 DIXIE BEACH ROAD	2,472.00		
	16222 DIXIE BEACH ROAD	DEED-BK 6174	LIEN-DT		RELS-DT
	WEST POINT KY	DEED-PG 784	LIEN-BK		RELS-BK
	40177	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	5	
		16300 DIXIE BEACH ROAD	2,472.00		
		DEED-BK 6174	LIEN-DT		RELS-DT
		DEED-PG 784	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	26	
0830279	RONALD CARDWELL	16200 DIXIE BEACH ROAD	2,472.00		
	16200 DIXIE BEACH ROAD	DEED-BK 5282	LIEN-DT		RELS-DT
	WEST POINT KY	DEED-PG 959	LIEN-BK		RELS-BK
	40177	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	12	
		16200 DIXIE BEACH ROAD	2,472.00		
		DEED-BK 5282	LIEN-DT		RELS-DT
		DEED-PG 959	LIEN-BK		RELS-BK
		TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	11	
0830280	SHELBY L & MAURISSETT GIVINS	16310 DIXIE BEACH ROAD	2,472.00		
	9214 DONERAIL WAY	DEED-BK 6586	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 655	LIEN-BK		RELS-BK
	40272	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	28	
0830281	THE BANK OF NY	16302 DIXIE BEACH ROAD	2,472.00		
	C/O C/O: LONG BEACH MORTGAGE C	DEED-BK 7615	LIEN-DT		RELS-DT
	P.O. BOX 6148	DEED-PG 294	LIEN-BK		RELS-BK
	ORANGE CA	TAX-DST	LIEN-PG		RELS-PG
	92868-6148	TAX-BLK 1138	LOT-NO.	4	
0830282	RANCE & BERTHA HUMPHREY	16214 DIXIE BEACH ROAD	2,472.00		
	16214 DIXIE BEACH ROAD	DEED-BK 5392	LIEN-DT		RELS-DT
	WEST POINT KY	DEED-PG 709	LIEN-BK		RELS-BK
	40177	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	23	
0830283	JOHN A & JO EL LANCASTER	16208 DIXIE BEACH ROAD	2,472.00		
	7905 MAPLE HILL ROAD	DEED-BK 4775	LIEN-DT		RELS-DT
	LOUISVILLE KY	DEED-PG 101	LIEN-BK		RELS-BK
	40219	TAX-DST	LIEN-PG		RELS-PG
		TAX-BLK 1138	LOT-NO.	9	

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EXHIBIT "A"

0830284 JOE & PATRICIA MATTINGLY 16218 DIXIE BEACH ROAD 2,472.00
 16218 DIXIE BEACH ROAD DEED-BK 6912 LIEN-DT
 WEST POINT KY DEED-PG 395 LIEN-BK
 40177 TAX-DST LIEN-PG
 TAX-BLK 1138 LOT-NO. 6

RELS-DT
RELS-BK
RELS-PG

0830288 JOYCE SULLIVAN 16219 DIXIE BEACH ROAD 2,472.00
 14505 DIXIE HWY DEED-BK 6777 LIEN-DT
 LOUISVILLE KY DEED-PG 359 LIEN-BK
 40272 TAX-DST LIEN-PG
 TAX-BLK 1138 LOT-NO. 24

RELS-DT
RELS-BK
RELS-PG

0830289 DONALD RAY ZENOR 16212 DIXIE BEACH ROAD 2,472.00
 16212 DIXIE BEACH ROAD DEED-BK 6468 LIEN-DT
 WEST POINT KY DEED-PG 208 LIEN-BK
 40177 TAX-DST LIEN-PG
 TAX-BLK 1138 LOT-NO. 7

RELS-DT
RELS-BK
RELS-PG

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
10	NUMBER OF CUSTOMERS LISTED				
	TOTAL PRINCIPAL REMAINING	24,720.00			
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**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

May 14, 2002

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on June 12, 2001, directing the issuance of Apportionment Warrants against properties located on Dixie Beach Road: Dixie Highway West to End of Private Roadway, to reflect the following information:

Revised Account Information:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
830277	Joseph and Patricia Mattingly	16220 Dixie Beach Road Deed Book <u>7738</u> , Pg. <u>681</u> Tax Block <u>1138</u> , Lot <u>22</u>	\$2,472

Original Account Information:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
830277	Robert H. and Jean G. Benton	16219 Dixie Beach Road Deed Book <u>6204</u> , Pg. <u>684</u> Tax Block <u>1138</u> , Lot <u>22</u>	\$2,472

It appearing that such property transferred subsequent to the issuance of Apportionment Warrants on June 12, 2001 with disregard to the Board of Water Works lien.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE BY LIEN
0830278	ROBERT H & JEAN G BENTON	16222 DIXIE BEACH ROAD	2,472.00		
	16222 DIXIE BEACH ROAD	DEED-BK 6174	LIEN-DT 07/30/2001		
	WEST POINT KY	DEED-PG 784	LIEN-BK 647		
	40177	TAX-DST	LIEN-PG 241		
		TAX-BLK 1138	LOT-NO. 5		
		16300 DIXIE BEACH ROAD			
		DEED-BK 6174			
		DEED-PG 784			
		TAX-DST			
		TAX-BLK 1138	LOT-NO. 26		
0830279	RONALD CARDWELL	16200 DIXIE BEACH ROAD	2,472.00	00/0000	
	16200 DIXIE BEACH ROAD	DEED-BK 5282	LIEN-DT 07/30/2001		RELS-DT 09/06/2001
(PAID-UP)	WEST POINT KY	DEED-PG 759	LIEN-BK 647		RELS-BK 651
	40177	TAX-DST	LIEN-PG 241		RELS-PG 52
		TAX-BLK 1138	LOT-NO. 12		
		16200 DIXIE BEACH ROAD			
		DEED-BK 5282			
		DEED-PG 759			
		TAX-DST			
		TAX-BLK 1138	LOT-NO. 11		
0830280	SHELBY L & MAURISSETT GIVINS	16310 DIXIE BEACH ROAD	2,472.00		
	C/O TAMMIE ROBERTS	DEED-BK 6586	LIEN-DT 07/30/2001		
	16310 DIXIE BEACH RD	DEED-PG 655	LIEN-BK 647		
	WEST POINT KY	TAX-DST	LIEN-PG 241		
	40177	TAX-BLK 1138	LOT-NO. 28		
0830282	RANCE & BERTHA HUMPHREY	16214 DIXIE BEACH ROAD	2,472.00		
	16214 DIXIE BEACH ROAD	DEED-BK 5392	LIEN-DT 07/30/2001		
	WEST POINT KY	DEED-PG 709	LIEN-BK 647		
	40177	TAX-DST	LIEN-PG 242		
		TAX-BLK 1138	LOT-NO. 23		
0830283	JOHN A & JO EL LANCASTER	16208 DIXIE BEACH ROAD	2,472.00	00/0000	
	7905 MAPLE HILL ROAD	DEED-BK 4775	LIEN-DT 07/30/2001		RELS-DT 09/06/2001
(PAID-UP)	LOUISVILLE KY	DEED-PG 101	LIEN-BK 647		RELS-BK 651
	40219	TAX-DST	LIEN-PG 242		RELS-PG 52
		TAX-BLK 1138	LOT-NO. 9		
0830284	JOE & PATRICIA MATTINGLY	16218 DIXIE BEACH ROAD	2,472.00		
	16218 DIXIE BEACH ROAD	DEED-BK 6912	LIEN-DT 07/30/2001		
	WEST POINT KY	DEED-PG 395	LIEN-BK 647		
	40177	TAX-DST	LIEN-PG 242		
		TAX-BLK 1138	LOT-NO. 6		
0830277	JOSEPH & PATRICIA MATTINGLY	16220 DIXIE BEACH ROAD	2,472.00		
	16218 DIXIE BEACH RD	DEED-BK 6204	LIEN-DT 07/30/2001		
	WEST POINT KY	DEED-PG 684	LIEN-BK 647		
	40177	TAX-DST	LIEN-PG 241		
		TAX-BLK 1138	LOT-NO. 22		

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EXHIBIT C

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0830288	JOYCE SULLIVAN 14505 DIXIE HWY LOUISVILLE KY 40272	16217 DIXIE BEACH ROAD	2,472.00 DEED-BK 6777 LIEN-DT 07/30/2001 DEED-PG 359 LIEN-BK 647 TAX-DST LIEN-PG 242 TAX-BLK 1138 LOT-NO. 24		
0830281	THE BANK OF NY C/O C/O LONG BEACH MORTGAGE C (PAID-UP) P.O. BOX 6148 ORANGE CA 92868-6148	16302 DIXIE BEACH ROAD	2,472.00 DEED-BK 7615 LIEN-DT 07/30/2001 DEED-PG 294 LIEN-BK 647 TAX-DST LIEN-PG 242 TAX-BLK 1138 LOT-NO. 4	10/2001	RELS-DT 10/30/2001 RELS-BK 657 RELS-PG 511
0830287	DONALD RAY ZENOR 16212 DIXIE BEACH ROAD WEST POINT KY 40177	16212 DIXIE BEACH ROAD	2,472.00 DEED-BK 6468 LIEN-DT 07/30/2001 DEED-PG 208 LIEN-BK 647 TAX-DST LIEN-PG 242 TAX-BLK 1138 LOT-NO. 7		

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**MINUTES OF 2002 REGULAR MONTHLY MEETING
BOARD OF WATER WORKS
JUNE 11, 2002**

Board Members Present

Ms. Wendy Welsh
Mr. Owen Hammons
Mr. Jack Segell
Mr. Stewart Connor
Mr. Stephen Gault

Board Members Absent

Hon. David L. Armstrong
Mr. Phillip Bond

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Mr. Jim Brammel, BSO, Managing Distribution Operations
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Laurie Williams, Crowe Chizek
Mr. Jim Wehrle, Vice President, Assuring Human Resource and Organizational Effectiveness
Ms. Amber Halloran, BSO Supplying Financial Resources
Ms. Jane Driskell, Deputy Mayor, City of Louisville
Mr. Robert Miller, Vice President, Treasurer Supplying Business Resources

Mr. Huber called the meeting to order at 12:35 p.m.

CONSENT AGENDA APPROVED

- *Minutes of previous meetings*
- *Claims paid during the previous month*
- *Petitions and applications for water main extensions*
- *Authorization for design and bid of projects under \$200,000*
- *Bid tabulations for contracts under \$500,000*
- *Listing for award of contracts less than \$100,000*

Item A *Minutes of Regular Meeting Held June 11, 2002*
Request: Approve Minutes

Item B *Claims Paid During June 2002*
Request: file claims for future audit.

Item C *Petitions and applications for Water Main Extensions and Relocations
(when in full compliance / SR&R)*

<i>Developer Installed Refunding Main Extension Projects</i>	<i>Total Project Cost</i>	<i>LWC Cost</i>
<u>Jefferson Trace Section 5 (Project No. 01-075)</u>	<u>11,460.00</u>	
<u>The Gardens at Dorsey (Project No. 02-002)</u>	<u>75,380.00</u>	
<u>Grandel Farms Subdivision Section I (Project No. 02-029)</u>	<u>55,505.00</u>	<u>2,325.00</u>
<u>The Orchards of Applegate (Project No. 02-033)</u>	<u>21,750.00</u>	
<u>Craig's Creek Section 4 (Project No. 02-035)</u>	<u>58,470.00</u>	
<u>Woods of Landis Lakes Section 2 (Project No. 02-036)</u>	<u>9,585.00</u>	
<u>Fegenbush Place (Project No. 02-042)</u>	<u>47,995.00</u>	
<u>Silver Oaks Section 3 (Project No. 02-046)</u>	<u>91,110.00</u>	<u>7,050.00</u>
<i>Bullitt County Extension Projects</i>	<i>Estimated Cost</i>	
<u>Barrallton Hill and Pendleton Road (Project No. 02-312)</u>	<u>171,500.00</u>	
<i>Developer Relocation Projects</i>	<i>Total Project Cost</i>	<i>Net LWC Cost</i>
<u>Gilmore Lane (Project No. 02-0439)</u>	<u>135,000.00</u>	<u>95,000.00</u>

Item D *Authorization for design and bid of projects
estimated less than \$200,000.00*

Item E *Bid tabulations (award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).*

Item F *Award of contracts less than \$100,000.00*

<u>Capital Program</u>		<u>Total Project Cost</u>
<u>Project No</u>	<u>Project Name</u>	
01-311	Huber Station Road Water Main Extension	<u>25,000.00</u>
02-611B	Topcoat Prospect Tank Huffman Tank and Tower	<u>57,000.00</u>
L-01 Contingency Contract	Middletown Fill Area – Grading, drainage repairs and erosion control. Hall Contracting, Inc.	<u>29,000.00</u>
L-01 Contingency Contract	Zorn 48" Water Main Repair Southern Pipeline Construction Company	<u>29,810.00</u>

<u>Procurement of Sole Source Materials and Services</u>	<u>Total Project Cost</u>
Certificate of Corporate Headquarters Air onditioning Emergency ACCO, Inc.	<u>27,266</u>

<u>Procurement of Sole Source Materials and Services</u>		<u>Total Project Cost</u>
<u>Project No</u>	<u>Project Name</u>	
01-15	Round Tops & Lids: 1 st PPI Renewal American Cast Iron Products	<u>63,160.00</u>
02-21	Keytube Plastic Water Works Supplies, Inc.	<u>27,000.00</u>
02-22A	Personal Computer Equipment Accent Systems	<u>25,636.00</u>
99-59	Metered Concrete – 6 – Month Extension Preston Highway Metered Concrete	<u>73,175.00</u>

<u>Procurement of Professional Services4</u>		<u>Total Project Cost</u>
Professional Service	2002 Annual Inspection	<u>35,600.00</u>
Professional Service	Internal Customer Satisfaction Survey Dey Systems, Inc. (DSI)	<u>28,115.00</u>

REPORT OF OFFICERS

Administrative Report

Mr. Huber reported on the bio-terrorism bill. There is now a requirement that vulnerability studies be filed with EPA, but they will not be subject to disclosure to the public. We are also required to do an assessment report. We have approximately \$510,000 of grants we received from KIA. We have also made application for funds to perform federal vulnerability reports.

Financial Report

Mr. Miller provided the financial report. He introduced Ms. Laurie Williams of Crowe Chizek who spoke on the first item.

Crowe Chizek has recommended that the Old Headquarters Facility should be transferred to the City of Louisville at book value rather than at market value. Their previous guidance on this matter had not adequately considered the direct ownership relationship between the City of Louisville and Louisville Water Company. Consequently, there will not be a markup of the asset to the market value.

Income and Expense Summary

- 1) Total operating revenue of \$36,529,800 is \$1,596,200 or 4.19% less than budgeted and \$999,200 or 2.81% more than the same period in 2001. We sold 2.12% less water in 2002 than the same period in 2001.
- 2) Operation and maintenance expense of \$16,468,500 is \$539,700 or 3.17% less than budgeted and \$309,100 or 1.91% more than 2001.
- 3) Operating deductions of \$26,152,400 are \$442,800 or 1.66% less than budgeted and \$970,700 or 3.85% more than 2001.
- 4) Total non-operating income of \$1,306,700 is \$282,100 or 17.76% less than budgeted.
- 5) Net income of \$8,885,400 is \$1,459,600 or 14.11% less than budgeted and \$1,089,400 or 10.92% less than 2001.

Mr. Miller noted that the closing of Fisher Packing will result in a \$180,000.00 loss in revenue for The Louisville Water Company.

Capital Projects Summary

Status of Financial Information System Project

As reported at the May 2002 meeting of the Board of Water Works, Louisville Water Company received nine proposals for a new Financial Information System on May 8, 2002 and began our evaluation of the proposals. Upon completion of the initial review, we found that each of the nine proposals contained statements that caused the proposal to be excluded from further consideration. Therefore, staff decided to reject all of the proposals. The cost proposals were not opened, and all proposal packages were returned.

We removed or rewrote the problematic language to allow for meaningful discussion and negotiation. We also changed the evaluation process away from a "process of elimination" and towards a "process of selection". We reissued the Invitation for Proposals in early June 2002. Each of the proposers has indicated their intention to respond to the reissued Request for Proposals. The projected implementation date has been moved from September 2003 to October 2003.

The Series 2000 Bond funds will be fully spent at the end of June 2002. The Louisville Water Company will be able to retain all of its arbitrage earnings as a result.

Operations Report for May 2002

In the absence of the Chief Engineer, the Operations report was given by Mr. Brammell.

Distribution Water Quality

The goals for water quality were met in May. Historically, the period of May to September is the high occurrence season for total coliform. Preventive measures have been implemented by staff to reduce the occurrence rate.

Distribution System

On May 3, 2002, the unauthorized actions of a private plumbing contractor working in a Louisville Water Company easement off River Road resulted in issuance of a boil water advisory in the area. While performing an unauthorized tie-in of a new fire service, the contractor's actions caused a leak on the main.

A boil water advisory was issued for the area due to concern of contamination of the main by back siphoning. The contractor has been billed for the expenses associated with the leak and investigation.

Zorn 48-inch Repair - Repair operations have begun on the 48-inch cast iron main at the Zorn Pump Station. An emergency contract has been issued to Southern Pipeline Construction Company, who mobilized to the site the week of May 27. During the repair operations, the Zorn Pump Station is limited to approximately 150 MGD through the two 60-inch raw water lines. Repairs are expected to be complete and the water main returned to service by July 1. The revised repair estimate is \$131,000.

Serving Customers Report

Ms. Teasley gave the Serving Customer's report for May 2002.

Performance Measures

The May 2002 abandonment rate was 6.6% an improvement over the previous month's abandonment rate of 8.2%, and the lowest rate since December of 2001.

Oldham County Advisory Board Meeting Summary – The Oldham County District No. 1 Advisory Board held a special meeting on May 28, 2002 to review the status of Oldham County capital improvement and water extension programs, the Oldham County Reserve Fund and issues related to the proposed Goshen acquisition by the Company. Total funding of \$250,978 remains in the Oldham County Reserve Fund as of April 30, 2002, with an estimated \$201,025 of this total committed for projects.

Public Information Department Update – During April and May, over 300,000 LWC customers received Consumer Confidence Reports (CCR). This federally required water quality publication was also delivered via a "direct mail packet" to customers living in three West End neighborhoods. The special packet included a CCR, Pure Tap bottle and a synopsis of LWC work in the area. This "direct mail" pilot is an attempt to drive up Customer Satisfaction Index (CSI) numbers in this targeted geographic area. Results are expected in December.

Status of Automated Meter Reading Pilot – The installation of Automated Meter Reading (AMR) in the KTII district began Tuesday, June 4, 2002. It is anticipated that the installation project will be completed within 10-12 weeks. The customers have received post cards informing them of the project objectives and expectations. It is expected that LWC billing will interface with the automated reading software to produce a large percentage of the pilot area's August water bills.

LITIGATION REPORT

After proper motion and second, the Board adjourned to closed session for the purpose of discussing litigation and acquisition of property. Ms. Douglas gave a litigation report in closed session. The Board reconvened in open session without taking any action.

REPORT OF COMMITTEES

No Committee reports were presented.

SPECIAL ISSUES

Mr. Miller reported on the **Declaration of Dividend to the City of Louisville**. Section 508 of the Series 1992 Water System Revenue Bond Resolution provides that the Louisville Water Company will pay to the Commissioners of the Sinking Fund an annual dividend on the Louisville Water Company stock owned by the City.

The dividend is to be paid in quarterly installments, such payments to be based on estimated annual net income and as nearly equal in amount as possible. The budgeted net income of \$27,350,800 for 2002 requires payment of an annual dividend of \$12,208,300 in quarterly installments of \$3,052,075.

After proper motion and second the Board voted to authorize a total quarterly dividend payment of \$3,171,348.00 to the City of Louisville.

BID TABULATIONS

Mr. Brammell reported on the following:

Highway 329 Elevated Water Storage Tank in Oldham County

This tank will provide improved flow and pressure to the 940-pressure plane, plus provide storage capacity for system growth and expansion opportunities.

A base bid for a 500,000-gallon tank and an alternate bid for a 750,000-gallon tank was requested. Two bids were received for this project, ranging from \$803,000-\$948,000 for the base bid, and \$1,094,000-\$1,133,000 for the alternate bid. Based on cost evaluation, increasing the tank capacity by 50% from 500,000 gallons to 750,000 gallons will increase project cost by 29%. Caldwell Tank also submitted a ring foundation design which varies from the specification documents and geotechnical consultants' recommendation.

	Budget Estimate Of Record	Budget After Bids
Base Bid	\$ 775,000	\$ 803,000
Alternate Bid	\$1,050,000	\$1,094,000
Project Budget	\$ 975,000	\$1,294,000

After proper motion and second, the BOWW authorized the Chief Engineer to award a contract in the amount of \$1,094,000 to Chicago Bridge & Iron Company for the alternate bid to construct the 750,000-gallon Highway 329 Elevated Water Storage Tank, and to increase the project budget to \$1,294,000.

Ms. Teasley reported on the following:

Project No.: 02-501 16th Street Area – Main Replacement Project

Bids were received and opened Wednesday, May 15, 2002 to install 9,100 linear feet of 6 through 16-inch water line in the 16th Street Area of Louisville. A total of 4 bids were received and opened from pre-qualified contractors. MAC Construction and Excavating submitted the lowest responsive bid in the amount of \$698,600 resulting in a total project cost of \$948,600. This bid was evaluated based on cost, time of completion, and MBE/WBE subcontractor utilization.

The bid was less than 1% under the Project Manager's Estimate. The resulting total unit cost for this project is \$104.24/LF. This amount is in agreement with other MRRP Projects of this difficulty and scope.

After proper motion and second, the BOWW authorized the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$698,600 to MAC Construction and Excavating, Inc. to install the water facilities associated with this project.

Project No.: 02-502 Avon Road Area – Main Replacement Road

Bids were received and opened Wednesday, May 22, 2002 to install 4,210 linear feet of 6-inch water line in the Avon road Area of Louisville. Included with the project are the installation/renewal of 4 fire hydrants and the renewal/transfer of 54 customer services.

A total of 8 bids were received and opened from 4 pre-qualified contractors. MAC Construction and Excavating submitted the lowest responsive bid in the amount of \$259,900 resulting in a total project cost of \$296,900. This bid was evaluated based on cost (bid plus LWC materials), time of completion, and MBE/WBE subcontractor utilization. For the base bids \$50,000 is added to the bid amounts, while \$13,000 is added to the alternate bid amounts.

The bid is less than 1% under the Project Manager's Estimate.

After proper motion and second, the Board authorized the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$259,900 to MAC Construction and Excavating, Inc. to install the water facilities associated with this project.

Mr. Brammell reported on the following:

Project No.: 02-454 and 02-455 Roof Replacements at B.E. Payne and Crescent Hill Water Treatment Plants

Bids were received Wednesday, May 29 to replace roofs on the B.E. Payne and Crescent Hill Filter Buildings.

A base bid for the two Filter Building roofs and an alternate bid to add replacement of the Crescent Laboratory Building roof was requested. Six bids were received for this project, ranging \$538,000-\$633,518 for the base bid, and \$35,345-\$64,412 for the alternate bid.

After proper motion and second, the BOWW authorized the Chief Engineer to award a contract in the amount of \$586,000.00 to Geoghegan Roofing Corporation for the base and alternate bids for replacement of roofs at the production facilities.

Mr. Miller reported on the following:

Project No.: 02-16 Meter Setters

On May 29, 2002, bids were opened to award a two-year contract for the purchase of meter setters. Meter setters are used for the installation of domestic services.

A total of seven (7) bids were submitted. The lowest, most responsive bidder was Water Works Supplies, Inc.

This contract shall be in effect for two (2) years, from June 17, 2002 to June 16, 2004, for an estimated amount of \$174, 920.00. This price reflects a 0.6% increase from the previous contract.

After proper motion and second, the BOWW authorized staff to award a two (2) year contract to Water Works Supplies, Inc. for meter setters, totaling \$174, 920.00.

COMMUNICATIONS

No reports were submitted

OLD BUSINESS

Ms. Teasley reported on the following:

Issuance of Apportionment Warrants per KRS 96.265 Boone Trail: Johnson Road to end

A public hearing was held December 10, 1998 for the extension of water service along Boone Trail: Johnson Road to end. The Board of Water Works adopted a resolution for Boone Trail: Johnson Road to end on January 19, 1998 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 3, Series 1999 on February 23, 1999 (a copy of which is attached) for the Boone Trail: Johnson Road to end project.

With the completion of this private water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

During the public hearing phase of this project, residents who had "double frontage" on Boone Trail and an adjacent public road asked the Louisville Water Company to allow them access to the water main via the Boone Trail extension instead of the public road on which their property has frontage. Many of the residents with "double frontage" have lots considered "flag lots" which give them frontage to the public road, but the distance from the public road to their houses is much greater than the distance from Boone Trail to their residence.

After proper motion and second, the BOWW adopted a resolution for the issuance of Apportionment Warrants and liens against 15 benefited properties along Boone Trail: Johnson Road to end in accordance with KRS. 96.265, as described and in consideration of the request of the six "double frontage" residents, the Board also voted to permit those residents to access the water main on Boone Trail and thus be assessed \$1650 (the difference between the private road

cost and the public road cost) in addition to the public road Apportionment Warrant and be encumbered by a separate lien for the additional amount.

Mr. Brammell reported on the following:

Project 01-733: Concrete Apron Renovation at Allmond Avenue Distribution Center

Proposed under the 2002 Capital Improvement Plan is a project for improvements to the Allmond Avenue driving lanes and vehicle, equipment, and materials storage areas.

During conceptual and investigative design phase, additional improvements were identified to improve the management, operation, security, and life of the facility:

- Redesign of the primary and secondary entrances to improve LWC and public traffic safety
- Install a new security gate at the facility main entrance
- Install a new asphalt overlay on the employee parking lot
- Replace and re-grade additional failed concrete pavement, and install four additional catch basins for surface drainage improvement
- Improvements to the site railroad spur for forklift crossing safety

After proper motion and second, the BOWW authorized the Chief Engineer to increase the project budget from \$375,000 to \$625,000 and to proceed to final design and advertise for bid for the subject project.

Project No. 94-792B, Phase I, "Westport Road / I-264 Interchange Mains (Phase I)"

On September 29, 2000, the Company entered into a contract with MAC Construction & Excavating, Inc. in the amount of \$1,170,000 for the above subject project. The BOWW approved change action #1 in the amount of \$404,348 on July 10, 2001, and the President approved change action #2 in the amount of \$69,222 on March 20, 2002, resulting in a current contract amount of \$1,643,570.

Change Action No. 3 is proposed for an increase in the scope of work (850 feet of 36" transmission water main) to connect the new Westport Road Transfer Station to the existing Ormsby Lane 24" Cross-County Header. Installing the 850 foot segment of the transmission main at this time would alleviate a second future disruption to a portion of residential neighborhood in the Washburn/Westport area. This increase in the scope of work would be added as betterment to the KTC contract to be paid 100% by the LWC in the amount of \$434,365. A summary of the contract cost is shown below:

Current Contract Amount	\$1,643,570
Proposed Change Action #3	434,365
Proposed Contract Amount	\$2,077,935
	% increase
	26.4%

After proper motion and second, the BOWW voted to authorize the Chief Engineer to increase the contract with MAC Construction and Excavating, Inc. to \$2,077,935.

NEW BUSINESS

Mr. Brammell reported on the following:

Project No.: 02-603: PRP II Booster Pump Station

Proposed under the 2002 Capital Improvement Program is a project to install a booster pump station to the 810 pressure zone.

Presently the PRP I booster pump station is the single water supply to the 810 pressure zone. Pressure zone storage is 500,000 gallons, which, at full storage, provides approximately 6 hours reserve during average day demand conditions. The PRP I location is somewhat isolated (at Cardinal Hill reservoir), which, combined with overhead power lines, has resulted in unacceptable downtime as a result of power loss from severe storm events. This project will install a redundant pump station at a location on a different power grid to provide improved assurance of water supply to customers.

After proper motion and second, the BOWW voted to authorize staff to proceed with engineering design and advertisement for bid for the subject project. Any significant change in project scope or budget identified during bidding will be presented to the Board for review and re-authorization to proceed.

Project No.: 02-658: Replace HVAC Unit at Allmond Distribution Center Operations/Maintenance Office

Proposed under the 2002 Capital Improvement Plan is a project to replace the central HVAC unit at the Allmond Distribution Center Operations/Maintenance Office. The proposed project budget is \$350,000, allocated \$25,000 in 2002 for engineering, and \$325,000 in 2003 for construction.

The present unit dates from the original 1967 construction of the facility. In addition to the age of the equipment, the unit is inefficient, and is undersized for the present-day occupancy, which is significantly higher than the original intent of the building.

After proper motion and second, the BOWW authorized the staff to proceed with engineering design and advertisement for bid for the subject project. Any significant change in project scope or budget identified during bidding will be presented to the Board for review and re-authorization to proceed.

Ms. Teasley reported on the following:

Bullitt County Water Improvement Program – Bullitt County Extension Program Project 02-313 Weavers Run Tank, Booster Pump Station and Water Main Extension Project

Proposed under the Bullitt County Extension Program is a backbone water main extension, water storage tank and booster pump station installation project on Weavers Run Road. A $\frac{2}{3}$ majority petition has been received from residents on Barrallton Hill and Pendleton Road that would be served by this backbone water main extension, tank and booster pump station. The proposed Tapping Fee project will provide fire protection and water service to a previously unserved area.

There are 26 residents along this backbone main route. This project is necessary to provide water to the Barrallton Hill elevated service area. Estimated project cost is \$867,000.00.

After proper motion and second, the BOWW voted to authorize staff to proceed with engineering design and advertisement for bid for the subject project. The results of the bids will be presented to the Board with recommendation for contract award.

Ms Teasley reported on the following as one unit:

The Louisville Water Company committed to pursue grant opportunities to assist in the funding of the Bullitt County Water Improvement Program as a condition of the Merger Agreement with the former Kentucky Turnpike Water District. To that end, the Louisville Water Company proposed 207 water main extension projects in May 2001 to the Kentucky Infrastructure Authority (KIA). The KIA 2020 Fund B is a state program that provides grant funding to assist communities in constructing infrastructure improvements to help achieve the state goal of bringing potable water to all citizens of Kentucky by the year 2020. The Louisville Water Company has received conditional commitment letters from KIA for grant assistance for seven projects totaling \$590,850.

The projects are: WX21029008 Big Cedar Cr. Ct.(Pine Cr. Rd); WX21029118 Millers Lane(Country Manor Ln); WX21029057 Foley Road; WX21029087 Ironwood Trail; WX21029007 Bearcamp Road; WX21029203 Yorkshire Blvd; and WX21111011 Bearcamp Road.

After proper motion and second, the Board voted to adopt the Resolutions on pages 90, 93, 96 and 99 of the June 2002 BOWW Board book, accepting the 2020/Fund B Grant, approving the Grant Agreements, authorizing the amendment of the 2002 LWC Budget to note receipt of grant funds and authorizing Karla Teasley to sign grant documents. Additionally, the Board authorized staff to proceed with project design and advertisement for bids for the listed 2020/Fund projects.

The meeting adjourned at 1:50 p.m.

**RESOLUTION TO DECLARE SECOND QUARTER DIVIDEND
TO THE CITY OF LOUISVILLE**

WHEREAS, it has been the long established policy of the 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 1992 Water System Revenue Bond Resolution set 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 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, the Board passed a resolution on March 12, 2002 to adjust the 2001 annual dividend by \$477,094 from \$12,599,250 to \$13,076,344, the difference to be added in equal quarterly installments to the quarterly 2002 dividend payments, and

WHEREAS, the 1992 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 2002 Louisville Water Company budget contemplates the 2002 annual dividend to be \$12,208,380 it would be in order at this time to declare a regular second quarter dividend of \$3,052,075.

RESOLVED, the regular second quarter 2002 dividend of \$3,052,075 is hereby declared.

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,171,348 to the Louisville / Jefferson County Revenue Commission on June 28, 2002, this being the second quarterly dividend for 2002 plus one quarter of the dividend adjustment for 2001, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

APPORTIONMENT WARRANT RESOLUTION

June 11, 2002

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost **Boone Trail: Johnson Road to end** main extension project authorized by Ordinance No. 3, Series 1999 of the Jefferson Fiscal Court, adopted on February 23, 1999 such warrants to be against fifteen (15) benefited properties identified by present ownership and official records set forth on Exhibit B, attached, each apportionment warrant to be in the principal sum noted on Exhibit B and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

APPORTIONMENT WARRANT RESOLUTION

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0863498	CECIL & CHRISTINA BOWLING 1812 BOONE TRL LOUISVILLE KY 40245	1812 BOONE TRL DEED-BK 6200 DEED-PG 656 TAX-DST TAX-BLK 1704	7,100.00		
0863511	JEFF & ANGELA CHISM 1810 BOONE TRL LOUISVILLE KY 40245	1810 BOONE TRL DEED-BK 5233 DEED-PG 584 TAX-DST TAX-BLK 1704	7,100.00		
0863562	TIMOTHY & STEPHANIE DARST 4406 CREEK CROSSING DR LOUISVILLE KY 40241	1809 BOONE TRL DEED-BK 7729 DEED-PG 774 TAX-DST TAX-BLK 1704	7,100.00		
0863513	KEVIN & JAMIE ESTES 1808 BOONE TRL LOUISVILLE KY 40245	1808 BOONE TRL DEED-BK 6934 DEED-PG 648 TAX-DST TAX-BLK 1704	7,100.00		
0863515	GEORGE & PATRICIA EVANS P.O. BOX 246 LOUISVILLE KY 40223	1824 BOONE TRL DEED-BK 6999 DEED-PG 493 TAX-DST TAX-BLK 1704	7,100.00		
0863516	SAMUEL & BARB HAYWARD 5512 APACHE RD LOUISVILLE KY 40207	1840 BOONE TRL DEED-BK 4972 DEED-PG 563 TAX-DST TAX-BLK 1704	7,100.00		
0863529	DENNIS & KAREN HOSKINS 1804 BOONE TRL LOUISVILLE KY 40245	1804 BOONE TRL DEED-BK 6523 DEED-PG 636 TAX-DST TAX-BLK 1704	7,100.00		
0863564	CHRISTOPHER KLAPHEKE 1818 BOONE TRL LOUISVILLE KY 40245	1818 BOONE TRL DEED-BK 7293 DEED-PG 788 TAX-DST TAX-BLK 1704	7,100.00		
0863530	ROBERT & JUANITA MARTIN 1834 BOONE TRL LOUISVILLE KY 40223	1834 BOONE TRL DEED-BK 5109 DEED-PG 457 TAX-DST TAX-BLK 1704	7,100.00		

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EXHIBIT "B"

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0863533	JOSEPH & LESLIE MUDD	1822 BOONE TRL	7,300.00		
	1822 BOONE TRL	DEED-BK 5405		LIEN-DT	
	LOUISVILLE KY	DEED-PG 654		LIEN-BK	
	40223	TAX-DST		LIEN-PG	
		TAX-BLK 1704		LOT-NO.	10
0863535	STEVE & MARILYN NEEL	1814 BOONE TRL	7,300.00		
	1814 BOONE TRL	DEED-BK 5664		LIEN-DT	
	LOUISVILLE KY	DEED-PG 989		LIEN-BK	
	40223	TAX-DST		LIEN-PG	
		TAX-BLK 1704		LOT-NO.	11
0863568	TODD & SCOTT ROLEN	1800 BOONE TRL	7,300.00		
	1730 SHELBY ST	DEED-BK 7541		LIEN-DT	
	NEW ALBANY IN	DEED-PG 560		LIEN-BK	
	47150	TAX-DST		LIEN-PG	
		TAX-BLK 1704		LOT-NO.	31
0863538	JAMES & SONDR WILLIAMSON	BOONE TRL	7,300.00		
	14406 MAPLE RIDGE RD	DEED-BK 7798		LIEN-DT	
	LOUISVILLE KY	DEED-PG 66		LIEN-BK	
	40245	TAX-DST		LIEN-PG	
		TAX-BLK 1704		LOT-NO.	21
0863565	ALBERT & BRENDA WOODSLEY	1838 BOONE TRL	7,300.00		
	1838 BOONE TRL	DEED-BK 5470		LIEN-DT	
	LOUISVILLE KY	DEED-PG 122		LIEN-BK	
	40245	TAX-DST		LIEN-PG	
		TAX-BLK 1704		LOT-NO.	32
0863572	BRUCE & SUSAN ZOELLER	1844 BOONE TRL	7,300.00		
	1844 BOONE TRL	DEED-BK 6479		LIEN-DT	
	LOUISVILLE KY	DEED-PG 890		LIEN-BK	
	40245	TAX-DST		LIEN-PG	
		TAX-BLK 1704		LOT-NO.	34

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**MINUTES OF 2002 REGULAR MONTHLY MEETING
BOARD OF WATER WORKS**

JULY 9, 2002

Board Members Present

Ms. Wendy Welsh
Mr. Owen Hammons
Mr. Jack Segell
Mr. Stewart Connor
Mr. Stephen Gault
Mr. Phillip Bond

Board Members Absent

Hon. David L. Armstrong

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Mr. Greg Heitzman, Vice President & Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Amber Halloran, BSO Supplying Financial Resources
Mr. Steve Cooper, BSO Distribution Design and Construction
Ms. Melanie Lilly, City of Louisville Finance Department

Mr. Huber called the meeting to order at 12:35 p.m.

CONSENT AGENDA APPROVED

- *Minutes of previous meetings*
- *Claims paid during the previous month*
- *Petitions and applications for water main extensions*
- *Authorization for design and bid of projects under \$200,000*
- *Bid tabulations for contracts under \$500,000*
- *Listing for award of contracts less than \$100,000*

Item A Minutes of Regular Meeting Held July 9, 2002

Request: Approve Minutes

Item B Claims Paid During July 2002

Request: file claims for future audit.

Item C *Petitions and applications for Water Main Extensions and Relocations*
(when in full compliance / SR&R)

<i>Developer Installed Refunding Main Extension Projects</i>	<i>Total Project Cost</i>	<i>LWC Cost</i>
Indian Falls Phase 2, Section 6 (Project No. 02-019)	<u>32,280.00</u>	
Shane Development – Louisville (Project No. 02-026)	<u>39,310.00</u>	
Adams Run 6 (Project No. 02-038)	<u>36,455.00</u>	
Woodfield Commons Section 4 (Project No. 02-044)	<u>49,850.00</u>	
Ormsby Lane Main Extension (Project No. 02-051)	<u>22,620.00</u>	
Apportionment Warrant KR.R.S. 96.265 Petition Lonesome Hollow Road: Jefferson Hill Road to North 800 feet	<u>30,400.00</u>	<u>7,400.00</u>
<i>Metropolitan Sewer District Projects</i>		
Eureka Avenue Drainage Improvement Project (LWC Project No. 02-458)	<u>5,100.00</u>	
Kenton Street Maintenance Improvement Project (LWC Project No. 02-456)	<u>4,900.00</u>	<u>1,200.00</u>
River Metals Recycling Easement #2577 (LWC Proj. 02-1405D)	<u>10,500.00</u>	
405 Birk Lane (LWC Proj. 021409D)	<u>1,400.00</u>	
Shelbyville Road Plaza (LWC Proj. 01-668)	<u>7,900.00</u>	
Moser Farms Subdivision Section 2 (LWC Proj. 02- 453)	<u>28,300.00</u>	<u>11,800.00</u>

Item D *Authorization for design and bid of projects
estimated less than \$200,000.00*

Item E *Bid tabulations (award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).*

<i>Project</i>	<i>Total Project Cost</i>	<i>LWC Cost</i>
Project No. 02-523 Lead Service Renewal IV – Ash Street and Mulberry Street	<u>218,000.00</u>	
Project No. 02-611A Paint Crestwood Tank	<u>319,440.00</u>	

Item F *Award of contracts less than \$100,000.00*

<u>Capital Program</u>		<u>Total Project Cost</u>	
Project No.: 00-304 Echo Hill Trail Water Main Extension		<u>79,000.00</u>	
Procurement of Materials and Services		Total Project Cost	Net Cost To LWC
<u>Project No</u>	<u>Project Name</u>		
01-38	Debit/Credit Card Orion Payment Systems Recurring: Capital	<u>37,290.00</u> <u>8,276.00</u>	
02-26	Motor Oil, Hydraulic Oil, Filters, Anti-Freeze and Gear Oils, Newcomb Oil Co. (oil) Truck Parts and Service (filters)	<u>56,499.00</u> <u>17,190.00</u>	
	Total:	<u>73,689.00</u>	
02-28	Major Engine Repairs S&S Transmission All-State Ford Truck Sales, Inc. Walker & Thornton Transmission Byerly Ford	Unit Price Per Hour For Labor	
02-33	Steel Casing Pipe Pittsburgh Pipe	<u>98,535.00</u>	
02-34	Polywrap and Polytape Hughes Supply, Inc. (Polywrap) BRAST Industrial Solutions, LLC (Polywrap)	<u>13,920.00</u> <u>56,500.00</u> Total: <u>70,420.00</u>	

State Contract	Uninterruptible Power Supply for Computer Room Graybar Electric- #C99002022	<u>35,728.00</u>
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Procurement of Sole Source Materials and Services **Total Project Cost**

Sole Source	Hydro-Guard Standard Unit – HG1 Compt Environmental Enhancement & Technologies, USA, Inc.	<u>27,000.00</u>
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Procurement of Professional Services **Total Project Cost**

Professional Service	HVAC Equipment Replacement Design and Inspection Services Biagi, Chance, Cummins, London, Tizer, Inc. (BCCLT)	<u>30,900.00</u>
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REPORT OF OFFICERS

Administrative Report

Mr. Huber reported that Vivendi is now selling United States Filter and other North American Water assets. Mr. Huber also indicated that the Board would hear a favorable financial report from Amber for the month of June. He also reported that a number of regulatory entities had been at LWC's facilities doing routine reviews. The results will go to the Audit Committee. We are now in the process of doing the facility plan and the 2003 budget. More will come to the Board later on these items.

Financial Report

In Mr. Robert Miller's absence, Ms. Halloran provided the report.

Income and Expense Summary

- 1) Total operating revenue of \$44,076,600 is \$1,040,000 or 2.31% less than budgeted and \$261,400 or 0.60% more than the same period in 2001. We sold 4.44% less water in 2002 than the same period in 2001.
- 2) Operation and maintenance expense of \$19,598,700 is \$1,036,500 or 5.02% less than budgeted and \$180,400 or 0.93% less than 2001.
- 3) Net operating income/deductions of \$12,949,800 is \$164,100 or 1.28% more than budgeted.

- 4) Total non-operating income of \$1,558,400 is \$336,900 or 17.78% less than budgeted. Total non-operating expense of \$3,357,600 is \$29,000 or 0.87% less than budgeted.
- 5) Net income of \$11,150,600 is \$201,700 or 1.78% less than budgeted and \$1,730,600 or 13.44% less than 2001.

Capital Projects Summary

The capital program reflects net expenditures of \$22,091,427 against a budget of \$69,509,847 including previous year projects carried forward. Projects in progress are completed to year end represent 38.93% of the budget.

Anthem Stock Sale Results

Staff has completed the sale of Anthem stock that had been received earlier this year as a result of demutualization. The net proceeds after commission for the sale are \$305,715.68. Staff is working to determine any distribution of the sale proceeds.

Financial Information System Proposal Review

Proposals for a new financial information system were received from ten software/implementation vendors, including all nine vendors from the previously cancelled request for proposal. One proposal was disqualified based upon an incomplete submission. Financial qualifications, scripted software demonstrations, and site visits will be performed in the coming weeks.

Operations Report for June 2002

Mr. Heitzman gave the Operations report for June 2002.

Production - The average pumping rate for June was 140.5 MGD, slightly above the five-year average for June pumpage of 139.9 MGD. For the year, pumpage is three percent less than 2001, and one percent less than the five-year average. Production operations is closely monitoring river conditions and systems demands to assure adequate, high-quality water can be supplied during the peak summer months.

Water Quality - There were 289 water samples collected in June, with 7 positive coliforms. All recheck samples were negative. The strategy to improve distribution water quality appears to be successful, based on data collected through June. Through June of 2001, there were 29 positives samples, compared to 15 for 2002 through June.

Distribution System - Distribution maintenance continues to be less than a typical year. The mild winter and low number of main breaks (261 through June) have allowed the work order backlog to be reduced below 700 units.

System Security - High priority continues to be placed on monitoring distribution system security and prevention of water theft. Close coordination with law enforcement will allow our field operations staff to become more vigilant and responsive to such incidents. The Company has also initiated a contractor identification program, which requires contractor vehicles to post a "LWC Contractor" magnetic sign on each licensed vehicle at the job site with a phone number for contact. Contractor pre-qualification certificates are being issued to contractors for field identification.

Zorn Water 48-inch Main Repair - Southern Pipeline Construction Company has completed repair of the 48-inch water main at the Zorn Pumping Station. The site has been restored and the water main returned to service. Total cost to repair this main is estimated at \$160,000. This type of failure was not budgeted in 2002, however, it is expected the repair costs can be absorbed in the existing budget due to the lower number of distribution main breaks projected for 2002.

The main basin of the Crescent Hill Reservoir is now back in service. The concrete work has been completed on the south basin. The liner will be completed and all work on the basins will be done by October. Residents around Crescent Hill are now asking when they will be able to access the reservoir again. Plans call for the installation of an ornamental fence.

Serving Customers Report for June 2002

Ms. Teasley presented the Serving Customers Report for June 2002.

Performance Measures – The June 2002 abandonment rate was 7.1%, a slight increase over the previous month's abandonment rate of 6.6%. This change was primarily due to higher call volume than normal; we received 4,762, or 17%, more calls in June than in May.

Bad debt for the month of June was 25,179. This reflects improved collection results and is below the budgeted amount by about \$4,000.

Extending the Distribution System

New Service Installations
2000 through 2002

Type Service Installations	Jan.-Jun. 2000	Jan.-Jun. 2001	Jan.-Jun. 2002	2000 Year-End Totals	2001 Year-End Totals	2002 Year-End Estimate
3/4" Domestic Services	1,541	1,939	1,784	3,257	3,810	3,525
1" Domestic Services	103	124	99	252	248	215
1-1/2" & 2" Domestic Services	52	41	38	120	113	90
4" & Larger Domestic Services	11	12	10	16	25	20
3/4" Irrigation Services	92	57	32	186	116	70
1" Irrigation Services	42	19	16	68	49	33
1-1/2" & Larger Irrigation Services	8	10	3	14	14	10

2" Irrigation Services	6	4	9	21	16	18
3/4" Retrofit Irrigation Services	273	196	180	512	411	420
Fire Services	31	32	27	82	81	70
TOTALS	2,159	2,434	2,198	4,528	4,883	4,471

We are below the 2001 levels but above the 2000 level in new service installation.

Public Information - The second quarter continues to be a very busy period for the Public Information Team. High profile events such as the Kentucky Derby Festival continue to provide a great platform to highlight our excellent product and service. Over 3,000 cases of Pure Tap were distributed throughout the community; media coverage was extensive and very positive.

Drinking Water Week also showcased our message that the water we produce is safe, healthy and abundant. Local TV stations broadcast their morning shows live from our bottling plant, and National Public Radio did a lengthy interview on the benefits of tap water over bottled brands.

"Adventures in Water," LWC's new curriculum, was also unveiled this quarter. Teacher in-services are underway and will continue through the fall.

Mr. Segell urged staff to review the automated telephone answering service to ensure that it is customer friendly.

LITIGATION REPORT

After proper motion and second, the Board adjourned to closed session for the purpose of discussing litigation, acquisition of property and a personnel matter. Ms. Douglas gave a litigation report in closed session. The Board reconvened in open session without taking any action.

In open session after proper motion and second, the Board voted to approve the Goshen closing and authorize the President to execute all necessary documents in furtherance of said closing.

REPORT OF COMMITTEES

No Committee Reports were submitted.

SPECIAL ISSUES

No Special Issues were submitted.

BID TABULATIONS

Mr. Heitzman reported on the following Bid Tabulations:

Project No. 02-29: Restoration and Construction of Paved Surfaces

On June 26, 2002, bids were opened to award a two-year contract for the restoration and construction of asphalt and concrete paved surfaces. The work to be accomplished under this contract consists of system improvement trench pavings and restoring paved and finished concrete surfaces.

Five (5) separate contracts for this service were combined into one (1) contract.

A total of two (2) bids were submitted. The lowest, most responsive bidder was Stoll Construction and Paving, Co., Inc.

After proper motion and second, the Board of Water Works authorized staff to award a two (2) year contract to Stoll Construction and Paving Co., Inc. for the restoration and construction of asphalt and concrete paved surfaces, for an estimated amount of \$1,699,200.00. Bid tabulations are attached for your review.

Project 00-470B Replace Vehicle Lifts at Allmond Distribution Center Garage

Bids were received Wednesday, June 12 to replace four (4) in-ground vehicle lifts at Allmond Avenue utilized for fleet maintenance on Company cars, trucks, and construction equipment. The present hydraulic-operated lifts are aged equipment, plus the new hydraulic and air-hydraulic operated equipment includes enhanced safety locks for improved reliability and operation.

Two bids were received from a limited bidder's pool ranging \$102,000 - \$109,469. The low bidder, H. F. McClure Maintenance Service Inc., has not performed work for LWC; however, a check of references indicated the firm has experience within the scope of work for this project.

After proper motion and second, the Board of Water Works authorized the Chief Engineer to award a contract in the amount of \$102,000 to H. F. McClure Maintenance Service Inc., for replacement of vehicle lifts at Allmond Avenue.

COMMUNICATIONS

No reports were submitted

OLD BUSINESS

Ms. Teasley reported on the following Old Business:

Issuance of Apportionment Warrants per KRS 96.265 Old Taylorsville Rd.: Highway 155 to Highway 148.

A public hearing was held October 14, 1999 for the extension of water service along Old Taylorsville Rd: Highway 155 to Highway 148. The Board of Water Works adopted a resolution for Old Taylorsville Rd: Highway 155 to Highway 148 on January 11, 2000 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance.

With the completion of this public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second the Board of Water Works adopted a resolution for the issuance of Apportionment Warrants and liens against 21 benefited properties along Old Taylorsville Rd: Highway 155 to Highway 148 in accordance with KRS 96.265, as described.

Amendment of Apportionment Warrant Register Taylorsville Rd.: Highway 148 to Highway 155

The Board approved a resolution for the issuance of Apportionment Warrants for Taylorsville Rd: Highway 148 to Highway 155 at it's November 14, 2000 meeting in accordance with KRS 96.265. The Board amended the Apportionment Warrant Register for Taylorsville Rd: Highway 148 to Highway 155 on May 14, 2002.

The monthly Apportionment Warrant Statement for account # 797485, Tax Block 49 Lot 4, was returned to LWC by the United States Postal Service due to an insufficient address. Staff performed property research finding that the aforementioned property is actually a part of Tax Block 49 Lot 5, belonging to James D. Price, that was assessed on Highway 148, Old Clark Station Road, & Eastwood Fisherville Road.

AT&T Communications contacted staff on June 14, 2002 to question receipt of an Apportionment Warrant assessment on property known as Tax Block 49 Lots 37 and 55. AT&T provided a copy of Deed Book 7475 Page 111, recorded on July 6, 2000, transferring the property from AT&T to American Tower Management, Inc.

After proper motion and second, the Board of Water Works voted to adopt an amended resolution removing Tax Block 49 Lot 4 in the name of John and Esther Wolfe and revising the ownership information for Tax Block 49 Lots 37 and 55 for the Apportionment Warrant Register adopted by the Board of Water Works on May 14, 2002 in accordance with KRS. 96.265.

Amendment of Apportionment Warrant Register Routt Road: 9410 Routt Road to County Line

The Board approved a resolution for the issuance of Apportionment Warrants for Routt Road: 9410 Routt Road to County Line at it's March 12, 2002 meeting in accordance with KRS 96.265.

Mr. Calvin Shake contacted LWC staff to inform us that he does not own the property know as Tax Block 54 Lot 3, for which he received an Apportionment Warrant assessment. It was determined that the aforementioned property belongs to Dennis and Jessica Kromenacker, it is assessed by the Bullitt County Property Valuation Administrator, and has access to water through the City of Taylorsville Water District.

After proper motion and second, the Board of Water Works adopted and amended the resolution (Exhibit B); thereby, removing Tax Block 64 Lot 3 (Dennis and Jessica Kromenacker property) from the Apportionment Warrant Register adopted by the Board of Water Works on March 12, 2002 in accordance with KRS. 96.265.

Professional Service Contract for Construction Inspection and Technician Services Contract #E872

A professional service contract with Quest Engineers, Inc. to provide Construction Inspection and Technician Services for the Constructing Capital Improvements Processes was approved by the July 2000 Board. This approval authorized staff to supplement existing LWC in-house inspection forces with Quest Engineers consultant personnel to provide quality assurance and insure adherence to LWC Standard Specifications for work permitted by its pre-approved contractor workforce.

An updated proposal was requested from Quest Engineers to continue to provide these services for the remainder of the 2002 and 2003 Capital Improvement Program based on performance by the Quest Engineers employees and to assure construction quality by maintaining inspection coverage on current capital projects.

After proper motion and second, the Board of Water Works voted to renew the existing professional service contract with Quest Engineers a third year for the not-to-exceed amount of \$455,058 for Construction Inspection and Technician Services.

Ms. Halloran reported on the following Old Business:

00-66: Large and Small Meter Vault Frames and Lids: 1st PPI Renewal

The term of this contract shall be renewable for one year, with the option to renew for up to 3 additional one-year terms. This is a one-year contract renewal utilizing the Producers Price Index (PPI) as the cost adjustment factor, which represents a zero percent (0%) change from the previous contract prices. The Commodity Code referenced is 1015-0425, Gray and Ductile Iron Castings.

Contracts were awarded as follows for an estimated amount of **\$228,405.00**.

Bingham and Taylor

light & heavy frames/lids	\$176,045.00
light & heavy lids only	\$ 19,125.00

General Foundries

Monitor casting and lids \$21,750.00
Monitor lids only \$ 3,060.00

Ford Meter Box
¼ turn lids \$ 8,425.00

After proper motion and second, the Board of Water Works authorized staff to renew a one (1) year contract each with Bingham and Taylor, General Foundries, and Ford Meter Box for frames and lids, totaling \$228,405.00.

99-16: Pipe Repair Couplings, Sleeves, and Bell Joint Clamps: 3rd PPI Renewal

The term of this contract shall be renewable for one year utilizing the Producers Price Index (PPI) as the cost adjustment factor. This represents a 1% increase from the previous contract prices for the stainless steel products and a 0.9% increase for pipe repair couplings and bell joint clamps. This is the last PPI renewal for this contract.

Hughes Supply
Couplings/rings/gaskets \$ 85,961.00

Viking Environmental
Stainless steel sleeves \$ 31,118.00

Smith-Blair
Joint clamps and repairs \$ 25,803.00

Water Works Supply
Large couplings and sleeves \$ 13,437.00

After proper motion and second the Board authorized staff to renew a one (1) year contract each with Hughes Supply, Viking Environmental, Smith-Blair and Water Works Supply for pipe repair couplings, sleeves, and bell joint clamps, totaling \$156,319.00.

NEW BUSINESS

Mr. Heitzman reported on the following New Business:

Facilities Improvement Program; Request for Proposal for Consulting Engineering Services

The 2002 Capital Improvement Program identifies facilities improvement projects having a total value of nearly \$ 70 million dollars to be constructed over the next five years. It has been determined that the design of \$ 30 million of projects must be out-sourced. This equates to approximately \$ 5 million in consultant design contracts.

Toward this end, staff has prepared a Request for Proposal for Engineering Services (RFP) and will solicit proposals from engineering consultants.

The intent of the RFP is to solicit qualifications, experience, and hourly rates for the consultant's key job classifications. An evaluation or scoring matrix will be used by staff to select the firms for future work.

After identifying the firms to be retained, staff will prepare a scope of work for the projects to be out-sourced. Each scope of work will be matched with one of the selected firms and the consulting fee will be negotiated based upon the hourly rates submitted by that respective firm.

After proper motion and second, the Board of Water Works authorized staff to solicit RFP's and begin preliminary engineering for the 2002 Capital Improvement Plan and Engineering Services. The results of the RFP selection process will be presented to the Board. Contracts exceeding \$100,000 will be submitted to the Board of Water Works for approval.

LWC Project 01-745B KY Highway 1020 – Gap In Knob

Project 01-745B was identified in the 2001 capital budget as part of an overall improvement package for the former Kentucky Turnpike Water District. This project includes approximately 6,300 feet of 12" main replacing a 2" water main and strengthening the transmission grid both within the project area and south of the project toward Shepherdsville.

The 12" water main will improve hydraulic support to southern Bullitt County and provide backup supply during the road improvement project planned to widen Highway 61 to Shepherdsville.

The project is part of the Bullitt County "backbone" commitment and is budgeted at \$642,000 as part of the \$5 million Bullitt County Reserve fund.

After proper motion and second the Board of Water Works authorized staff to finalize design and advertise for bid for Project 01-745B KY Highway 1020: Gap in Knob 16" transmission main.

Westport Road 60" / 48" Interconnection Project Project No. 02-673

A project is proposed to install 400 +/- feet of 36-inch water main under the intersection of Chamberlain Lane and Westport Road.

Valve placement on the existing 60" and 48" main is such that if a break, leak, or other maintenance event requires a shut off between Westport Road and Lagrange Road the connection between the BE Payne treatment plant and the Westport Transfer Station is severed.

A valve inserted in the 60" main would be a less costly solution, however, inserting a valve would sever the tie to the English Station Reservoir and supply could not meet demand during a large portion of the outage period.

The project will improve system reliability by allowing flow between the B.E. Payne Water Treatment Plant and the Westport Transfer Station.

After proper motion and second, the Board of Water Works authorized staff to finalize the design and advertise for bid for Westport Road 60"/48" Inter-connection Project, Project No.02-673.

Highway 329 16" Transmission Main: Spring Hill Trace and Applepatch Development Project No. 01-742

A project is proposed to install 4,900 +/- feet of 16" water main and 450 feet of 12" main in Highway 329 between Spring Hill Trace subdivision and Applepatch development. The project will improve flow availability in the North Oldham County area and provide a more hydraulically efficient route to the proposed Apple Patch Tank recently approved for construction.

The size was increased to accommodate future growth of the area north of I-71 and to provide a hydraulically strong feed to the Applepatch tank, which is under construction. The Highway 329 right-of-way is one of the few crossings allowing easy access to the main with minimal easements.

After proper motion and second, the Board of Water Works funded the Highway 329 16" Transmission Main, Project 01-742 in the amount of \$855,440.00 from the 2001/2002 Capital Budget and authorized staff to finalize engineering design and advertisement for bid of the project.

Project 00-451: Production Facilities Security Systems

Proposed under the 2002 Capital Budget are funds to install security systems at the Production Facilities: Crescent Hill, Zorn, and B. E. Payne Treatment and Pumping Plants.

The Simplex security systems installed during construction of the Corporate Headquarters consist of electronic access control and accountability, managed by a computer network. The proposed project, budgeted at \$300,000, will expand the system to the Production facilities to enhance security and expand the record of entry to these facilities. Perimeter ingress/egress points and select building ingress/egress points will become controlled entry to limit access to employees only, with particular emphasis on buildings housing treatment processes. In addition, Distribution Centers located at Almond Avenue and Bullitt County, planned for future years, will be included to provide common and consistent security protocols to all Company facilities. The additional cost to add these two facilities is estimated at \$25,000.

After proper motion and second, the Board of Water Works authorized staff to proceed with engineering design and advertisement for bid for the subject project, and to establish a project budget of \$325,000.

The meeting adjourned at 2:30 p.m.

BID# 02-29/Restoration and Construction of Paved Surfaces

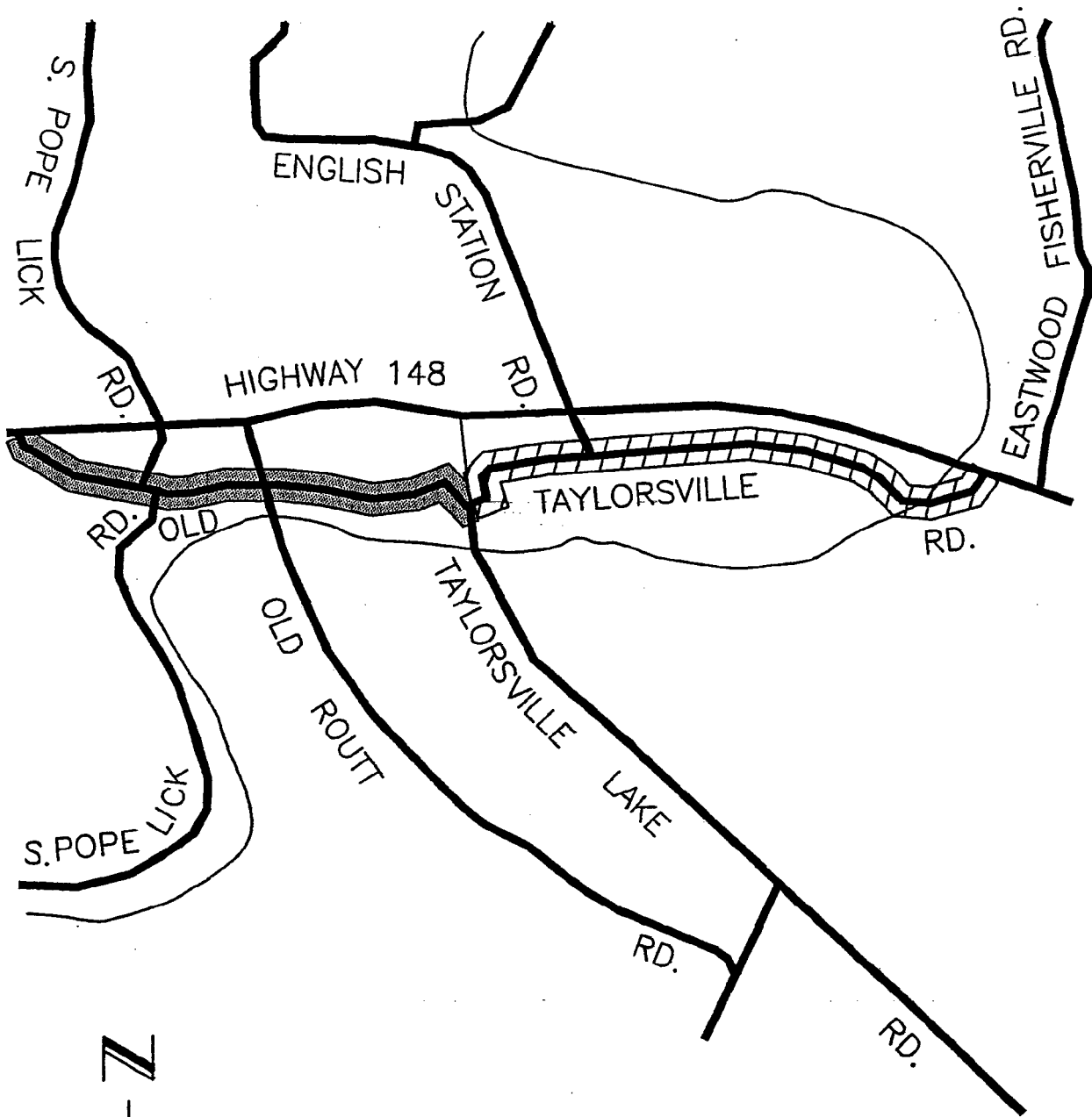
		BIDDERS					
		Stoll Construction & Paving Co., Inc.		Louisville Paving Company, Inc.			
DESCRIPTION	ESTIMATED QTY	Unit Price	Total Price	Unit Price	Total Price	Unit Price	Total Price
MOBILIZATION CHARGE	1400	\$140.00	\$196,000.00	\$0.00	\$0.00		
ASPHALT PAVING	470,000 Sq Ft	\$1.38	\$234,600.00	\$2.80	\$476,000.00		
MOBILIZATION CHARGE	20	\$800.00	\$16,000.00	\$200.00	\$4,000.00		
CONCRETE PAVING	3,000 Sq Ft	\$3.20	\$9,600.00	\$5.50	\$16,500.00		
MOBILIZATION CHARGE	60	\$760.00	\$45,600.00	\$300.00	\$18,000.00		
CONCRETE PAVING OF DRIVEWAYS	9,000 Sq Ft	\$6.40	\$57,600.00	\$8.00	\$72,000.00		
MOBILIZATION CHARGE	150	\$240.00	\$36,000.00	\$200.00	\$30,000.00		
CONCRETE PAVING OF SIDEWALKS	9,000 Sq Ft	\$5.98	\$53,820.00	\$10.00	\$90,000.00		
MOBILIZATION CHARGE	35	\$100.00	\$3,500.00	\$100.00	\$3,500.00		
CONCRETE PAVING OF CURBS	700 Linear Foot	\$10.00	\$7,000.00	\$35.00	\$24,500.00		
MOBILIZATION CHARGE	10	\$300.00	\$3,000.00	\$1,000.00	\$10,000.00		
VAULTS 6' X 9' (VARIABLE HEIGHTS)	10	\$5,840.00	\$58,400.00	\$6,000.00	\$60,000.00		
MOBILIZATION CHARGE	10	\$300.00	\$3,000.00	\$1,000.00	\$10,000.00		
VAULTS 6' X 9' (VARIABLE HEIGHTS)	10	\$5,966.00	\$59,660.00	\$7,500.00	\$75,000.00		
MOBILIZATION CHARGE	10	\$300.00	\$3,000.00	\$1,000.00	\$10,000.00		
VAULTS 6' X 12' (VARIABLE HEIGHTS)	10	\$6,282.00	\$62,820.00	\$8,000.00	\$80,000.00		
	TOTAL	\$849,600.00		\$979,500.00			
		UNIT PRICES		UNIT PRICES		UNIT PRICES	
MOBILIZATION FOR SERVICES LISTED BELOW		\$180.00		Blank			
VALVE BOX - RAISE TO GRADE		\$30.00	Sq. Foot	\$80.00	Sq. Foot		Sq. Foot
PAVING CUT BACK		\$6.60	Sq. Foot	\$5.25	Sq. Foot		Sq. Foot
TEMPORARY PAVING REMOVAL		\$2.30	Sq. Foot	\$6.00	Sq. Foot		Sq. Foot
TEMPORARY PAVING REMOVAL INC. DGA BASE		\$6.20	Sq. Foot	\$12.00	Sq. Foot		Sq. Foot
COMPACTED DGA BASE		\$40.00	Sq. Foot	\$5.00	Sq. Foot		Sq. Foot
CONCRETE BASE		\$8.00	Sq. Foot	\$15.00	Sq. Foot		Sq. Foot

No Bids: Pearce Ready Mix Concrete Companies
Bidholders who did not submit a bid: Advance Ready Mix Concrete, Inc.
 Flynn Brothers Contracting
 Chaz Concrete Co. LLC.
 Commonwealth Paving Co.

APPORTIONMENT WARRANT RESOLUTION

July 9, 2002

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Old Taylorsville Road: Hwy 148 to Hwy 155** main extension project authorized by Ordinance No. 4, Series 2000 of the Jefferson Fiscal Court, adopted on February 8, 2000 such warrants to be against 21 benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA



(PROJECT AREA REMOVED FROM SCOPE)



FILE NAME: OLD TAYLORSVILLE

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0866360	ERIK & DIANA EADES 15121 OLD TAYLORSVILLE RD FISHERVILLE KY 40023	15121 OLD TAYLORSVILLE RD DEED-BK 6796 DEED-PG 204 TAX-DST TAX-BLK 48	5,450.00		
0866363	MICHAEL & CATHY FARNER 15100 TAYLORSVILLE RD FISHERVILLE KY 40023	15100 OLD TAYLORSVILLE RD DEED-BK 4800 DEED-PG 626 TAX-DST TAX-BLK 48	5,450.00		
0866364	HOWARD JR. M GORE 15002 OLD TAYLORSVILLE RD LOUISVILLE KY 40233	15002 OLD TAYLORSVILLE RD DEED-BK 7727 DEED-PG 723 TAX-DST TAX-BLK 48	5,450.00		
0866368	DANIEL & THERESA INGRAM 15005 OLD TAYLORSVILLE RD FISHERVILLE KY 40023	15005 OLD TAYLORSVILLE RD DEED-BK 4707 DEED-PG 398 TAX-DST TAX-BLK 48	5,450.00		
0866373	JOHN & DIANNA JENKINS 15108 TAYLORSVILLE RD FISHERVILLE KY 40023	15108 OLD TAYLORSVILLE RD DEED-BK 6283 DEED-PG 747 TAX-DST TAX-BLK 48	5,450.00		
0866375	JUSTICE RESOURCE CENTER 12003 HALIFAX RD LOUISVILLE KY 40225	15116 OLD TAYLORSVILLE RD DEED-BK 7610 DEED-PG 561 TAX-DST TAX-BLK 48	5,450.00		
0866378	CAROL NATION 12523 TAYLORSVILLE RD LOUISVILLE KY 40299	15006 OLD TAYLORSVILLE RD DEED-BK 6345 DEED-PG 3 TAX-DST TAX-BLK 48	5,450.00		
0866381	JOHN & MARGARET POUND 10107 WATTERSON TRL LOUISVILLE KY 40299	15112 OLD TAYLORSVILLE RD DEED-BK 4619 DEED-PG 250 TAX-DST TAX-BLK 48	5,450.00		
0866380	KEITH & FAITH POUND 15110 TAYLORSVILLE RD FISHERVILLE KY 40023	15110 OLD TAYLORSVILLE RD DEED-BK 6540 DEED-PG 751 TAX-DST TAX-BLK 48	5,450.00		

Exhibit "A"

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID-IN-FULL	RELEASE OF LIEN
0866383	DEXTER REECE 15217 OLD TAYLORSVILLE RD FISHERVILLE KY 40023	15214 OLD TAYLORSVILLE RD DEED-BK 5580 DEED-PG 838 TAX-DST TAX-BLK 48	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	62
0866405	TRUST OF MARY RUTH RODGERS P.O. BOX 39395 LOUISVILLE KY 40232	15125 OLD TAYLORSVILLE RD DEED-BK 6037 DEED-PG 534 TAX-DST TAX-BLK 48	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	144
0866387	JAMES & REBECCA SAURER P.O. BOX 33 FISHERVILLE KY 40023	15008 OLD TAYLORSVILLE RD DEED-BK 4032 DEED-PG 319 TAX-DST TAX-BLK 48	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	13
0866389	GARY M SCHARFENBERGER 14615 OLD TAYLORSVILLE RD LOUISVILLE KY 40299	14615 OLD TAYLORSVILLE RD DEED-BK 7245 DEED-PG 433 TAX-DST TAX-BLK 48	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	159
0866393	CHRIS & ROSE SIPES 338 S. MAIN ST VERSAILLES KY 40383	14827 OLD TAYLORSVILLE RD DEED-BK 4789 DEED-PG 5 TAX-DST TAX-BLK 48	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	85
0866397	FRIEDA C SIZEMORE 14823 OLD TAYLORSVILLE RD FISHERVILLE KY 40023	14821 OLD TAYLORSVILLE RD DEED-BK 4714 DEED-PG 15 TAX-DST TAX-BLK 48	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	121
0866404	FREDERICK & MARY A STROHMEIER 14811 OLD TAYLORSVILLE RD FISHERVILLE KY 40023	OLD TAYLORSVILLE RD DEED-BK 7442 DEED-PG 892 TAX-DST TAX-BLK 48	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	167
0866398	FREDERICK III STROHMEIER 14811 TAYLORSVILLE RD FISHERVILLE KY 40023	14819 OLD TAYLORSVILLE RD DEED-BK 6170 DEED-PG 757 TAX-DST TAX-BLK 48	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	117
		14811 OLD TAYLORSVILLE RD DEED-BK 7108 DEED-PG 563 TAX-DST TAX-BLK 48	LIEN-DT LIEN-BK LIEN-PG LOT-NO.		112

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0867329	ARCHIE E. & MARGARET TENNILL PO BOX 6, 15202 OLD TAYLORSVIL FISHERVILLE KY 40023	15202 OLD TAYLORSVILLE RD DEED-BK 3367 DEED-PG 222 TAX-DST TAX-BLK 48	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 16	
0866377	TOADVINE ENTERPRISES 14803 TAYLORSVILLE RD FISHERVILLE KY 40023	14803 OLD TAYLORSVILLE RD DEED-BK 7828 DEED-PG 371 TAX-DST TAX-BLK 48	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 220	
0866409	ARCHIE & BETTY WHITE 15109 OLD TAYLORSVILLE RD FISHERVILLE KY 40023	15109 OLD TAYLORSVILLE RD DEED-BK 4951 DEED-PG 871 TAX-DST TAX-BLK 48	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 6	
0866413	CARROLL & H. H. WILLIAMS 15122 OLD TAYLORSVILLE RD FISHERVILLE KY 40023	15122 OLD TAYLORSVILLE RD DEED-BK 4064 DEED-PG 82 TAX-DST TAX-BLK 48	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 14	

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**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

July 9, 2002

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on May 14, 2002, directing the issuance of Apportionment Warrants against properties located on Taylorsville Rd: Highway 148 to Highway 155 to remove the following property listed in the name of John and Esther Wolfe and to revise the ownership information for Tax Block 49 Lots 37 and 55:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
797485	John and Esther Wolfe	16115 Taylorsville Rd Deed Book 6573 Pg. 838 Tax Block 49 Lot 4	\$5,450

Revised Account Information:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
796722	American Tower Management, INC	Taylorsville Rd Deed Book 7475 Pg. 111 Tax Block 49 Lots 37 & 55	\$5,450

Original Account Information:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
796722	AT&T Communications of South Central States, INC	Taylorsville Rd Deed Book 5399 Pg. 506 Tax Block 49 Lots 37 & 55	\$5,450

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0796722	A T & T	TAYLORSVILLE ROAD	5,450.00		
	COMM. OF S. CENTRAL STATES INC	DEED-BK 5399	LIEN-DT 01/05/2001		
	BASKING RIDGE NJ	DEED-PG 506	LIEN-BK 625		
	7920	TAX-DST	LIEN-PG 143		
		TAX-BLK 49	LOT-NO. 37		
		TAYLORSVILLE ROAD			
		DEED-BK 5399			
		DEED-PG 506			
		TAX-DST			
		TAX-BLK 49	LOT-NO. 55		
0796740	MICHAEL K BENNETT	TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	16101 TAYLORSVILLE ROAD	DEED-BK 5152	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	FISHERVILLE KY	DEED-PG 876	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 143		RELS-PG 311
		TAX-BLK 49	LOT-NO. 40		
		16101 TAYLORSVILLE ROAD			
		DEED-BK 5152			
		DEED-PG 876			
		TAX-DST			
		TAX-BLK 49	LOT-NO. 39		
0796756	JOHN K. & PATRICIA BLOK	17014 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	17014 TAYLORSVILLE ROAD	DEED-BK 4820	LIEN-DT 01/05/2001		RELS-DT 04/18/2001
	FISHERVILLE KY	DEED-PG 428	LIEN-BK 625		RELS-BK 635
	40023	TAX-DST	LIEN-PG 143		RELS-PG 684
		TAX-BLK 54	LOT-NO. 37		
0830292	JAMES & JULIA BRADLEY	15901 TAYLORSVILLE ROAD	5,450.00		
	15901 TAYLORSVILLE ROAD	DEED-BK 5328	LIEN-DT 08/16/2001		
	FISHERVILLE KY	DEED-PG 880	LIEN-BK 648		
	40023	TAX-DST	LIEN-PG 856		
		TAX-BLK 49	LOT-NO. 60		
0796897	ROBERT & DALARNA BREETZ	16323 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	16323 TAYLORSVILLE RD	DEED-BK 5639	LIEN-DT 01/05/2001		RELS-DT 04/18/2001
	FISHERVILLE KY	DEED-PG 276	LIEN-BK 625		RELS-BK 635
	40023	TAX-DST	LIEN-PG 144		RELS-PG 684
		TAX-BLK 49	LOT-NO. 30		
0796909	JAMES & URSULA DEPPEN	TAYLORSVILLE ROAD	5,450.00		
	16701 TAYLORSVILLE ROAD	DEED-BK 4239	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	FISHERVILLE KY	DEED-PG 2	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 144		RELS-PG 312
		TAX-BLK 54	LOT-NO. 181		
		TAYLORSVILLE ROAD			
		DEED-BK 4239			
		DEED-PG 2			
		TAX-DST			
		TAX-BLK 54	LOT-NO. 182		

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Exhibit "A"

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE BY

079909 JAMES B. URSULA DEPPEN TAYLORSVILLE ROAD (CONTINUED) 2

DEED-BK 4239
DEED-PG 2
TAX-DST
TAX-BLK 54
LOT-NO. 183

5,450.00

DEED-BK 7039
DEED-PG 689
LIEN-BK
LIEN-DT
TAYLORSVILLE ROAD

5,450.00

DEED-BK 7041
DEED-PG 677
LIEN-BK
LIEN-DT 01/05/2001
TAX-BLK 49
LOT-NO. 48

5,450.00

DEED-BK 7273
DEED-PG 812
LIEN-BK
LIEN-DT 01/05/2001
TAX-BLK 54
LOT-NO. 180

5,450.00

DEED-BK 4960
DEED-PG 766
TAX-DST
TAX-BLK 54
LOT-NO. 116

5,450.00

DEED-BK 4417
DEED-PG 457
LIEN-BK
LIEN-DT 01/05/2001
TAX-BLK 49
LOT-NO. 45

5,450.00

DEED-BK 7123
DEED-PG 953
LIEN-BK
LIEN-DT
TAX-BLK 54
LOT-NO. 173

5,450.00

DEED-BK 7163
DEED-PG 993
LIEN-BK
LIEN-DT 01/05/2001
TAX-BLK 49
LOT-NO. 50

5,450.00

DEED-BK 7163
DEED-PG 993
TAX-DST
TAX-BLK 49
LOT-NO. 55

5,450.00

089575 DUNBAR SPRINGS LLC 306 MIDDLETON PARK PL, UNIT C LOUISVILLE KY 40293

079914 LARRY GABBERT 1641A TAYLORSVILLE ROAD FISHERVILLE KY 40023

079915 JOHN M. & JOYCE GADDIE 1730D TAYLORSVILLE ROAD FISHERVILLE KY 40023

079946 STEPHEN & JANICE GREGG 1590A TAYLORSVILLE ROAD FISHERVILLE KY 40023

086200 WILLIAM & KIMBERLY HESTER 1710D TAYLORSVILLE RD FISHERVILLE KY 40023

079955 SHARON HOFFMAN C/O WILLIAM B. HOFFMAN 16601 TAYLORSVILLE ROAD FISHERVILLE KY 40023

DEED-BK 7163
DEED-PG 993
LIEN-BK
LIEN-DT 01/05/2001
TAX-BLK 49
LOT-NO. 50

DEED-BK 7163
DEED-PG 993
TAX-DST
TAX-BLK 49
LOT-NO. 55

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0796955	SHARON HOFFMAN (CONTINUED)	TAYLORSVILLE ROAD DEED-BK 7143 DEED-PG 976 TAX-DST			
0797366	HARRELL & CAROL HURST 15905 TAYLORSVILLE RD FISHERVILLE KY 40023	15905 TAYLORSVILLE ROAD DEED-BK 5037 DEED-PG 563 TAX-DST TAX-BLK 55	5,450.00 01/05/2001 625 146 44	00/0000	RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 312
0797369	HARRELL & CAROL HURST 15905 TAYLORSVILLE ROAD FISHERVILLE KY 40023	15907 TAYLORSVILLE ROAD DEED-BK 5037 DEED-PG 563 TAX-DST TAX-BLK 49			
0797370	JAMES E. & DONNA B. JONES 16625 TAYLORSVILLE RD FISHERVILLE KY 40023	16200 TAYLORSVILLE ROAD DEED-BK 6150 DEED-PG 625 TAX-DST TAX-BLK 47	5,450.00 01/05/2001 625 146 34	00/0000	RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 312
0797371	LISA L KOIER 16441 TAYLORSVILLE ROAD FISHERVILLE KY 40023	TAYLORSVILLE ROAD DEED-BK 6492 DEED-PG 731 TAX-DST TAX-BLK 54	5,450.00 01/05/2001 625 146 366	07/2001	RELS-DT 08/01/2001 RELS-BK 647 RELS-PG 507
0797373	JOHN & MIYO LITTLE 16103 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16428 TAYLORSVILLE ROAD DEED-BK 7209 DEED-PG 730 TAX-DST TAX-BLK 325	5,450.00 01/05/2001 625 146 34		
0797393	JAMES & HELENE MARKS 16104 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16431 TAYLORSVILLE ROAD DEED-BK 6782 DEED-PG 46 TAX-DST TAX-BLK 49			
0797394	JAMES & HELENE MARKS 16104 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16103 TAYLORSVILLE ROAD DEED-BK 6321 DEED-PG 748 TAX-DST TAX-BLK 49	5,450.00 01/05/2001 625 146 64	11/2000	RELS-DT 04/18/2001 RELS-BK 635 RELS-PG 684
0797395	JAMES & HELENE MARKS 16104 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16104 TAYLORSVILLE ROAD DEED-BK 6140 DEED-PG 744 TAX-DST TAX-BLK 49	5,450.00 01/05/2001 625 147 89	00/0000	RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 312

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	
0797386	JOHN P. & RHONDA JO MARKS	15908 TAYLORSVILLE ROAD	5,450.00		
	15908 TAYLORSVILLE ROAD	DEED-BK 6473	LIEN-DT 01/05/2001		
	FISHERVILLE KY	DEED-PG 248	LIEN-BK 625		
	40023	TAX-DST	LIEN-PG 147		
		TAX-BLK 49	LOT-NO. 95		
0797379	IRVIN & BERNICE MARRILLIA	16442 TAYLORSVILLE ROAD	5,450.00	00/0000	
	12607 TAYLORSVILLE ROAD	DEED-BK 6389	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
(PAID-UP)	LOUISVILLE KY	DEED-PG 190	LIEN-BK 625		RELS-BK 629
	40299	TAX-DST	LIEN-PG 146		RELS-PG 312
		TAX-BLK 49	LOT-NO. 84		
0797445	MARK & LISA MCGILL	16422 TAYLORSVILLE ROAD	5,450.00	01/2001	
	16422 TAYLORSVILLE ROAD	DEED-BK 6669	LIEN-DT 03/05/2001		RELS-DT 04/18/2001
(PAID-UP)	FISHERVILLE KY	DEED-PG 177	LIEN-BK 625		RELS-BK 635
	40023	TAX-DST	LIEN-PG 147		RELS-PG 684
		TAX-BLK 49	LOT-NO. 53		
		TAYLORSVILLE ROAD			
		DEED-BK 6669			
		DEED-PG 177			
		TAX-DST			
		TAX-BLK 49	LOT-NO. 102		
0797448	DEBORAH H OWEN	17317 TAYLORSVILLE ROAD	5,450.00	05/2001	
	17317 TAYLORSVILLE RD	DEED-BK 6784	LIEN-DT 01/05/2001		RELS-DT 08/01/2001
(PAID-UP)	FISHERVILLE KY	DEED-PG 423	LIEN-BK 625		RELS-BK 647
	40023	TAX-DST	LIEN-PG 147		RELS-PG 507
		TAX-BLK 55	LOT-NO. 35		
0797453	DANIEL L. & JULIE M PATTERSON	16420 TAYLORSVILLE ROAD	5,450.00	02/2002	
	16420 TAYLORSVILLE RD	DEED-BK 6384	LIEN-DT 01/05/2001		RELS-DT 03/28/2002
(PAID-UP)	FISHERVILLE KY	DEED-PG 381	LIEN-BK 625		RELS-BK 674
	40023	TAX-DST	LIEN-PG 147		RELS-PG 921
		TAX-BLK 49	LOT-NO. 52		
0797460	THOMAS & VALINDA PETRI	16730 TAYLORSVILLE ROAD	5,450.00		
	16730 TAYLORSVILLE ROAD	DEED-BK 6389	LIEN-DT 01/05/2001		
	FISHERVILLE KY	DEED-PG 943	LIEN-BK 625		
	40023	TAX-DST	LIEN-PG 147		
		TAX-BLK 54	LOT-NO. 87		
0797462	MARGARET ROBERTSON	16219 TAYLORSVILLE ROAD	5,450.00	00/0000	
	16219 TAYLORSVILLE ROAD	DEED-BK 5359	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
(PAID-UP)	FISHERVILLE KY	DEED-PG 657	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 148		RELS-PG 313
		TAX-BLK 49	LOT-NO. 70		
		COMMENT CONTINUOUS 4/ 49/71			

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797462	MARGARET ROBERTSON (CONTINUED)	16217 TAYLORSVILLE ROAD	DEED-BK 5127 DEED-PG 523 TAX-DST TAX-BLK 49	LOT-NO. 71	
0797466	TR. FRANK O. & IMO6 SCHOOLER 17301 TAYLORSVILLE ROAD (PAID-UP) FISHERVILLE KY 40023	TAYLORSVILLE ROAD	DEED-BK 6530 DEED-PG 688 TAX-DST TAX-BLK 55	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 148 LOT-NO. 59	5,450.00 00/0000 RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 313
		TAYLORSVILLE ROAD	DEED-BK 6530 DEED-PG 688 TAX-DST TAX-BLK 55	LOT-NO. 60	
		TAYLORSVILLE ROAD	DEED-BK 6530 DEED-PG 688 TAX-DST TAX-BLK 55	LOT-NO. 62	
		TAYLORSVILLE ROAD	DEED-BK 6530 DEED-PG 688 TAX-DST TAX-BLK 55	LOT-NO. 63	
0797467	MARLIN & HELEN SHAFFER 16312 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16312 TAYLORSVILLE ROAD	DEED-BK 4399 DEED-PG 136 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 148 LOT-NO. 51	5,450.00
0797469	DENIS & CHRISTINE SPALDING 3112 CHICKADEE RD LOUISVILLE KY 40213	TAYLORSVILLE ROAD	DEED-BK 7011 DEED-PG 278 TAX-DST TAX-BLK 54	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 148 LOT-NO. 165	5,450.00
0797447	DR RAY & DOROTHY TAYLOR 4631 FAIRMOUNT ROAD (PAID-UP) LOUISVILLE KY 40291	16520 TAYLORSVILLE ROAD	DEED-BK 5507 DEED-PG 311 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 147 LOT-NO. 23	5,450.00 02/2001 RELS-DT 04/18/2001 RELS-BK 635 RELS-PG 685
0830293	CHRIS & BARBARA WM. & THARP 5310 MILLWOOD COURT (PAID-UP) LOUISVILLE KY 40291	15897 TAYLORSVILLE ROAD	DEED-BK 7193 DEED-PG 697 TAX-DST TAX-BLK 49	LIEN-DT 08/16/2001 LIEN-BK 648 LIEN-PG 856 LOT-NO. 3	5,450.00 00/0000 RELS-DT 09/27/2001 RELS-BK 653 RELS-PG 579

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0815412	MICHAEL G & LINDA L THOMPSON	17210 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	17210 TAYLORSVILLE ROAD	DEED-BK 5718	LIEN-DT 04/18/2001		RELS-DT 06/06/2001
	FISHERVILLE KY	DEED-PG 717	LIEN-BK 635		RELS-BK 643
	40023	TAX-DST	LIEN-PG 666		RELS-PG 77
		TAX-BLK 54	LOT-NO. 39		
0797473	RICHARD THOMPSON	4701 DUNBAR VALLEY ROAD	5,450.00	00/0000	
(PAID-UP)	16415 TAYLORSVILLE ROAD	DEED-BK 4130	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	FISHERVILLE KY	DEED-PG 38	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 149		RELS-PG 313
		TAX-BLK 3125	LOT-NO. 1		
		TAYLORSVILLE ROAD			
		DEED-BK 5159			
		DEED-PG 657			
		TAX-DST			
		TAX-BLK 49	LOT-NO. 94		
0797478	RICHARD A. & MARY A. THOMPSON	TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	16415 TAYLORSVILLE ROAD	DEED-BK 7103	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	FISHERVILLE KY	DEED-PG 489	LIEN-BK 629		RELS-BK 629
	40023	TAX-DST	LIEN-PG 149		RELS-PG 314
		TAX-BLK 55	LOT-NO. 69		
0830305	JOHN & ANGELA TUCKER	15899 TAYLORSVILLE ROAD	5,450.00	11/2001	
(PAID-UP)	15899 TAYLORSVILLE ROAD	DEED-BK 7235	LIEN-DT 08/16/2001		
	FISHERVILLE KY	DEED-PG 839	LIEN-BK 648		
	40023	TAX-DST	LIEN-PG 856		
		TAX-BLK 49	LOT-NO. 59		
0797480	ROBERT E. & CHRISTI VAN BUREN	16600 TAYLORSVILLE ROAD	5,450.00	01/2001	
(PAID-UP)	5812 SOUTHLAND TERRACE	DEED-BK 6546	LIEN-DT 01/05/2001		RELS-DT 04/18/2001
	LOUISVILLE KY	DEED-PG 443	LIEN-BK 625		RELS-BK 635
	40214	TAX-DST	LIEN-PG 149		RELS-PG 685
		TAX-BLK 49	LOT-NO. 97		
		16620 TAYLORSVILLE ROAD			
		DEED-BK 7139			
		DEED-PG 158			
		TAX-DST			
		TAX-BLK 49	LOT-NO. 96		
0797483	J.T. & J.U. WHITAKER	17515 TAYLORSVILLE ROAD	5,450.00		
	581 POUND LANE	DEED-BK 2352	LIEN-DT 01/05/2001		
	SIMPSONVILLE KY	DEED-PG 147	LIEN-BK 625		
	40067	TAX-DST	LIEN-PG 149		
		TAX-BLK 55	LOT-NO. 7		
0797485	JOHN & ESTHER WOLFE	16115 TAYLORSVILLE ROAD	5,450.00		
	280 2ND AVE S	DEED-BK 6573	LIEN-DT 01/05/2001		
	NAPLES FL	DEED-PG 838	LIEN-BK 625		
	34102-5970	TAX-DST	LIEN-PG 149		
		TAX-BLK 49	LOT-NO. 4		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797487	TINA WOLFE	17302 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	17302 TAYLORSVILLE ROAD	DEED-BK 7327	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	FISHERVILLE KY	DEED-PG 213	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 149		RELS-PG 314
		TAX-BLK 54	LOT-NO. 179		
0797489	E PRESTON YOUNG	18205 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	413 OREAD ROAD	DEED-BK 3883	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
	LOUISVILLE KY	DEED-PG 14	LIEN-BK 625		RELS-BK 629
	40207	TAX-DST	LIEN-PG 149		RELS-PG 314
		TAX-BLK 55	LOT-NO. 32		

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

37 NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 70,028.82

Exhibit B

**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

July 9, 2002

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on March 12, 2002, directing the issuance of Apportionment Warrants against properties located on Routt Road: 9410 Routt Road to County Line to remove the following property listed in the name of Calvin and Anna Shake:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
0857714	Calvin and Anna Shake	Routt Road Deed Book 4808 Pg. 413 Tax Block 64 Lot 3	\$5,450

APPORTIONMENT WARRANT CONTRACT F881W REGISTER

PAGE 4

NOV 1988

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0857672	GARY ALCORN 9701 ROUNTT ROAD LOUISVILLE KY 40299	9701 ROUNTT ROAD DEED-BK 6723 DEED-PG 963 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 25	
0857718	JAMES & KAREN DAVIS 9560 ROUNTT ROAD LOUISVILLE KY 40299	9560 ROUNTT ROAD DEED-BK 7274 DEED-PG 365 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 152	
0857695	DAVID & MARIE GUELDA 8810 TIMBERLINE LOUISVILLE KY 40291	15640 ELLIE LN DEED-BK 6470 DEED-PG 427 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 199	
0857697	WAYNE & BONNITA KLOTZ 9411 ROUNTT ROAD LOUISVILLE KY 40299	9411 ROUNTT ROAD DEED-BK 4922 DEED-PG 661 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 15	
0857698	SUSAN KUTE 2221 DOUGLASS BLVD LOUISVILLE KY 40205	ROUTT ROAD DEED-BK 5378 DEED-PG 22 TAX-DST TAX-BLK 63	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 56	
0857712	WALTER & JESSICA MCGEE 9550 ROUNTT ROAD LOUISVILLE KY 40299	9550 ROUNTT ROAD DEED-BK 6823 DEED-PG 384 TAX-DST TAX-BLK 59	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 204	
0857713	JAMES & THERESA PAULIN 9421 ROUNTT ROAD LOUISVILLE KY 40299	9421 ROUNTT ROAD DEED-BK 7006 DEED-PG 215 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 14	
0857714	CALVIN & ANNA SHAKE 9559 ROUNTT ROAD LOUISVILLE KY 40299	9559 ROUNTT ROAD DEED-BK 4808 DEED-PG 413 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 3	
0857715	THE SHAKE FAMILY TRUST 9559 ROUNTT ROAD LOUISVILLE KY 40299	9559 ROUNTT ROAD DEED-BK 6768 DEED-PG 516 TAX-DST TAX-BLK 64	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 24	

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EXHIBIT "A"

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF

085721L DONALD H SMITH 9554 ROUTT ROAD 5,450.00
 33603 SHELBYVILLE RD SUITE 7 & DEED-BK 6769 LIEN-DT
 LOUISVILLE KY DEED-PG 224 LIEN-BK
 40243 TAX-DST LIEN-RG
 TAX-BLK 59 LOT-NO. 158

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**MINUTES OF 2002 REGULAR MONTHLY MEETING
BOARD OF WATER WORKS**

AUGUST 13, 2002

Board Members Present

Mr. Jack Segell
Mr. Stephen Gault
Mr. Stewart Conner
Mr. Phillip Bond
Ms. Wendy Welsh

Board Members Absent

Hon. David L. Armstrong
Mr. Owen Hammons

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Mr. Ralph McCord
Mr. Don McKay
Ms. Barbara Crow
Mr. Irvin W. Quesenberry
Mr. Larry Gattish, Black & Veatch
Mr. Robert D. Lowndes, Black & Veatch
Mr. Rob Gipperich, Aeon Consulting
Mr. Larry Lenahan
Mr. Tom Woods, Louisville Paving
Mr. Doug Woods, Louisville Paving

Mr. Huber called the meeting to order at 12:30 p.m.

Mr. Huber postponed a discussion of the consent agenda until a quorum was present. He moved to a presentation of the officers' reports. The first Officer's report was given by Mr. Miller.

Mr. Miller provided the Financial Report for July, 2002:

Income and Expense Summary

The Income and Expense Analysis for financial results through July 2002 is as follows:

- 1) Total operating revenue of \$53,101,500 is \$1,180,100 or 2.17% less than budgeted and \$782,200 or 1.50% more than the same period in 2001.

- 2) Operation and maintenance expense of \$23,263,400 is \$850,400 or 3.53% less than budgeted and \$519,000 or 2.28% more than 2001.
- 3) Operating deductions of \$36,791,900 are \$1,089,000 or 2.88% less than budgeted and \$1,184,700 or 3.33% more than 2001.
- 4) Net operating income/deductions of \$16,309,500 is \$91,000 or 0.56% less than budgeted.
- 5) Net income of \$14,193,400 is \$534,300 or 3.63% less than budgeted and \$1,647,200 or 10.40% less than 2001.

Mr. Huber then moved to a discussion of the Consent Agenda since a quorum was present.

CONSENT AGENDA APPROVED

- *Minutes of previous meetings*
- *Claims paid during the previous month*
- *Petitions and applications for water main extensions*
- *Authorization for design and bid of projects under \$200,000*
- *Bid tabulations for contracts under \$500,000*
- *Listing for award of contracts less than \$100,000*

Item A: Minutes of Regular Meeting Held **August 13, 2002**
Request: Approve Minutes

Item B: Claims Paid During **August 2002**
Request: File claims for future audit.

Item C: Petitions and applications for Water Main Extensions and Relocations
(When in full compliance / SR&R)

Developer Installed Refunding Projects	Total Project Cost	Net Cost to LWC
00-078 F874M Lake Forest Section 47B	15,870.00	
01-091 F849M The Hills of Beckley Station Sec. 2	72,790.00	
01-101 F876M Serene Meadows	61,710.00	
01-106 F842M Glen Oaks Sub. Sec. 11C	112,025.00	25,025.00
01-109 F864M Glenmary Village	98,350.00	
02-003 F844M Memory Place Sub. Ph. 1	48,285.00	

02-009 F850M Woods of Bridgewood	61,520.00	8,200.00
02-023 F841M The Overlook at Floydsfork	53,160.00	
02-027 F875M Schlotzsky's Deli	16,785.00	
02-031 F845M Moser Farms Sub. Sec. 2	56,440.00	
02-043 F847M Orchard Lake at Breckenridge Sec. 4 Ph. 1	76,775.00	
02-047 F843M Silver Oaks Section 4	40,915.00	9,725.00
02-053 F866M Heritage Creek West Sec. 1	139,770.00	5,600.00
02-057 F867m Village of Farmgate Sec. 2	27,155.00	
02-058 F873M Commerce Crossing Sec. 5	20,960.00	
02-060 F846M Eastgate Village Estates	61,455.00	
02-064 F872M Brookshire Village	52,790.00	
Bullitt County Main Extension Projects	Total Project Cost	Net Cost To LWC
01-066 Beech Valley Road	10,000.00	
02-314 Valley View Drive and Partridge Run Road	147,500.00	
02-315 Mitchell Way, Roution Way, Ferguson Court and Pike & Payne Lane	262,500.00	
Apportionment Warrant KRS 96.265 Petitions		
Mitchell Hill Road: Existing Water Main to South 1,000 Feet	35,000.00	
Holsclaw Hill Road: Existing Water Main to South 1,000 Feet	31,000.00	
Rose Island Rd: US 42 to County Boundary	218,000.00	
Vista Hills Blvd: Bardstown to End	171,100.00	

Jefferson County Public Works Relocation Projects

01-555 Gilmore Lane Road Widening Addendum 143,000.00 143,000.00

Item D: Authorization for design and bid of projects *(estimated to cost less than \$200,000)*

Total Project Cost **Net Cost To LWC**

Item E: Bid tabulations *(award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).*

Total Project Cost **Net Cost To LWC**

Item F: Award of contracts less than \$100,000.00

Procurement of Materials and Services

Total Project Cost **Net Cost To LWC**

Project No.	Project Name		
00-06	Cellular Phones and Service – Contract Renewal – (2 nd) Voice Stream	65,000.00	
02-32	Differential Pressure Transmitters George E. Booth Co., Inc.	50,265.00	
02-37	Truck Mounted Mobile Concrete Dispenser and Silo Nu-Way Rentals & Sales	68,828.00	

Professional Services

Total Project Cost **Net Cost To LWC**

Project No.	Project Name		
Prof. Serv.	Job Search VP HROE Executive Source, LLC (WBE)	23,200.00	
Prof. Serv.	Crescent Hill Yard Piping – Engineering Design Contract CH2M Hill	94,600.00	

Procurement of Sole Source Materials and Services		Total Project Cost	Net Cost To LWC
Project No.	Project Name		
Sole Source	Oracle Database Software Maintenance Renewal Oracle Corporation	66,233.00	
Sole Source	IBM MQ Series Messaging Software for AS/400 720 and 730 Servers Orcom Solutions, Inc.	32,838.00	

Mr. Huber then moved to a discussion of Item E, under Bid Tabulations (Page 104 of the Board Book). He did so because Mr. Doug Woods and Mr. Tom Woods from Louisville Paving arrived specifically to hear the Board's Discussion on this item. (He thanked them for their attendance).

Project No.: 01-733 Allmond Avenue Pavement Improvements:

Bids were received Wednesday, July 31 for improvements to the Allmond Avenue Distribution Center yard and parking areas. The improvements at the 35-year old facility include replacement of failed concrete aprons, replacement and overlay of asphalt surfaces, drainage improvements, ingress-egress modifications to accommodate new security hardware and improve traffic management for enhanced security and safety.

Four responsive bids were received ranging \$386,500 - \$535,305 versus the engineer's estimate of \$530,000. Bids for this project were evaluated by comparison against established criteria of the base bid, project completion time, MBE participation, and WBE participation (see attachment). The low bidder, Coupe Construction Company, placed a qualification to their unit price submittal for additional work requiring overtime to stay on schedule. Staff has reviewed this qualification and determined it does not materially affect the evaluation of the bid.

After proper motion and second, the BOWW authorized the Chief Engineer to award a contract in the amount of \$386,500 to Coupe Construction Company for improvements to the Allmond Avenue yard and parking areas.

Mr. Huber asked the Board to turn to page 90 in the Board of Water Works Board Book in order to discuss the 2002-2021 Facilities plan. Mr. Huber stated that the Facilities Plan Steering Committee consists of Stephen Gault, Jack Segell, Stewart E. Conner, Irvin W. Quesenberry, Jane Driskell, Kathy Matheny, Greg Heitzman and John Huber.

Mr. Huber asked Ralph McCord to review the Facilities Plan and the report that was provided to Committee.

The Louisville Water Company commenced its five-year review of the Company's 1995-

2015 Facilities Plan in November 2000. In March 2000, the BOWW authorized the Chief Engineer to enter into a contract with Black & Veatch, a nationally recognized engineering consulting firm, to work jointly with Company staff to prepare the 2002-2021 Facilities Plan.

The document developed for the Facilities Plan Steering Committee entitled Louisville Water Company 2002 – 2021 Facilities Plan distributed to the Board on August 13, 2002 is hereby incorporated into these minutes.

After proper motion and second, the Board of Water Works accepted the 2002-2021 Facilities Plan as a twenty year planning guidance document, which is scheduled to be updated in approximately five years.

Mr. Huber then asked the Board to turn its attention to page 83 in the Board of Water Works Board Book for the Operations Report.

REPORT OF OFFICERS

Mr. Heitzman provided the Operations Report.

Operations Report for July 2002

Production - The hot, dry weather of July contributed to a record production level of 165 million gallons per day (MGD) in July. The maximum day pumpage was recorded on July 8 with 181.2 MGD. Staff has observed that the peak demand continues to shift to the Elevated Service Area, with a water demand of over 70-MGD.

Water Quality - The Company produced outstanding water quality for the month, exceeding all three water quality goals of turbidity, chlorine, and bacteria. This is a significant accomplishment, considering the summer water temperature. The water quality strategy to reduce nitrification in the distribution system is fully implemented and is the reason for our success in July. The low river turbidity and water temperature will also begin to promote algae growth in the river. Staff is monitoring the MIB and Geosmin levels in the raw water to assure appropriate taste and odor control is implemented.

Distribution System – The hot dry weather during July has prompted a slight increase in main break activity. High pumping levels and dry soil moisture increases the stress on marginal water mains, accelerating their failure.

System Security - Security of the distribution system remains a high priority. Distribution Operations continues to receive several reports each week of unauthorized fire hydrant use. Security at the Allmond Avenue distribution facility is also a priority and is being addressed with projects to improve perimeter fencing and installation of electronic security access control.

Ms. Teasley provided the Serving Customers and Business Development Report for July 2002:

The July 2002 abandonment rate was 5.9%, and improvement over the previous month's abandonment rate of 7.1%.

Bad debt for the month of July was \$36,879 about \$8,000 above budget.

Currently Louisville Water is owed \$38,702 from Lake in the Woods and \$20,503 from South Hill Apartments, both owned by the same entity. This includes past due and current balances. The County is pursuing legal action against the owner for a number of building code violations as well as failure to pay utility bills. In compliance with a request from the County Attorney's office, LWC has suspended all Collections efforts until a hearing is held on the County's action.

Bullitt County Advisory Board Meeting - The Bullitt County Advisory Board met on July 25, 2002 to review the second quarter results. At the end of the second quarter, the Bullitt County Water Reserve is still borrowing funds from LWC even given a positive cash income to the reserve during the quarter.

LITIGATION REPORT

After proper motion and second the Board adjourned into closed session for the purpose of discussing litigation and a personnel item. Ms. Douglas gave a litigation report in closed session. The Board reconvened into open session without taking any action.

COMMUNICATIONS

After proper motion and second the Board voted to make a distribution of the proceeds from the sale of Anthem Stock as follows:

- 1) 50.7% of the value of the shares to Louisville Water Company, to be treated as ordinary non-operating income.
- 2) 49.3% of the value of the shares to be distributed to Louisville Water Company and retirees of record for the period December 31, 1989 through June 30, 2000 based upon the % of contribution toward premium.

Mr. McKay then reported on the Health Care Benefits Analysis:

Last January, when the Board approved LWC health care and other welfare benefits for the 2002-2003 plan year, it asked for an analysis of future costs and cost containment strategies at the August meeting.

The information was presented to the Board for information purposes only. The hand out distributed by Mr. McKay is hereby incorporated into and made a part of these minutes.

COMMITTEE REPORTS

Mr. Segell passed out the CSI report from the Public Information and Customer Satisfaction Committee. He indicated that at this time, the second quarter CSI score is 784. This exceeds the Level I achievement. Ms. Crow talked about recent feedback from the Customer Focus Group. Customers apparently prefer the current "empty" bottle and label. Ms. Crow also reported that the Jefferson County Public Schools are enthusiastic about the adventures in water curriculum.

Mr. Huber reported that IT is now exploring the use of a mobile dispatch unit.

SPECIAL ISSUES

Mr. Heitzman reported on the Emergency Services Contract.

Project 02-625 Crescent Hill Filter Plan Coagulation Unit #6

The coagulation process, which provides chemical treatment for removal of sediment, organic matter and bacteria from the Ohio River source water, is an essential process in the treatment of water. Several process units have failed over the past two years.

The coagulation process (mixing equipment and concrete basins) is subject to severe duty as a result of constant water immersion, mechanical vibration and stress, chemical corrosion, and weather cycles. The north coagulation basin and clarification equipment were constructed in 1944, while the south basin complex was constructed in 1971. Over the past year, three unit processes *#2m #4, and #7 have failed and cannot be repaired. Simultaneous failure of three or more of these units will reduce production capacity from 240 MGD to 145 MGD. Without replacement of Unit #6, the production facilities do not have reliable capacity to meet peak summer demand conditions.

Based on performance and ability to complete work by the 2003 summer demand period, Vesco Engineering, Inc. was solicited for a design-build proposal to replace all mechanical rotating elements of Coagulation Unit #6 (flocculation and clarifier).

After proper motion and second, the Board of Water Works authorized the President to execute an Emergency Certificate and the Chief Engineer to award an emergency service contract to Vesco Engineering, Inc. in the amount of \$645,394 to replace mixing and clarification equipment in Coagulation Unit #6 and increase Project No. 02-625 CHFP Coagulation System Improvements budget from \$500,000 to 1,075,000 to fund present and future project expenses. The emergency contract price is a not-to-exceed price negotiated by staff based on previous work preformed by Vesco Engineering and comparable bid pricing.

BID TABULATIONS

Ms. Teasley presented:

Project No.: 02-504 Central Avenue (Oldham County) - Main Replacement Project

Bids were received and opened Wednesday, July 17, 2002 to install 2,680 linear feet of 12-inch water line in Central Avenue in Oldham County. Included with the project are the installation/renewal of 5 fire hydrants and the transfer of 19 customer services.

A total of 6 bids were received and opened. Southern Pipeline Construction Company submitted the lowest responsive bid in the amount of **\$134,000** resulting in a total project cost of **\$208,600**.

After proper motion and second, the Board of Water Works voted to authorize the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$-134,000 to Southern Pipeline Construction Company to install the water facilities associated with this project.

Project No.: 02-510 Preston Highway - Main Replacement Project

Bids were received and opened Wednesday, July 31, 2002 to install 7,490 linear feet of 6, 8 and 12-inch water line along Preston Highway between Durrett Lane and East Indian Trail in south-central Jefferson County. Included with the project are the installation/renewal of 12 fire hydrants and the transfer or renewal of 82 customer services. In addition to trenching techniques, this project will make use of static main bursting techniques for the installation of 480 feet of 12-inch HDPE pipe.

A total of 4 bids were received and opened from pre-qualified contractors. Tom Brown Construction submitted the lowest responsive bid in the amount of \$512,280.00 resulting in a total project cost of \$743,280.00.

After proper motion and second the Board of Water Works authorized the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$512,280 to Brown Construction Company, Inc. to install the water facilities associated with this project.

Mr. Heitzman presented:

Project Number 01-742 Highway 329 16": Springhill Trace to Apple Patch

Bids were received Wednesday, July 10, 2002, to Furnish and Install approximately 4,900 feet of 16-inch water main in Highway 329 between Springhill Trace and Apple Patch Development. In addition, 450 feet of 12" water main will be furnished and installed in Highway 329.

A total of 4 bids were received from qualified contracting firms. **MAC Construction and Excavating, Inc.**, in the amount of \$765,000, submitted the best-evaluated bid.

After proper motion and second, the Board of Water Works authorized the Chief Engineer to award a contract in the amount of \$765,000 to **MAC Construction and Excavating, Inc.** to install water facilities associated with this project.

Project No.: 00-451: Facilities Security System

Bids were received Wednesday, July 24 for installation of security hardware at LWC production and distribution facilities. These systems will expand site and building access control and accountability employed by the Simplex system utilized at the corporate headquarters, providing enhanced security and standard corporate-wide ingress-egress control.

Six bids were received ranging \$334,525 - \$397,967. The engineer's estimate was \$295,000, however market conditions for this type service are currently premium and the range of bids validates the market value of the proposed work..

After proper motion and second, the Board of Water Works authorized for the Chief Engineer to award a contract in the amount of \$334,525 to United Electric Company, Inc. for installation of security systems at production and distribution facilities, and to increase the project budget from \$325,000 to \$397,964.

Project No.: 01-733 Allmond Avenue Pavement Improvements

Bids were received Wednesday, July 31 for improvements to the Allmond Avenue Distribution Center yard and parking areas. The improvements at the 35-year old facility include replacement of failed concrete aprons, replacement and overlay of asphalt surfaces, drainage improvements, ingress-egress modifications to accommodate new security hardware and improve traffic management for enhanced security and safety.

Four responsive bids were received ranging \$386,500 - \$535,305 versus the engineer's estimate of \$530,000. Bids for this project were evaluated by comparison against established criteria of the base bid, project completion time, MBE participation, and WBE participation (see attachment). The low bidder, Coupe Construction Company, placed a qualification to their unit price submittal for additional work requiring overtime to stay on schedule. Staff has reviewed this qualification and determined it does not materially affect the evaluation of the bid.

After proper motion and second, the Board of Water Works authorized the Chief Engineer to award a contract in the amount of \$386,500 to Coupe Construction Company for improvements to the Allmond Avenue yard and parking areas.

COMMUNICATIONS

Ms. Douglas reported on the first meeting of Goshen Utilities on August 1, 2002.

The Special Meeting of the Board of Directors of Goshen Utilities, Inc. was called to order by the President, Mr. John Huber, at 12:15 PM on Wednesday, August 1, 2002.

Mr. Huber stated that at the July 9, 2002 meeting of the LWC Board of Water Works, he had been given the authority, as President of the Company, to perform all acts necessary to effectuate the closing of the contemplated stock purchase agreement by LWC of Goshen Utilities, Inc.'s stock.

After proper motion and second, the Board took the following action at the August 1, 2002 Special Meeting:

1. Adopted a resolution naming the following Board Officers:

John L. Huber	President
Robert K. Miller	Vice President, Treasurer
Gregory C. Heitzman	Vice President, Chief Engineer
Laura M. Douglas	Vice President, General Counsel and Corporate Secretary
Karla O. Teasley	Vice President, Serving Customers and Business Development

2. Adopted a Resolution authorizing the Treasurer to select a depository bank and to execute all depository resolution of the bank.
3. Adopted Resolutions amending the Articles of Incorporation, amending and restating the Bylaws, changing the registered agent for service of process and changing the principal office and address.
4. Adopted a Resolution authorizing the President or his designee to execute a Memorandum of Understanding with the Louisville Water Company governing the provision of billing, collection and operations services.
5. Adopted a Resolution adopting and affirming the Rate Tariff filed with the Public Service Commission on November 15, 1999.
6. Adopted a Resolution ratifying, approving and endorsing the Bank One loan for One Hundred and Fifteen Dollars (\$115,000) which was identified as permitted debt at the July 31, 2002 closing.

OLD BUSINESS

Ms. Teasley reported on the following Old Business:

Issuance of Apportionment Warrants per KRS 96.265

Broad Run: Existing Water Main to Stout Road

A public hearing was held September 13, 2001 for the extension of water service along Broad Run Road: Existing Water Main to Stout Road. The Board of Water Works adopted a resolution for Broad Run Road: Existing Water Main to Stout Road on October 9, 2001 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance.

With the completion of a portion of this public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board of Water Works adopted the attached resolution for the issuance of an Apportionment Warrant and lien against one benefited property along a portion of Broad Run : Existing Water Main to Stout Road in accordance with KRS. 96.265, as described.

Issuance of Apportionment Warrants per KRS 96.265

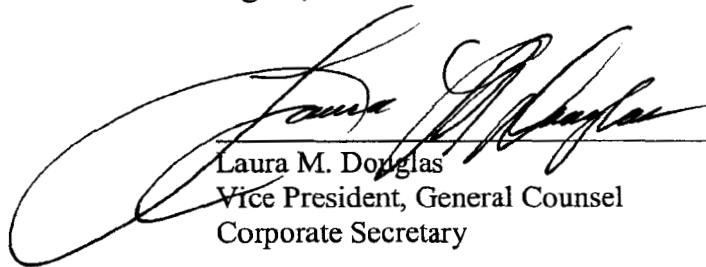
Hidden Creek Ln: Beginning 1,100 feet South of Thixton Lane to South 2,100 feet

A public hearing was held August 5, 1999 for the extension of water service along Hidden Creek Ln: Beginning 1,100 feet South of Thixton Ln to South 2,100 feet. The Board of Water Works adopted a resolution for Hidden Creek Ln: Beginning 1,100 feet South of Thixton Ln to South

CERTIFICATION

I, the undersigned, hereby certify that the foregoing Resolution for the Issuance of Apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Broad Run Road: Existing Water Main to Stout Road** main extension project and is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville, on August 13, 2002, a quorum being present.

Signed,



Laura M. Douglas
Vice President, General Counsel
Corporate Secretary

August 13, 2002

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Broad Run Road: Existing Water Main to Stout Road** main extension project authorized by Ordinance No. 30, Series 2001 of the Jefferson Fiscal Court, adopted on November 13, 2002 such warrant to be against one (1) benefited property identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

2,100 feet on September 14, 1999 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance.

With the completion of this public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board of Water Works adopted the attached resolution for issuance of Apportionment Warrants and liens against four benefited properties along Hidden Creek Ln: Beginning 1,100 feet South of Thixton Ln to South 2,100 feet in accordance with KRS. 96.265, as described.

Mr. Heitzman reported on the following Old Business:

**Bullitt County Water Improvement Program – Bullitt County Extension Program
Project No. 02-313 – Martin Hill Rd. to Hwy. 44 to Ft. Knox Main Extension Project**

This project was initiated by the Kentucky Turnpike Water District (KTWD) prior to its merger with the Louisville Water Company on September 29, 2000. The project meets a contract obligation between KTWD and Ft. Knox Military Reservation to provide water service to a new training facility south of Mount Eden Church Road and north of the Salt River. As a result of the merger, this contract obligation is now one of the Louisville Water Company. In June 2001, the Board granted authorization to construct the 8-in. water main to Ft. Knox. Since then, additional change actions were subsequently granted to the engineering consulting firm, Gresham Smith & Partners (GS&P), for the purpose of providing additional survey work, easement surveys, appraisal fees and preliminary design of a booster pump station.

The original budget sheet did not include estimates for LWC provided materials, supplies and internal labor. Change No. 5 is proposed to authorize LWC expenditures for internal labor, materials and supplies not initially included in the original budget sheet.

After proper motion and second, the Board of Water Works authorized the staff to increase the project budget amount to include LWC internal labor, materials and supplies in the amount of \$146,250. The total additions over the life of this project is \$150,756, which amounts to 18.04% of the original project budget. Approval will provide a new project budget of \$986,556.

**Bullitt County Water Improvement Program – Bullitt County Extension Program
Contract No. F202 – Martin Hill Road to Highway 44 to Ft. Knox Main Extension Project**

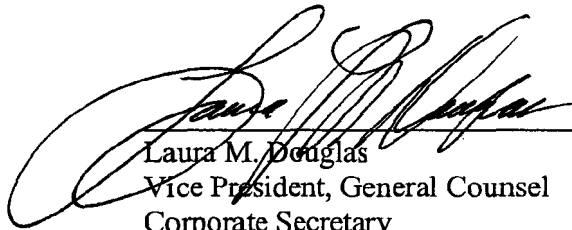
This project was initiated by the Kentucky Turnpike Water District (KTWD) prior to its merger with the Louisville Water Company on September 29, 2000. The project meets a contract obligation between KTWD and Ft. Knox Military Reservation to provide water service to a new training facility south of Mount Eden Church Road and north of the Salt River. KTWD entered into a Professional Services Contract with Gresham Smith & Partners (GS&P) to provide professional engineering and land surveying work for preliminary routing and cost estimating, easement acquisitions, final design, and project inspection and engineering certification of the project at a cost not to exceed \$71,230.

Additional design work for a new storage tank is needed due to the hydraulic necessity of an intermediary pressure plane to provide adequate supply to the Martin Hill booster pump station to supply the Gospel Kingdom Tank.

CERTIFICATION

I, the undersigned, hereby certify that the foregoing Resolution for the Issuance of Apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Hidden Creek Lane: beginning 1,100 feet South of Thixton Lane to South 2,100 feet** main extension project and is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville, on August 13, 2002, a quorum being present.

Signed,



Laura M. Douglas
Vice President, General Counsel
Corporate Secretary

APPORTIONMENT WARRANT RESOLUTION

August 13, 2002

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Hidden Creek Ln: Beginning 1,100 feet South of Thixton Ln to South 2,100 feet** main extension project authorized by Ordinance No. 33, Series 1999 of the Jefferson Fiscal Court, adopted on October 12, 1999 such warrants to be against four (4) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

After proper motion and second, the Board of Water Works authorized staff to increase the project budget amount and proceed with engineering design for the tank by Gresham Smith & Partners in the amount of \$22,000. The total additional changes over the life of this contract is \$26,506, which amounts to 37.2% of the original contract amount. Approval establishes a new contract value of \$97,736 and authorizes a tank construction budget of \$270,000.

Ms. Teasley reported on the following Old Business:

Request for Change Action

Liberty Street – Main Replacement Project LWC Project 01-508

On August 20, 2001, the Company entered into a contract in the amount of \$197,950 with Portland Utilities Construction Company for the Liberty Street Main Replacement Project. While the project was intended to pilot the use of static main bursting techniques for the installation of a new 12-inch HDPE water main in a business district setting, the project also specified that the installation of the new main in the intersections would be completed using ductile iron pipe and traditional trench installation techniques.

The scope of the project was revised shortly after the start of the project and the main bursting portion of the project was eliminated in favor of trench installation when it became evident that main bursting would not be possible due to the existence of a multi-duct electrical line in close proximity to the existing 8-inch water line.

Due to the change in project scope from using pipe-bursting techniques to using traditional trench excavation techniques, the contractor incurred additional costs prior to change in project scope. These cost include mobilizations, site preparation and initial pipe installation work totaling \$27,835.70.

With the change to traditional trenching excavation techniques, the Contractor attempted to incorporate the on site existing HDPE pipe into the project. The pipe, which had already been fused together into 200-foot lengths, did not lend itself to traditional trench installation

To accommodate switching to trench excavation techniques and utilizing the Supplementary Unit price for this activity, LWC elected to purchase the on-site HDPE pipe from the contractor. The total cost of the HDPE materials is \$31,890.29. A portion of this cost will be re-assigned to Preston Highway when the remaining 12-inch HDPE pipe is utilized.

After proper motion and second, the Board of Water Works authorized the Vice President of Serving Customers and Business Development to increase the contract amount with Portland Utilities Construction Company from \$197,950 to \$287,354.77 and to proceed with the close out of this project.

NEW BUSINESS

Mr. Heitzman reported on the following New Business:

Project 99-407: Construct Hillcrest Elevated Water Tank

Proposed under the 1999 Capital Budget were funds for construction of a new storage facility required to support system growth in Oldham County. This correspondence presents the project scope and justification, requests authorization for engineering design and advertisement for bid, and recommends a revised budget to fund an increase in storage capacity.

The proposed facility was originally budgeted at \$650,000 for a 500,000 gallon storage tank to provide service to Northwest Oldham County. This budget was later increased to \$900,000 to fund increased market value of storage tank construction and for property acquisition, approved by the April 2000 Board. As a result of the acquisition of Goshen Water Utilities, the service area expansion and growth justifies a larger storage volume.

After proper motion and second, the Board of Water Works authorized staff to proceed with engineering design and advertisement for bid for the subject project, and for the Chief Engineer to increase the project budget to \$1,350,000. Any significant change in project scope or budget identified prior to bidding will be presented to the Board for review and re-authorization to proceed. Staff will also initiate property acquisition in the Goshen area for location of the 1 MG facility.

LWC Project No. 94-792B, Phase II; Furnish and Install Westport Road / I-264 Interchange Transmission Mains (Phase II)

Request for Authorization to Advertise for Bids

The Kentucky Transportation Cabinet (KTC) intends to construct an interchange at Westport Road/Watterson Expressway. This highway construction is being coordinated with LWC's transmission improvements and the new Westport Road Transfer Station. Project No. 94-792B is a two-Phase relocation project to provide adequate suction and discharge piping to and from the new Transfer Station.

Because of the KTC's cost participation and project coordination, the KTC will review the LWC's final-design plans and specification, as well as the cost estimate.

After proper motion and second, the Board of Water Works authorized staff to advertise Project No. 94-792B, Phase II and draft an agreement with KTC for construction and reimbursement of Phase II. Bid results will be presented to the Board for contract approval and authorization to enter into an agreement with KTC.

Consulting Engineering Services – Wolf Pen Branch 36" – LWC Project 01-557

In August 2001 the Transmission Program presented the results of a RFP for Transmission Program Consulting Proposals to the Board of Water Works. These proposals are to be used on projects identified for outsourcing to consultants. Four firms have been selected and approved by the Board for solicitation of cost proposals.

A cost proposal was requested, from Gresham Smith Partners (GSP), for final design engineering and contract administration services for a 36" main between Prospect Village and the 48" main in Westport Road. GSP submitted a cost proposal in the amount of \$226,323, which is \$2,523 more than the independent estimate of \$223,800. The engineering design costs represent 6.1% of the phase 1 construction estimate for this project.

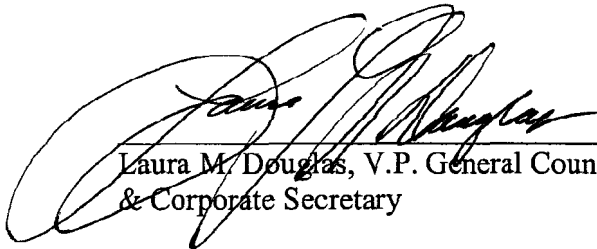
GSP submitted a cost proposal for Phase 1 in the amount of \$226,323, which is \$2,523 more than the independent estimate of \$223,800.

After proper motion and second, the Board of Water Works authorized staff to enter into an engineering service contract with Gresham Smith and Partners in the amount of \$226,323 for Final Design Engineering Services and proceed with advertisement for bid of phase 1 of this project. The Phase I project budget is \$4,070,000.

Mr. Huber announced that the remainder of the agenda for the update on Mid-year Strategic Plan results would be passed to the next meeting board meeting on September 10, 2002.

The meeting adjourned at 3:00 p.m.

Submitted by:



Laura M. Douglas, V.P. General Counsel
& Corporate Secretary

**MINUTES OF 2002 REGULAR MONTHLY MEETING
BOARD OF WATER WORKS**

SEPTEMBER 10, 2002

Board Members Present

Mr. Jack Segell
Mr. Stephen Gault
Mr. Phillip Bond
Ms. Wendy Welsh
Mr. Owen Hammons

Board Members Absent

Hon. David L. Armstrong

Others Present

Mr. John Huber, President
Ms. Jami Young, Corporate Counsel
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Mr. Robert Miller, Vice President, Treasurer
Mr. Larry Lenahan

Mr. Huber called the meeting to order at 12:43 p.m.

CONSENT AGENDA APPROVED

Item Minutes of Regular Meeting Held **August 13, 2002**

A: *Request: Approve Minutes*

Item Claims Paid During **August 2002**

B: *Request: File claims for future audit.*

Item Petitions and applications for Water Main Extensions and Relocations

C: *(when in full compliance / SR&R)*

Developer Installed Refunding Projects	Total Project Cost	Net Cost To LWC
Project 02-020 F925M Cedar Springs Phase 2	\$ 19,750.00	
Project 02-032 F877M New Cut Parcel "C" Condominiums	\$ 24,810.00	\$ 4,175.00
Project 02-037 F927M Asbury Park Sections 2 & 3	\$ 117,210.00	\$ 18,000.00

Project 02-062 F925M Briscoe Lane Patio Homes	\$	41,610.00	\$	7,300.00
Project 02-068 F878M Orchard Lake at Breckinridge Sec. 4 Ph. 2	\$	45,900.00		
Project 02-069 F924M Fairwood Oaks	\$	16,375.00		
Project 02-070 F880M Signature Office Park	\$	21,940.00		
Project 02-073 F881M Indian Falls Phase 2 Section 7	\$	79,760.00	\$	9,000.00

Developer Installed Tapping Fee Main Extension Projects

Total Project Cost Net Cost To LWC

Project 02-078 F879T 3933 & 3935 Kennison Court	\$	15,390.00		
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Apportionment Warrant KRS 96.265 Petitions

Total Project Cost Net Cost To LWC

Dry Ridge Lane: Dry Ridge Road to East 2,050	\$	77,900.00		
Rollington Road: Oak Forest Road to County Boundary	\$	32,000.00		

Summary of Requests for Water Facilities Relocations

Total Project Cost Net Cost To LWC

Metropolitan Sewer District Relocation Projects				
Christman Road (LWC Proj. 02-479)	\$	5,000.00	\$	2,500.00
City of St. Matthews Relocation: Richland Avenue Drainage Improvement Project (LWC Project No.: 02-475)	\$	5,500.00	\$	5,500.00

Item D: Authorization for design and bid of projects *(estimated to cost less than \$200,000)*

Total Project Cost Net Cost To LWC

Bashford Manor Lane Water Facilities Relocation Project (LWC Project No. 02-477)	\$	182,000.00	\$	142,000.00
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Item E: Bid tabulations *(award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).*

- 6) Net income of \$18,131,800 is \$1,540,000 or 9.28% more than budgeted and \$1,116,400 or 5.80% less than 2001.

Capital Projects Summary:

The capital program as shown on the Capital Projects Summary attached reflects net expenditures of \$30,374,038 against a budget of \$69,509,847 including previous year projects carried forward. Gross disbursements were \$34,556,254; however, \$4,182,216 was received as reimbursements. Projects committed aggregate \$84,765,633, or 121.95% of budget. Projects in progress or completed to year-end total \$37,297,693 or 54% of budget.

Operations Report for May 2002

Mr. Heitzman gave the Operations Report for August 2002.

Production: The hot, dry weather continued in August contributing to an average production level of 165.8 million gallons per day (MGD). This is approximately 8 percent above the five-year average of 153.6 MGD. The maximum day pumpage was recorded on August 6 with 185.8 MGD delivered to the distribution system and near record levels.

Water Quality: For the 8th consecutive month, the Company produced outstanding water quality, exceeding all three water quality goals of turbidity, chlorine, and bacteria. Historically, August is the most challenging month to manage distribution water quality due to high water temperature while managing system water demands. The water quality strategy to reduce nitrification in the distribution system has been a success, and staff expects the strategy to yield improved water quality through the remainder of the year.

Low river flow volume (less than 0.2 mph), low turbidity and high water temperature have prompted the development of several algae blooms in the Ohio River. The Company's Taste and Odor control strategy has been implemented, including monitoring and activation of the Taste and Odor panel of internal and external customers. MIB has been detected as high as 10 parts per trillion (PPT) and staff has initiated chemical feed with powdered activated carbon (PAC) at a 25 to 50 pound per million gallon feed rate. We have the capacity to feed as much as 500 pounds per million gallons of treated water to address MIB levels in excess of 10 PPT. In 1999 MIB levels reach 120 PPT. Continued dry weather is expected to increase MIB levels and the need for carbon feed. A carbon feed rate of 50 pounds per million gallons costs approximately \$2700 per day to treat 150 million gallons of water.

There were 17 boil water advisories issued in August due to main breaks. 14 boil water advisories were issued because of positive total coliform test results, while three were issued due to a system pressure drop to below 20 PSI at the break site. These advisories were localized to the customers affected by the main break.

Goshen Utilities Operation: Louisville Water Company assumed Goshen operations on July 31, 2002. On August 14th, a power supply failure at the finished water pump station resulted in a loss of water supply and a pressure drop below 20 PSI. Boil water advisory was issued to the affected customers and subsequently lifted 24 hours later, when test results confirmed no

Debit/Credit Card Payments : LWC began offering customers the opportunity to pay their water bills with their debit or credit cards in the 3rd Street office lobby on August 1, 2002. Currently we are averaging ten transactions per day, which is about the level of transactions that were initially anticipated.

Beginning Tuesday, September 10, 2002 customers will be able to make credit card payments over the telephone during standard work hours. The final implementation of this project will be late fourth quarter 2002 or early first quarter of 2003, which will allow customers to pay their bills with a credit card seven days a week, 24 hours a day via the Interactive Voice Response (IVR) software system.

Public Information : National Public Radio's "The Connection" featured Louisville Water Company's Pure Tap program as part of a three part series on water. LWC received about 10 minutes of national airtime to promote this customer education initiative.

Jefferson County School Superintendent Dr. Stephen Daeschner, put his stamp of approval on LWC's new curriculum "Adventures in Water". In a letter to LWC staff, he called the publication a "vital project" and a "valuable resource" for teachers. In-service programs introducing the curriculum to teachers continue.

Employees participated in a CEO brown bag discussion of both the recent Goshen acquisition and advanced treatment plans. And once again LWC partnered with the Dental Society, manning a large booth at the Kentucky State Fair. The benefits of fluoridated water and good dental hygiene were promoted.

LITIGATION REPORT

There were no regular or closed session items to report.

REPORT OF COMMITTEES

Audit Committee

An Audit Committee meeting was held on August 14, 2002.

Mr. Miller reported to the committee regarding the status of the financial information systems bid. The project is on time. There are no recommended changes to the budget at this time. A recommendation concerning the successful bidder will be brought to the Board in September or October 2002.

Mr. Miller reviewed his plans for designating an external auditor for the 2002 fiscal year. Currently, Crowe Chizek is the auditing firm. We have one more year for renewal for the current audit agreement. Crowe Chizek has been the external auditing firm since 1991. Mr. Miller recommended that the company renew the current agreement with Crowe Chizek. This renewal would establish Crowe Chizek as the company's auditors through April of 2004. Mr.

directing the President to pay \$3,171,348 to the Louisville / Jefferson County Revenue Commission on September 30, 2002.

Mobile Dispatch System

Karla Teasley and Tony Gregory gave the following report regarding the Mobile Dispatch System: LWC is committed to providing best in class customer service and satisfaction. Our field services are key in providing high levels of customer satisfaction, responding quickly to customer needs and service issues, and maintaining the investment we have made in the distribution system. Improving our field service efficiency directly relates to several strategic and operating objectives as identified below:

- Increase the Overall and Serviced Accounts Customer Satisfaction Index significantly by 2004.
- Automate current manual field procedures for work orders and service orders through implementation of an Automated Dispatch and Mobile Computing System.
- Increase in system size through acquisition and growth opportunities will require enhancement of current information system capabilities to provide appropriate information to field staff in efforts to maintain and improve customer service and response times.

Initially, the focus of the automated dispatch and mobile computer system was for customer service orders only. After review of the technology and several benchmarking sessions of the technology utilized by others in the industry, staff recommends increasing the scope to include fire hydrant maintenance, work order assignment, service scheduling, and first run response work orders.

To meet these objectives, staff recommended utilizing existing budget funds in the amount of \$770,000 for the implementation of an Automated Dispatch and Mobile Computing System and allocate an additional amount of \$ 285,000 in capital funding necessary to cover the full scope of the project as outlined above.

Management presented a detailed Business Analysis that outlines the conceptual plans and budgets necessary to procure and implement an Automated Dispatch and Mobile Computing System to support field customer service. Staff requested authorization for final design and request for competitive negotiations for the project at an estimated cost of \$1,055,000.

After proper motion second, the Board voted to implement final design and conduct competitive negotiations for the acquisition of a Mobile Dispatch System.

After proper motion and second, the Board of Water Works authorized the Chief Engineer to enter into Contracts for emergency repairs or capital construction on the transmission system upon approval of the President or the Board of Water Works as required by the 2002 Budget Resolution. The basis of contract award would be: the Contractor's unit price bid entries, the Contractor's work history, and the Contractor's availability to perform the specified work at the time of the emergency/improvement.

Mr. Miller reported on the following Bid Tabulations:

Project No.: 00-15/PVC Pipe-Final PPI Renewal

On May 16, 2000, the Board of Water Works approved the recommendation to award a contract for PVC pipe to Uponor ETI. This contract contained a provision that allowed it to be renewed over a three-year period at the sole discretion of the Company. All renewals would utilize the Producer Price Index, Product Code 3084-114 "Plastic Pipe - Water" to determine any adjustments to the original bid unit prices. This is the second and final PPI renewal.

Staff has reviewed the Producer Price Index and based on favorable market conditions, determined it would be in the best interest of the Company to exercise our right to renew the contract.

After proper motion and second, the Board of Water Works authorized the renewal of the contract with **Uponor ETI**.

Project No.: 02-43/LWC Property Protection

On August 14, 2002, bids were opened to award a two-year contract for property protection. This contract is to protect Louisville Water Company personnel, properties and assets from potential terrorist and criminal activities.

A total of five bids were submitted, with the lowest, most responsive bid from Louisville Patrol and Detection Security, Inc. for an estimated two year total of \$591,168. Three bidders were disqualified for failure to meet technical specifications.

After proper motion and second, the Board of Water Works gave authorization to award a two-year contract totaling an estimated \$591,168 to Louisville Patrol and Detection Security, Inc.

Project No.: 02-36/Worksite Security

On August 14, 2002, bids were opened to award a two-year contract for worksite security. This contract is for traffic control and security at various job site locations.

A total of two bids were submitted, with the lowest, most responsive bid from **Off Duty Police Services Inc.** for an estimated two year total of **\$613,640**.

After proper motion and second, the Board of Water Works gave authorization to award a two-year contract totaling an estimated **\$613,640** to **Off Duty Police Services Inc.**

Mr. Miller reported on the following Bid Tabulation which was added to the Agenda on September 10 2002;

Bid No. 02-46: Water Treatment Chemical Bids

Bids were received on July 31, 2002 for the annual supply of water treatment chemicals to the Crescent Hill Filter Plant (CHFP) and B. E. Payne Water Treatment Plant (BEPWTP).

Staff recommended contracts to be awarded to the best-evaluated bidders. The list of proposed contracts include the recommended contract to Polydyne Co. for Polyaluminum Chloride and Polymer – P(DADMAC) specifically evaluated as the most cost-effective for turbidity removal, as well as a contingency contract to Mead Westvaco for supply of a taste and odor (T&O) grade carbon specifically evaluated as the most cost-effective for MIB removal. Additionally, the award of contingency contracts to U. S. Aluminate for Liquid Aluminum and Univar / VOPAK USA for Sodium Hydroxide are recommended in the event these chemicals are required for treatment.

Based upon annual usage levels anticipated, the recommended contracts for treatment chemicals total **\$1,550,103**.

After proper motion and second, the Board of Water Works approved Vice President, Robert Miller's recommendations of the above mentioned contracts relating to Water Treatment Chemicals.

COMMUNICATIONS

Ms. Teasley reported on the following:

KT II Automated Meter Reading Project

Meter exchanges in the KT II automated meter reading project began the first week of June 2002. Since beginning the project the district has been billed twice, June 28th and August 28th. Neptune equipment supplied 41% of the meter readings for the first billing and 99% of the readings for the second billing.

Installation - LWC personnel interacted very well with Neptune Equipment personnel. The Meter Shop at Allmond served as a staging area, Meter Shop personnel worked hand in hand with the contractor issuing and receiving meters and equipment. Neptune Equipment averaged approximately 250 meter exchanges per week. Although we had numerous issues with vaults and vault covers, our biggest challenge seemed to be data administration.

Throughout the pilot LWC and Neptune Equipment identified several opportunities to improve the data entry process. Neptune Technologies was consulted and requested to provide data files identifying and linking meter and R-900 serial numbers. The data files improve our ability to manage meter history and facilities management records. They also enhance our ability to move or transfer these devices throughout our system. Barcode tools were utilized to improve our ability to assign meter numbers and update service orders lessening instances where numbers are transposed through data entry. LWC created numerous data queries insuring data accuracy and assuring the database is reliable. The data administration is critical to the success of any AMR project.

- Control Increases to Operations and Maintenance Budget. Staff has developed a draft Operations and Maintenance Budget limited to an eight-tenths of one percent increase; additional reviews are underway for items that were not included within that limitation.
- Water Provided in Lieu of Taxes Will Increase. Louisville Water Company will be providing water to additional city agencies in 2003.
- Depreciation Expenses Continue to Increase. With the increased investments identified in the 2002-2021 Facilities Plan, depreciation expenses will continue to increase as the fastest growing expense component.
- Low Interest Rates Reduce Non-Operating Income. Short-term interest rates were budgeted at 3% for the 2002 Annual Budget. Recent investments are earning only 1.6%. Reduced non-operating income in 2003 will require replacement through additional water revenue. This item may be one of the key drivers for the contemplated water rate increase.
- Return on Equity Rate Grows Slightly. The return on equity rate to be included in the 2003 Annual Budget will be 9.07%, increased slightly from 9.02% in 2002.
- Dividend Affected by Bond Principal Payments. Principal payments for the Series 2000 Bonds will commence in 2003. The principal payments are deducted from Net Income prior to computing the annual dividend.

A water rate increase of 3% to 3.5% is being contemplated in order to adequately fund this annual budget. Staff is preparing a Preliminary 2003 Annual Budget for consideration by the Board of Water Works in October 2002.

OLD BUSINESS

Mr. Huber and Ms. Teasley reported on the following Old Business:

**Bullitt County Water Improvement Program – Bullitt County Extension Program:
LWC Project No. 01-324, Weavers Run /Pauleys Gap Road Water Main Extension
Change Action to Contract No. F-742; Tom Brown Construction Company**

This contract was originally presented to the BOWW on April 9, 2002, and approved for the provision of construction services in the amount of \$382,851. Since this time, one change action has been approved and a second change action is being considered that would increase the contract amount over 10% of the original contract amount and requires Board approval. This correspondence presents the change action additions to contract F-742 and requests authorization to expand the scope of this project to include these additional construction services.

Change Action No. 1 modified the project to install 2,373 feet of 8-inch ductile iron pipe in lieu of 8" PVC as bid. This change was initiated because a future booster pump station will be constructed on this portion of the main and pressures of 180-200 psi are expected. Ductile iron pipe was substituted for the originally bid PVC pipe, since it is better suited for the anticipated pressures.

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265

Mitchell Hill Rd: Existing Booster Pump Station to South 1,500 feet

An Apportionment Warrant public hearing was held for Mitchell Hill Rd: Existing Booster Pump Station to South 1,500 feet. The public hearing was held in response to receipt of a majority petition for this public road project. The public hearing was structured to provide a brief background on the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains will be extended using Apportionment Warrants as prescribed in KRS 96.265.

Following the formal presentation, an opportunity was provided for residents to ask questions and state their position with respect to the project. Questions were asked about the length of time required to complete the project. Staff explained in detail and went over their procedures as it pertained to this project. Two of two attending property owners advised they were in favor of extension of water service along Mitchell Hill Rd: Existing Booster Pump Station to South 1,500 feet as proposed at the hearing.

This project meets guidelines and recommendations outlined in the Task Force Report and Implementation Plan for County-wide Extension of Water Service. Staff recommends the proposed extension of water service as feasible and beneficial in accordance with KRS 96.265 and recommends the Board of Water Works refer this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of the appropriate County ordinance, the Company will proceed to final design and advertisement for bid on this project.

After proper motion and second, the Board of Water Works adopted the resolution to extend water service along Mitchell Hill Road, Existing Booster Pump Station to South 1,500 feet (attached is a copy of the resolution and certification).

Ms. Teasley reported on the following:

Project 03-625: Replace and Rehabilitate Crescent Hill Filter Plant Coagulation Unit #7 Process Systems

Communication to the August Board discussed the history and failure of several coagulation process units at Crescent Hill Filter Plant. This correspondence provides further discussion of the failures, requests advancing 2003 capital budget funds for replacement and rehabilitation of Coagulation Unit #7, and requests authorization to proceed to advertisement for bid.

The coagulation process is essential to plant operations for removal of sediment from the source water. Several units of the South Coagulation train have failed over the past several years. Presently Coagulation Unit #6 is undergoing emergency replacement of mechanical mixing and clarification equipment.

The capital budget request for Coagulation Unit #7 is \$1,125,000, while the project budget approved for Coagulation Unit #6 is \$1,075,000, for a total project budget of \$2,200,000. The 2002-2003 Capital Improvement Plan includes \$2,000,000 for these projects. Please reference Table #1 for the schedule of work elements and associated costs for replacement and rehabilitation of Coagulation Unit #7.

**RESOLUTION TO DECLARE THIRD QUARTER DIVIDEND
TO THE CITY OF LOUISVILLE**

WHEREAS, it has been the long established policy of the 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 1992 Water System Revenue Bond Resolution set 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 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, the Board passed a resolution on March 12, 2002 to adjust the 2001 annual dividend by \$477,094 from \$12,599,250 to \$13,076,344, the difference to be added in equal quarterly installments to the quarterly 2002 dividend payments, and

WHEREAS, the 1992 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 2002 Louisville Water Company budget contemplates the 2002 annual dividend to be \$12,208,380 it would be in order at this time to declare a regular third quarter dividend of \$3,052,075.

RESOLVED, the regular third quarter 2002 dividend of \$3,052,075 is hereby declared.

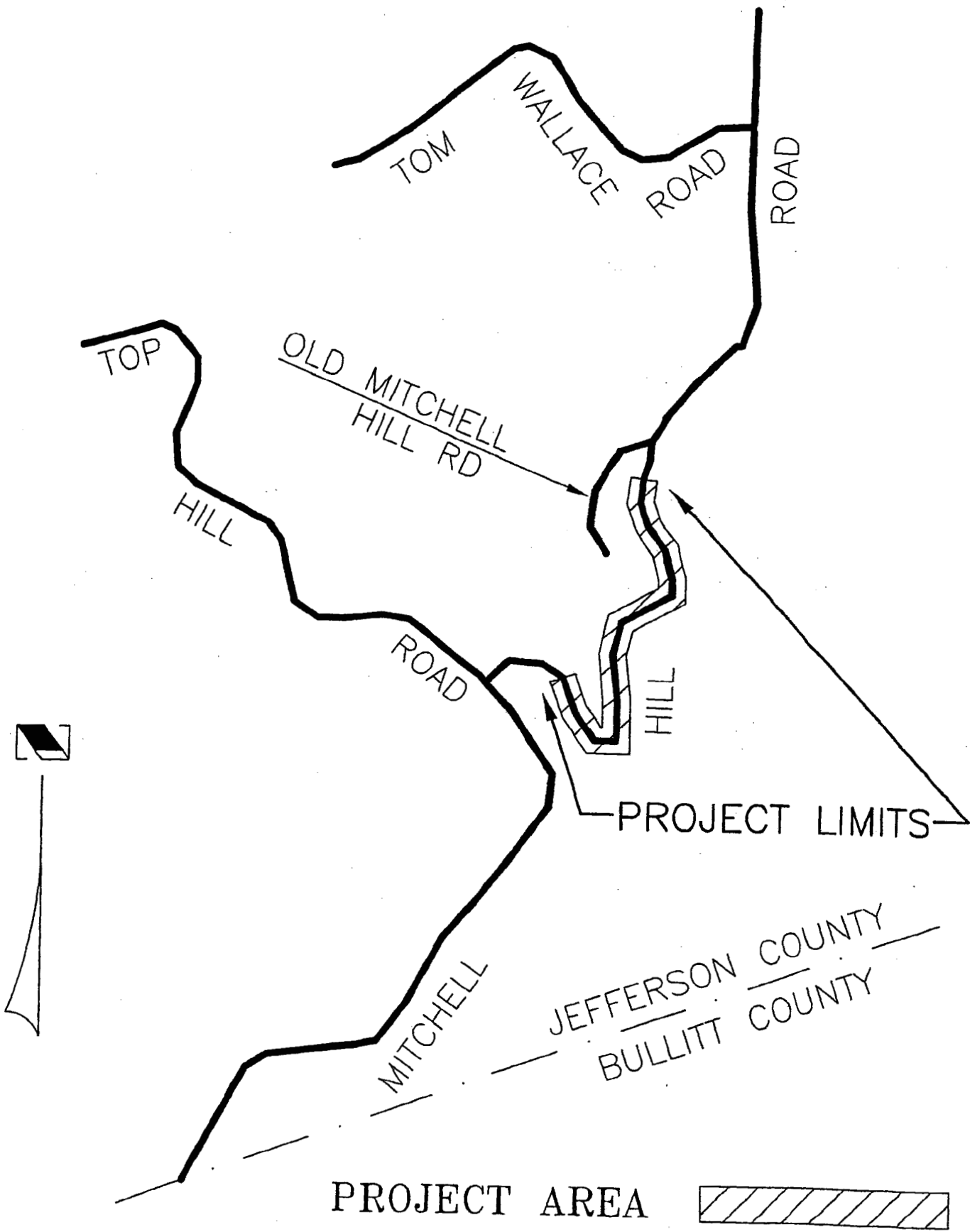
RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,171,348 to the Louisville / Jefferson County Revenue Commission on September 30, 2002, this being the third quarterly dividend for 2002 plus one quarter of the dividend adjustment for 2001, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

**Board of Water Works
Resolution**

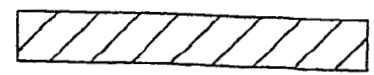
September 10, 2002

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Mitchell Hill Rd: Existing Booster Pump Station to South 1,500 feet**, a public way in Jefferson County, and acting thereon convened a public hearing on August 29, 2002 notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Serving Customers and Business Development of the Company has recommended the extension of such water along **Mitchell Hill Rd: Existing Booster Pump Station to South 1,500 feet**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Mitchell Hill Rd: Existing Booster Pump Station to South 1,500 feet**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



**Published in Sunday August 18, 2002 Edition of the
Courier Journal**

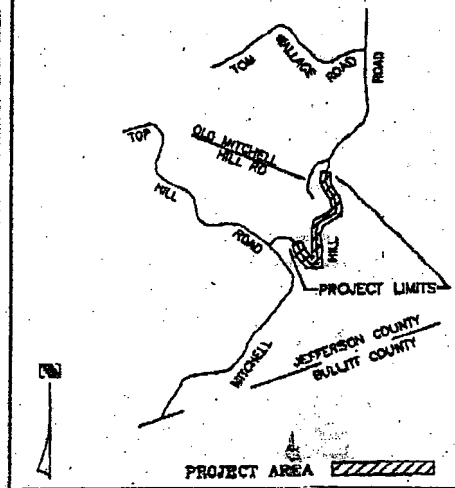
Legal Notices — **Legal Notices**

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Mitchell Hill Road: Existing water main South 1,000 feet (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Mitchell Hill Road: Existing water main South 1,000 feet.

This public hearing will be held on August 29, 2002 at 7:30 p.m. at the Fairdale Fire Protection District, Station #1, 10015 Mitchell Road.

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 559-3600.



**OCTOBER 8, 2002 MINUTES
BOARD OF WATER WORKS
REGULAR MONTHLY MEETING**

Board Members Present

Mr. Jack Segell
Mr. Owen Hammons
Mr. Stephen Gault
Mr. Phillip Bond
Ms. Wendy Welsh

Board Members Absent

Hon. David L. Armstrong
Mr. Stewart Conner

Others Present

Mr. John Huber, President
Mr. Robert Miller, Vice President, Treasurer
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Ms. Jane Driskell, Deputy Mayor, City of Louisville
Mr. Steve Hubbs
Ms. Kay Ball
Mr. James Smith
Ms. Amber Halloran
Mr. Larry Gaddis
Mr. Bradley Olsen
Mr. Bret Russell

Mr. Huber called the meeting to order at 12:40 p.m. Mr. Huber stated that Mr. Conner indicated he would not be present for today's meeting. For this reason, the compensation committee report would be deferred to the November 12, 2002 Regular Board meeting.

CONSENT AGENDA APPROVED

- *Minutes of previous meetings*
- *Claims paid during the previous month*
- *Petitions and applications for water main extensions*
- *Authorization for design and bid of projects under \$200,000*
- *Bid tabulations for contracts under \$500,000*
- *Listing for award of contracts less than \$100,000*

Item A *Minutes of Regular Meeting Held September 10, 2002*
The Board approved the September 10, 2002 Minutes

Item B *Claims Paid During September 2002*
 Request: file claims for future audit.

Item C *Petitions and applications for Water Main Extensions and Relocations*
 (when in full compliance / SR&R)

Project No.	Contract No.	DEVELOPER INSTALLED REFUNDING PROJECTS	Total Project Cost	Net Cost To LWC
02-008	F929M	Worthington Place Section 1	\$154,250.00	
02-030	F988M	Sycamore Ridge Estates	\$ 48,835.00	
02-063	F933M	Little Spring Farm Section 1	\$ 338,880.00	\$ 57,800.00
02-074	M930M	Fluhr Lane Main Extension	\$ 9,460.00	
02-079	F986M	Arbor Ridge Section 3	\$ 28,580.00	
02-084	F989M	Magnolia Place Section 2	\$ 53,660.00	
02-086	F987M	Spring Meadows Section 4	\$ 34,410.00	
Project No.	Contract No.	TAPPING FEE MAIN EXTENSION PROJECTS	Total Project Cost	Net Cost To LWC
02-054	F931T	5007 Glenrose Road	\$ 31,350.00	\$ 18,650.00
02-259	F932T	New Birth Ministries Church	\$ 12,210.00	
02-080	F928T	1912 Blankenbaker Road	\$ 41,560.00	\$ 14,100.00
APPORTIONMENT WARRANT KRS 96.265 PETITIONS			Total Project Cost	Net Cost To LWC
Rockycreek Lane: Back Run to North 1,800 feet			\$ 96,000.00	
Bullitt County Extension Projects			Total Project Cost	Net Cost To LWC
Castleman Branch Road			\$236,800.00	
Millers Drive			\$ 55,000.00	

North Williams Lane	\$ 40,000.00	
DEVELOPER RELOCATION PROJECTS		
Armory Place (LWC Project No. 02-1405A)	\$ 80,013.00	
Billtown Road and Gellhaus Lane Road Widening (LWC) Project No. 02-484)	\$219,000.00	\$ 49,000.00

- Item D:** Authorization for design and bid of projects *(estimated to cost less than \$200,000)*
- Item E:** Bid tabulations *(award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).*
- Item F:** Award of contracts less than \$100,000.00

CAPITAL PROGRAM		Total Project Cost	Net Cost To LWC
Project No.	Project Name		
02-513	Southside Drive – JYL Contractors	\$ 65,572.00	
PROCUREMENT OF EMERGENCY MATERIALS AND SERVICES		Total Project Cost	Net Cost To LWC
Project No.	Project Name		
Certificate of Emergency	Goshen Pumping Station Electrical & Control Wiring – J & I Electric, Inc.	\$ 29,400.00	
PROCUREMENT OF GOODS AND SERVICES		Total Project Cost	Net Cost To LWC
Project No.	Project Name		
02-53	Data Center A/C Larry's Heating and Cooling	\$ 20,850.00	

REPORT OF OFFICERS

ADMINISTRATIVE REPORT

Mr. Huber stated that all items he wished to highlight for the Board were otherwise covered elsewhere in the agenda.

FINANCIAL REPORT

Mr. Miller presented the Income and Expense Summary for the month.

INCOME AND EXPENSE SUMMARY

- 1) Total operating revenue of \$73,072,900 is \$1,673,300 or 2.34% more than budgeted and \$3,189,100 or 4.56% more than the same period in 2001.
- 2) Operation and maintenance expense of \$30,608,600 is \$683,000 or 2.18% less than budgeted and \$1,775,600 or 6.08% more than 2001.
- 3) Operating deductions of \$48,086,600 are \$1,231,900 or 2.50% less than budgeted and \$2,238,400 or 4.48% more than 2001.
- 4) Net operating income of \$24,990,300 is \$2,905,200 or 13.15% more than budgeted.
- 5) Net income of \$22,134,200 is \$2,131,400 or 10.66% more than budgeted and \$918,300 or 3.98% less than 2001.

FINANCIAL INFORMATION SYSTEM STATUS

The procurement of the Financial Information System remains on schedule. The project team that is reviewing proposals has completed their analysis work and is preparing to negotiate the provisions of a contract for software acquisition and implementation services. Staff anticipates that their recommendation will be available for consideration at the November 2002 meeting of the Board of Water Works.

OPERATIONS REPORT FOR SEPTEMBER 2002

Mr. Heitzman provided the Operations Report for September 2002.

Production - The dry weather continued in the first half of September and resulted in higher water production.

Water Quality - The water quality in the distribution system continued to be good in September. This is the first year that we met all distribution water quality goals throughout the summer months, indicating the water quality strategies we implemented were successful.

We experienced a taste & odor (T&O) event from September 18 to the end of the month. The MIB concentration in the river reached as high as 44 parts per trillion (ppt) and stayed between 20 to 30 ppt for most of this period. Powder activated carbon (PAC) was used to remove 85% of MIB. Staff appropriately responded to this event and limited the MIB concentration to less than 15 ppt in the finished water. We

received approximately 100 taste and odor complaints during September. A total of \$130,000 was spent on PAC for Taste and Odor control.

Goshen Operation - Due to the dry weather in September, the Oldham County Water District turned off its master meter supply to Goshen. To ensure adequate water supply to Goshen, LWC expedited several improvement projects in the Goshen system. This included conversion of the Goshen well supply from free chlorine to chloramine disinfection and integration of supply from Louisville water. On September 2, a boil water advisory was issued to Goshen system due to low system pressure.

BE Payne Plant Improvement Project – The Board has authorized a project budget of \$20.5 million to upgrade the existing BE Payne Plant from 45 MGD firm capacity to 60 MGD capacity. The project scope includes filter renovations, 15 MGD of additional high service pumping, header modifications, pressure surge relief, new 4160 volt switchgear power supply, and a redundant underground power feed from LG&E's electric substation. In light of the increasing electrical demand and voltage reliability in the Prospect area, as well as security issues, an alternate bid will be taken for on-site diesel power generation. This alternative bid price will be evaluated against the alternative to install a new independent power source and substation from LG&E's 69 KV electric transmission line.

Emergency Assistance to New Albany – On Wednesday, September 25, a site contractor damaged a 24-inch water main at a Kroger construction site in New Albany, IN. The pipeline damage disrupted water supply to New Albany until repairs could be made the next day. The city lost water supply and Indiana-American Water Company issued a boil water advisory. Louisville Water Company offered assistance to Indiana American by providing 2,500 gallons of bottled water and 6,000 tiny tap bottles for distribution to the New Albany School System, Floyd Memorial Hospital, fire departments and local residents. We also delivered our 4,300-gallon water tank truck for standby emergency water for fire protection to the New Albany Fire Department. Mr. Mike Stewart, Manager of Operations for Indiana-American, has thanked the Company for the extensive assistance during the emergency and has pledged a \$5,000 check to the Metro United Way Campaign in the name of the Louisville Water Company.

SERVING CUSTOMERS REPORT

Performance Measures – The September 2002 abandonment rate was 3.7%, a significant improvement over the previous month's abandonment rate of 5.5%. This is also below the best practice goal for abandonment of 5%.

Bad debt for the month of September was \$50,874, approximately \$21,000 over budget. This reflects adverse economic conditions for primarily residential customers who have been disconnected from service with unpaid balances still owing.

Lake in the Woods/South Hill Apartments – A receiver was appointed in September. LWC legal staff has provided the receiver with information on the outstanding balances owed: \$78,530 on Lake in the Woods and \$47,746 on South Hill. We have requested payment for current and future invoices (about \$18,700 per month for both properties), as well as a payment plan to address the arrearages.

Third Quarter CSI Results - The Total CSI for this quarter is down just one point from the last quarter to 846. This reflects steady Total CSI numbers for five of the last six quarters. The year to date average is 844, one point below the 2002 Level II Corporate Goal of 845.

LITIGATION REPORT

After proper motion and second, the Board adjourned to closed session for the purpose of discussing litigation and acquisition of property. Ms. Douglas gave a litigation report in closed session. The Board reconvened in open session without taking any action in closed session.

After proper motion and second, the Board voted to authorize the president to sign an acquisition agreement with the city of Shepherdsville concerning Louisville Water Company's purchase of its water system. This agreement does not involve the payment of a purchase price. It involves assumption of debt and a commitment for capital improvement.

REPORT OF COMMITTEES

The Compensation Committee report was deferred to the November 2002 meeting.

SPECIAL ISSUES

Ms. Teasley and Mr. Gaddis reported on the Annual Inspection.

In May of 2002, the Board of Water Works authorized engineering consultants Black & Veatch to perform the 2002 Annual Inspection Report on the Adequacy and Condition of the Water Works System. Professional services provided by the consultant included an inspection and review of the water works system as required by the Water System Revenue Bond Resolution, Series 1992, Article IV, Section 612.

The firm inspected nine facility locations: Zorn Pump Station; Crescent Hill Filter Plant and High Serving Pumping Station; Shelbyville Road Booster Pump Station; Brooks Hill Station; Peaceful Valley Booster Pump Station; Peaceful Valley Tank and KT #3 Booster Pump Station. Eighteen high priority items, twenty eight medium priority, twenty low priority and seven routine priority items were cited.

In reviewing the company's insurance program, Black and Veatch found that "the insurance program was in good order and substantially meets the company's needs." The review also noted that the Louisville Water Company operates in a sound financial manner. A copy of the power and presentation prepared by Black and Veatch will be kept with these minutes.

Mr. Miller and Ms. Halloran present the Preliminary 2003 Annual Budget.

The Preliminary 2003 Annual Budget, consisting of the following documents, is submitted for your review:

Page 23	2003 Operating Budget
Page 47	2003 Capital Budget
Page 60	2003-2012 ProForma Income Statement
Page 66	2003-2012 Capital Expenditures Program
Page 168	2003-2012 Financial Plan
Page 170	2003-2012 ProForma Balance Sheet

The proposed budget continues efforts to strengthen the utility and effectively meet current as well as future requirements for safe, high quality water and improved customer service. There is strong emphasis on meeting additional drinking water regulations, replacement or renovation of deteriorating infrastructure, increased efficiency of the delivery system, and continued fiscal responsibility.

The 2003 water sales estimate is \$96,945,900 on sales of 39.541 billion gallons up 4% from the 2002 budget. Operations and maintenance expenses are up 2.7% to \$1,133,900. This 2.7% is due to the cost of chemicals, bad debt, insurance, corporate contingency and labor.

After proper motion and second the Board noted to give staff permission to file the Preliminary 2003 Annual Budget with the Trustees and the City. (Sections 507 and 612 of the Bond Resolution require this filing by October 31, 2002). The 2003 Annual Budget should be adopted before January 1, 2003.

The Board was asked to consider whether it would prefer to handle possible adoption of the Budget at its November 2002 meeting or whether a Special meeting would be necessary. The Board expressed support for a Special meeting in late October. The Board Secretary will poll the Board to identify a suitable date.

2003 Board of Water Works Meeting Dates

Mr. Huber stated that staff will review its meeting schedule and suggest alternate meeting dates for the months of September, November and December. He deferred consideration of a proposal on 2003 meeting dates until the November meeting.

BID TABULATIONS

Ms. Teasley reported on the following Bid Tabulations:

Project Number: 02-518: Muhammad Ali Boulevard Area - Main Replacement Project
Bids were received and opened Wednesday, September 11, 2002 to install 4,810 linear feet of 6 and 8-inch ductile iron water main using traditional trenching techniques, and to supply and install 2,060 linear feet of 4-inch HDPE water main using horizontal directional drilling techniques.

A total of 5 bids were received and opened from pre-qualified contractors. Tom Brown Construction submitted the lowest responsive bid in the amount of \$385,570 resulting in a total project cost of \$518,570. This bid was evaluated based on contract cost, time of completion, and MBE/WBE subcontractor utilization.

The Bid is approximately 5% under the Project Manager's estimate.

After proper motion and second, the Board of Water Works voted to authorize the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$385,570 to Tom Brown Construction to install the water facilities associated with this project.

Project Number: 02-500: 3rd Street – Main Replacement Project

Bids were received and opened Wednesday, September 25, 2002 to install 2,745 linear feet of 4, 6, 8 and 12-inch ductile iron water main using traditional trenching techniques, and to supply and install 2,440 linear feet of 4-inch HDPE water main using horizontal directional drilling techniques.

A total of five (5) bids were received and opened from pre-qualified contractors. MAC Construction and Excavating submitted the lowest responsive bid in the amount of \$268,470 resulting in a total project cost of \$362,470.

The bid is approximately 19% under the Project Manager's Estimate.

After proper motion and second, the Board of Water Works voted to authorize the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$268,470 to MAC Construction and Excavating to install the water facilities associated with this project.

Project Number: 00-305: Hickory Hills Water Main Ext. Bids were received Wednesday, September 18, 2002, to install 7,275 feet of 8-inch, 6-inch, and 4-inch PVC water main along Hickory Hills Trail between Echo Trail and end and in Hickory Valley Road between Hickory Hills Trail and end. Hickory Hills Trail is identified in the County-Wide Extension Program in Extension Area 3.

A total of six (6) bids were received from qualified contracting firms. The low responsive base bid in the amount of **\$143,943** was submitted by **Southern Pipeline Construction Co.** The low bid was 17.4% under the engineer's estimate.

After proper motion and second, the Board voted to authorize the Vice-President Serving Customers & Business Development to award a contract in the amount of \$143,943.00 to Southern Pipeline Constructions Company to install water facilities associated with this project.

Mr. Heitzman reported on the following Bid Tabulation:

Project Number: 01-745B: Gap-In-Knob 16-Inch Water Main

Bids were received Wednesday, September 25, 2002, to Furnish and Install approximately 6,070 feet of 12-inch water main in Highway 1020 between Highway 2673 and Hwy 61. An alternate bid for 16-inch water main in lieu of the 12-inch main was also requested.

A total of 6 bids were received from qualified contracting firms. **Mac Construction and Excavating, Inc.** submitted the best bid in the amount of \$285,540 for a 12-inch main and **\$405,500** for a 16-inch main. Their 16-inch bid is below the engineer's 12-inch estimate by \$29,875 or 7%.

After proper motion and second, the Board of Water Works voted to authorize the Chief Engineer to award a contract in the amount of \$405,500 to install a 16-inch main to MAC Construction and Excavating, Inc., to install water facilities associated with this project.

Mr. Miller reported on the following Bid Tabulations:

Bid Number: 02-41: Barricade Rental

On September 18, 2002, bids were opened to award a one-year contract, renewable for up to four additional years at the sole discretion of the Company, for rental of barricades.

A total of one bid was received, from Flasher Barricade for an estimated one-year amount of \$240,003.

After proper motion and second, the Board of Water Works voted to authorize award of a one-year contract, renewable for up to four additional years, to Flasher Barricade for an estimated one-year amount of \$240,003. This bid represents a 19% increase in unit prices from the previous bid in 2000.

Bid Number: 02-54: Copper Tubing

On September 18, 2002, bids were opened to award a contract for a six-month supply of copper tubing. Copper tubing is used throughout the distribution system in the installation, renewal and repair of domestic service lines.

A total of five bids were submitted with the lowest, most responsive bid from US Flow for a total of \$138,527.

After proper motion and second, the Board of Water Works voted to ratify the purchase of a six-month supply of Copper Tubing totaling \$138,527 from US Flow. This bid represents 6% increase in unit prices from the previous bid.

Bid Number: 02-35: Ready Mix Concrete

On September 4, 2002, bids were opened to award a one-year contract for ready mix concrete. Ready mix concrete is used for a concrete base in street cuts, driveways and sidewalks after new installations or repairs.

A total of two bids were submitted from Advance Ready-Mix and Pearce Brothers, Inc.

After proper motion and second, the Board of Water Works noted to authorize staff to award a one-year contract totaling an estimated \$520,570 to Advance Ready-Mix and Pearce Brothers, Inc. Call outs will be based on proximity to LWC worksite, availability of material, response time and price.

COMMUNICATIONS

Ms. Ball and Mr. Hubbs reported on Riverbank Filtration, Phase II.

Project Number: 99-402: Riverbank Filtration Phase II

On March 12, 2002 Staff requested authorization to proceed with the bank filtration program on the Kentucky shore and was granted approval for the revised contract with design engineers Jordan Jones & Goulding to evaluate design options and proceed with project definition.

Preliminary design on Phase II of the Riverbank Filtration project is proceeding according to schedule. Evaluations of the subsurface investigations are underway with the preliminary report scheduled to be completed by the end of October. The report will include the results from the rock coring, the pumping tests, and the hydrogeologic assessment.

Research has indicated that the plugging of the riverbank has reached a balance, and the yield has stabilized at 18 to 20 MGD, as originally estimated. The mechanics of bank plugging are now better understood, and the long-term prediction of wellfield yield can be made with reasonable certainty.

In preparation for proceeding to final design of the project, a risk assessment was conducted to summarize the key elements of the project. This risk assessment considered water quality, cost, easement acquisition, constructability, public acceptance, and sustainability. At this time of the project, the issue of easement acquisition for the eighteen properties represents the greatest area of uncertainty for the project. Easement acquisition will have a significant impact the project schedule and project cash flow.

No action is requested at this time. It is anticipated that staff will return to the Board in November of 2002 with the results of the preliminary design along with an updated project cost estimate, a report of the project definition and a request for authorization to proceed with Task II, Final Design.

OLD BUSINESS

Ms. Teasley reported on the following Old Business:

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to K.R.S. 96.265: Lonesome Hollow Rd: Jefferson Hill Rd to North 765 feet.

An Apportionment Warrant public hearing was held for Lonesome Hollow Rd: Jefferson Hill Rd to North 765 feet. The public hearing was held in response to receipt of a majority petition for this public road project.

None of the eligible property owners attended the public hearing for a formal presentation.

After proper motion and second the Board of Water Works agreed to adopt the attached resolution to extend the water service along Lonesome Hollow Road: Jefferson Hill Road to North 765 feet in accordance with K.R.S. 96.265 and to refer this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design and advertisement for bid on this project.

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265: Holsclaw Hill Road: Proposed Booster Pump Station to South 2,100 feet

An Apportionment Warrant public hearing was held for Holsclaw Hill Road: Proposed Booster Pump Station to South 2,100 feet.

Following the formal presentation, an opportunity was provided for residents to ask questions and state their position with respect to their project. Questions were asked about easements and the alignment of the water main. Three attending property owners advised they were in favor of extension of water service along Holsclaw Hill Road: Proposed Booster Pump Station to South 2,100 feet as proposed at the hearing.

After proper motion and second the Board of Water Works agreed to adopt the attached resolution to extend the water service along Holsclaw Hill Road for the proposed Booster Pump Station to South 2100 feet, in accordance with K.R.S. 96.265 and to refer this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design and advertisement for bid on this project.

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court Pursuant to KRS 96.265: Dry Ridge Lane: Dry Ridge Road to County Line

An Apportionment Warrant public hearing was held for Dry Ridge Lane: Dry Ridge Road to County Line.

Following the formal presentation, an opportunity was provided for residents to ask questions and state their position with respect to their project. Questions were asked about the need for easements. Four of four attending property owners advised they were in favor of extension of water service along Dry Ridge Lane: Dry Ridge Road to County Line as proposed at the hearing.

After proper motion and second the Board of Water Works agreed to adopt the attached resolution to extend the water service along Dry Ridge Lane: Dry Ridge Road to County Line, in accordance with K.R.S. 96.265 and to refer this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design and advertisement for bid on this project.

Ms. Teasley reported on the following Old Business:

Issuance of Apportion Warrants per K.R.S. 96.265

Williams Road: Dry Ridge Road to County Line

A public hearing was held February 22, 2001 for the extension of water service along Williams Road: Dry Ridge Road to County Line. The Board of Water Works adopted a resolution for Williams Road: Dry Ridge Road to County Line on March 13, 2001 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 6, Series 2001 on April 24, 2001 (a copy of which is attached) for the Williams Road: Dry Ridge Road to County Line project. The construction contract was awarded to Tom Brown Construction in November 2001.

After proper motion and second, the Board of Water Works adopted the attached resolution for the issuance of Apportionment Warrants and liens against six (6) benefited properties along Williams Road: Dry Ridge Road to County Line in accordance with K.R.S. 96.265, as described.

Issuance of Apportionment Warrants per K.R.S. 96.265

Waterford Road: Bardstown Road to County Line

A public hearing was held July 13, 2000 for the extension of water service along Waterford Road: Bardstown Road to County Line. The Board of Water Works adopted a resolution for Waterford Road: Bardstown Road to County Line on August 8, 2000 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 21, Series 2000 on September 12, 2000 for Waterford Road Bardstown Road to County Line project.

After proper motion and second, the Board of Water Works voted to adopt the attached resolution for the issuance for Apportionment Warrants and liens against four (4) properties along Waterford Road: Bardstown Road to County Line in accordance with K.R.S. 96.265, as described.

The Main Extension for the Bullitt County Section of Williams Road.

The project is not part of the Bullitt County Program on the Jefferson County extension program. We did not achieve a 2/3 majority, but the residents would like the matter presented to the Board.

Staff received a letter from the Bullitt County Williams Road property owners on May 28, 2002, acknowledging that only five property owners are currently interested in the water main extension. The letter stated that they would like to proceed with the project at an increased per property cost. The letter was signed by all five of the property owners that signed Letters of Interest.

After proper motion and second, the Board of Water Works voted to proceed with engineering design and advertisement for bid for the subject project.

Acceptance of Water Extension Project and Referral to Jefferson County Fiscal Court

Pursuant to KRS 96.265: Rose Island Road: US 42 to County Boundary

An Apportionment Warrant public hearing was held for Rose Island Road: US 42 to County Boundary. The public hearing was held in response to receipt of a majority petition for this public road project.

Following the formal presentation, an opportunity was provided for residents to ask questions and state their position with respect to their project.

This project meets guidelines and recommendations outlined in the Task Force Report and Implementation Plan for County-wide Extension of Water Service. Staff recommends the proposed extension of water service as feasible and beneficial in accordance with KRS 96.265.

After proper motion and second the Board of Water Works agreed to adopt the attached resolution to extend the water service along Rose Island Road: US 42 to County Boundary, in accordance with K.R.S. 96.265 and to refer this project to Jefferson County Fiscal Court for its consideration. Upon approval by Fiscal Court and adoption of County ordinance, the Company will proceed to final design and advertisement for bid on this project.

NEW BUSINESS

Mr. Heitzman present the following New Business:

Project 01-674: Orell Road 12" and Watson Lane 16" – Request for Design/Bid Authorization

The 2002 Capital Budget includes a project to complete 12" and 16" grids in southwestern Jefferson County near Dixie Highway and the LG&E Mill Creek power plant. Total Project cost is estimated to be **\$715,500**.

The Orell Road 12" main will be 1,500 feet in length and extend an existing 12" main to Dixie Highway. The project will also abandon 1,500 feet of 6" A.C. pipe. The project will be coordinated with MSD sanitary sewer construction planned for the same route. Staff will work with MSD to jointly bid the water work with the MSD project.

The Watson Lane portion of the project will install 3,900 feet of 16" main and complete a 16" grid from Lower River Road to Dixie Highway and will include 1,500 feet of 12" grid tie to the LG&E Mill Creek power plant to better serve the power plant water needs.

After proper motion and second, the Board of Water Works voted to proceed with final engineering design and advertisement for bid for Project Number: 02-674 – Orell Road 12" and Watson Lane 16".

Ms. Teasley reported on the following New Business:

Bullitt County Water Improvement Program – Bullitt County Extension Program

Project - Sugartree Booster Pump Station, Knob Creek Road

Proposed under the Bullitt County Extension Program is a project for a Booster Pump Station on Knob Creek Road in conjunction with the previously Board approved Sugartree Storage Tank. The proposed BPS, in conjunction with, the Sugartree Storage Tank will provide water service to the previously unserved elevated areas along the eastern end of Knob Creek Road. Additionally, this BPS will provide the suction supply to the previously Board approved Martin Hill Road BPS which will pump to the Gospel Kingdom Elevated Storage Tank.

After proper motion and second, the Board of Water Works voted to proceed with engineering design and advertisement for bid for the Sugartree Booster Pump Station project. Staff will discuss the appropriate funding vehicle with the Bullitt County Advisory Board. Based upon the input from the Advisory Board, Louisville Water Company's staff will determine the appropriate source of funding and update Louisville Water Company's Board when the regular Bullitt County Advisory report is given. The Board will approve the source of funding at the time of contract award.

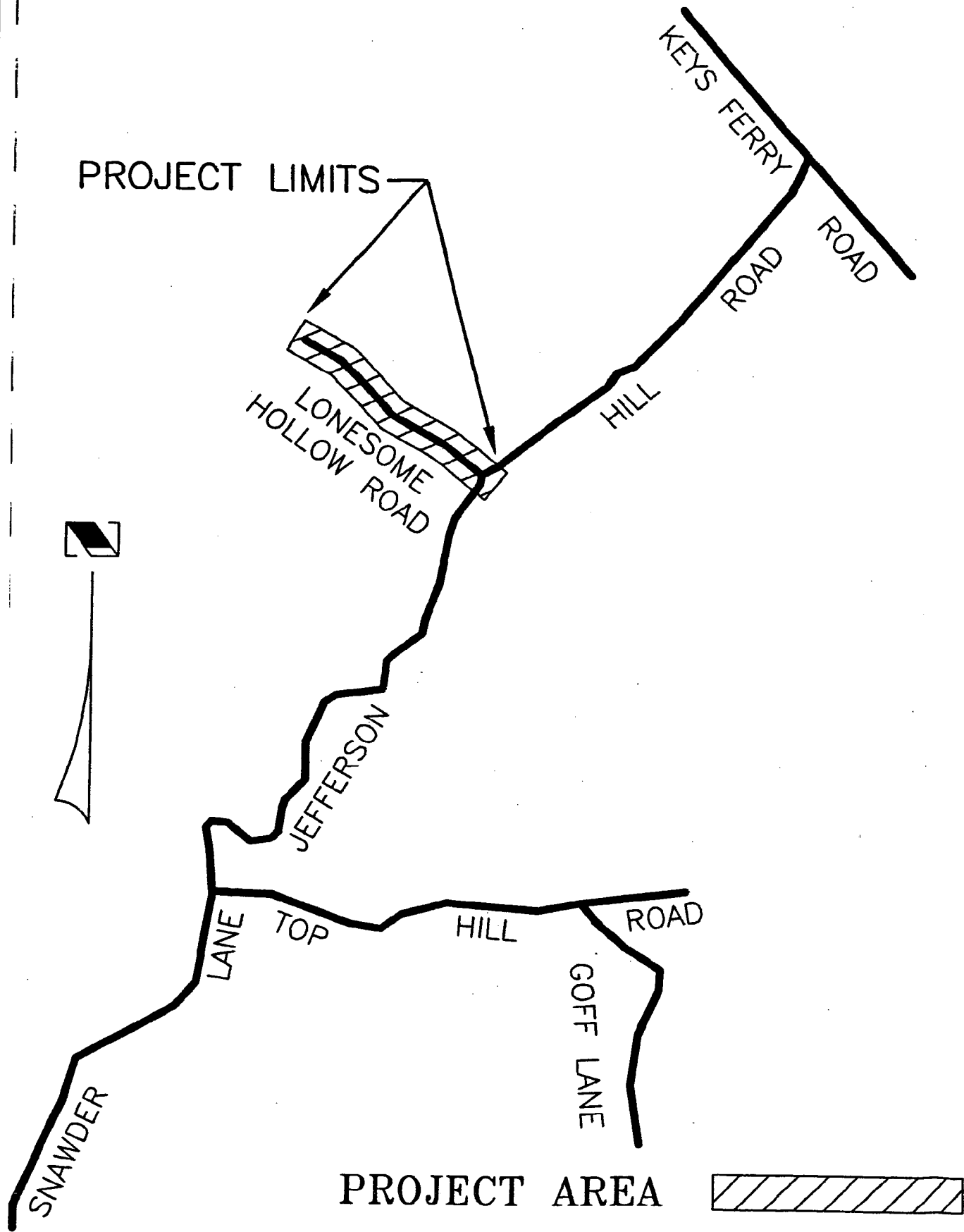
The meeting adjourned at 3:22 p.m.

**Board of Water Works
Resolution**

October 8, 2002

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Lonesome Hollow Rd: Jefferson Hill Rd to North 765 feet**, a public way in Jefferson County, and acting thereon convened a public hearing on August 29, 2002 notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Serving Customers and Business Development of the Company has recommended the extension of such water along **Lonesome Hollow Rd: Jefferson Hill Rd to North 765 feet**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Lonesome Hollow Rd: Jefferson Hill Rd to North 765 feet**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



FILE NAME: LONESOME HOLLOW RD.

Legal Notices

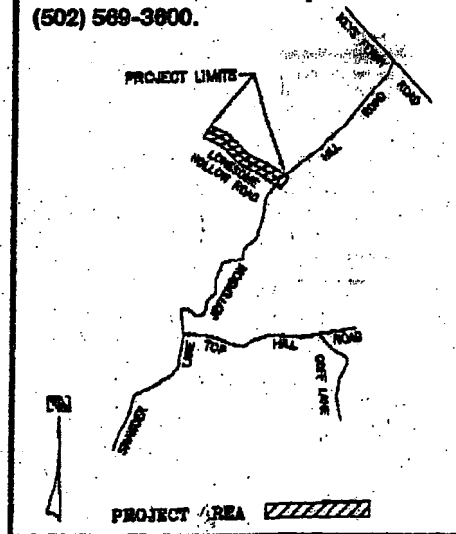
Legal Notices

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 90.265, the Louisville Water Company will hold a public hearing for the property owners along Lonesome Hollow Road: Jefferson Hill Road to North 800 feet (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Lonesome Hollow Road: Jefferson Hill Road to North 800 feet.

This public hearing will be held on August 29, 2002 at 7:00 p.m. at the Fairdale Fire Protection District, Station #1, 10015 Mitchell Hill Road.

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 589-3800.

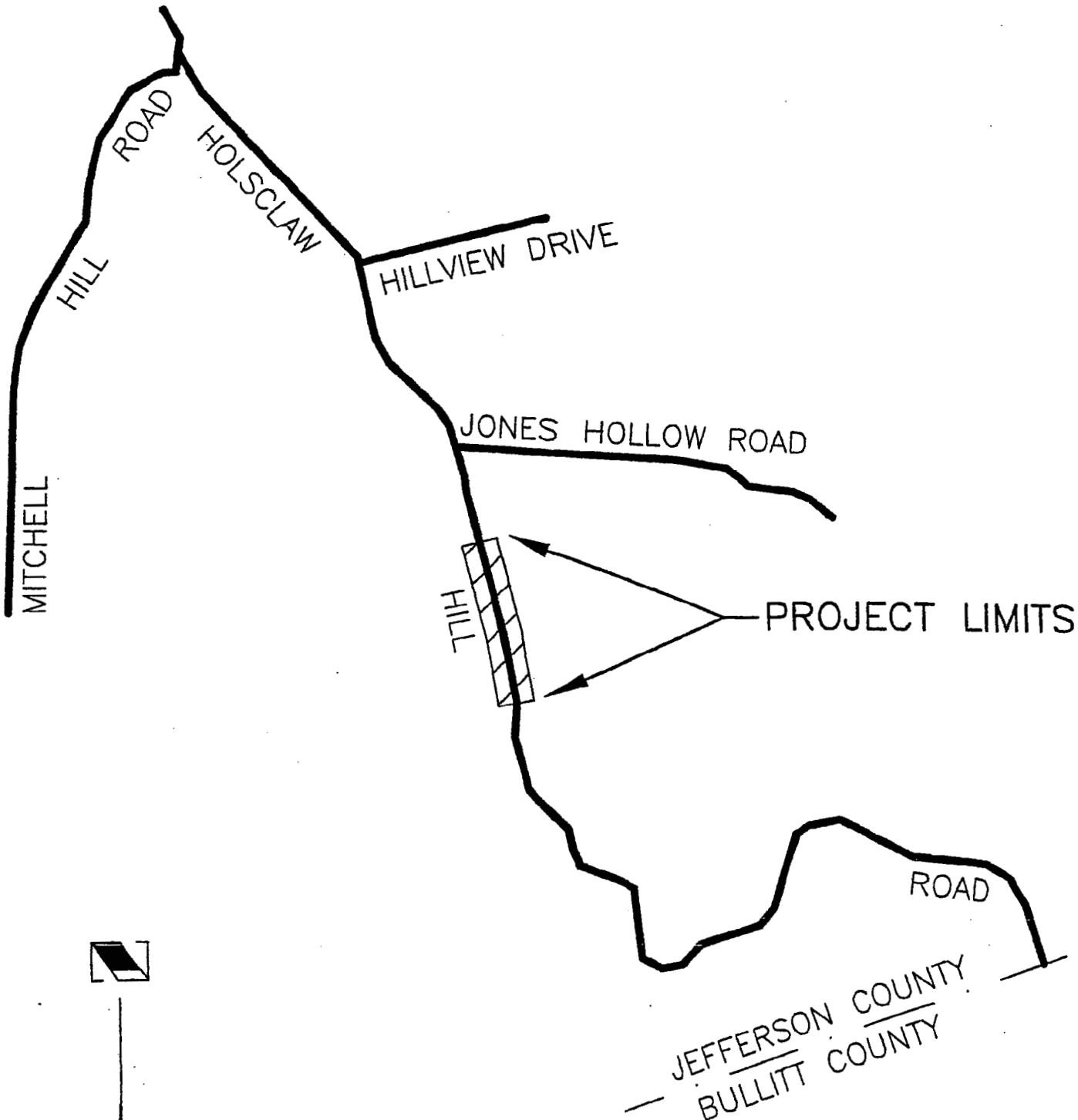


**Board of Water Works
Resolution**

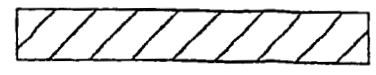
October 8, 2002

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Holsclaw Hill Road: Proposed Booster Pump Station to South 2,100 feet**, a public way in Jefferson County, and acting thereon convened a public hearing on August 29, 2002, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Serving Customers and Business Development of the Company has recommended the extension of such water along **Holsclaw Hill Road: Proposed Booster Pump Station to South 2,100 feet**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Holsclaw Hill Road: Proposed Booster Pump Station to South 2,100 feet**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



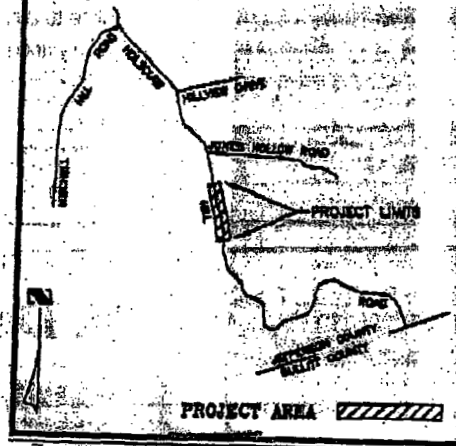
**Published in Sunday August 18, 2002 Edition of the
Courier Journal**

**ADVERTISEMENT FOR
PUBLIC HEARING**

Pursuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Holsclaw Hill Road: Existing water main to south 1,000 feet (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Holsclaw Hill road: Existing water main to South 1,000 feet.

This public hearing will be held on August, 29, 2002 at 6:00 p.m. at the Fairdale Fire Protection District, Station #1, 10015 Mitchell Hill Road.

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 589-3600.

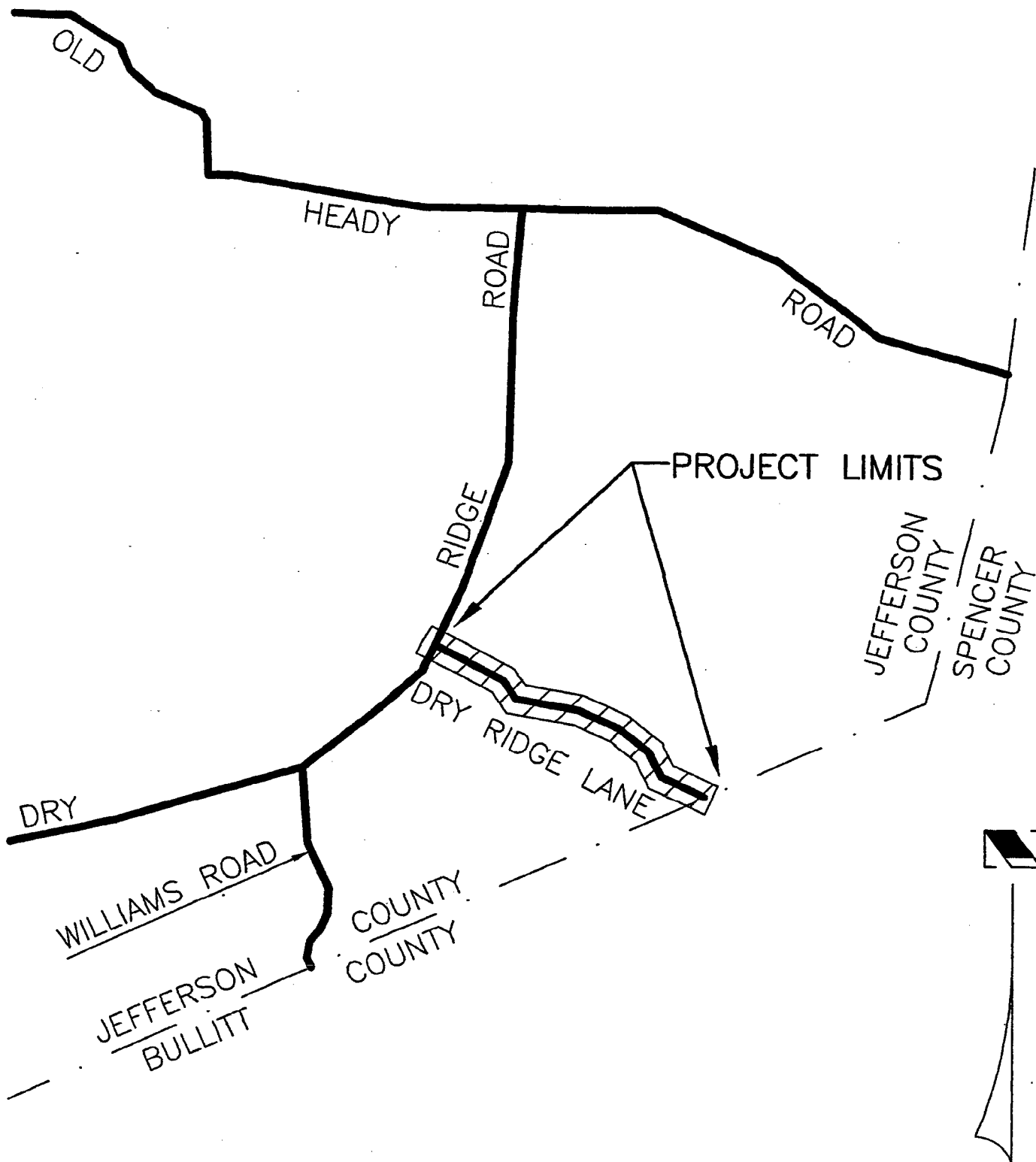


**Board of Water Works
Resolution**

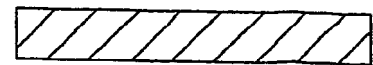
October 8, 2002

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Dry Ridge Lane: Dry Ridge Road to County Line**, a public way in Jefferson County, and acting thereon convened a public hearing on September 19, 2002, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Serving Customers and Business Development of the Company has recommended the extension of such water along **Dry Ridge Lane: Dry Ridge Road to County Line**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Dry Ridge Lane: Dry Ridge Road to County Line**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



FILE NAME: DRY RIDGE LANE

Published in the Sunday, September 8, 2002 edition of

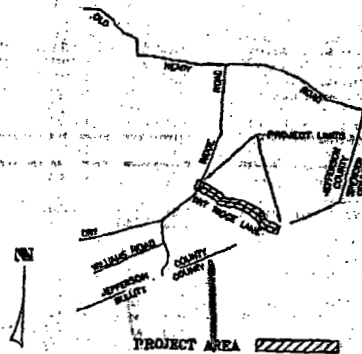
The Courier Journal

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Dry Ridge Lane: Dry Ridge Road to East 2,050 feet (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Dry Ridge Lane: Dry Ridge Road to East 2,050 feet.

This public hearing will be held on Thursday, September 19, 2002 at 6:00 p.m. at the Fern Creek Fire Protection District, Station #3, 7700 Routt Road.

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.



APPORTIONMENT WARRANT RESOLUTION

October 8, 2002

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Williams Road: Dry Ridge Road to County Line** main extension project authorized by Ordinance No. 6, Series 2001 of the Jefferson Fiscal Court, adopted on April 24, 2001 such warrants to be against 6 benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0879817	WAYNE & SHIRLEY AUBREY 8607 WILLIAMS RD JEFFERSONTOWN KY 40299	8607 WILLIAMS RD DEED-BK 4034 DEED-PG 38 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	62	
0879862	RICK & PATRICIA BAECHLER 8511 WILLIAMS RD JEFFERSONTOWN KY 40299	8511 WILLIAMS RD DEED-BK 7744 DEED-PG 633 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	53	
		WILLIAMS RD DEED-BK 7744 DEED-PG 633 TAX-DST TAX-BLK 60			
0879865	KATHLEEN P BLANTON 8601 WILLIAMS RD JEFFERSONTOWN KY 40299	8601 WILLIAMS RD DEED-BK 5029 DEED-PG 140 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	18	
0879869	WILLIAM A FRENCH 6602 AMIGO CT LOUISVILLE KY 40291	8600 WILLIAMS RD DEED-BK 6303 DEED-PG 263 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	116	
0879870	LISA & CRAIG ANTHONY PYLES 8611 WILLIAMS RD LOUISVILLE KY 40299	8611 WILLIAMS RD DEED-BK 7908 DEED-PG 810 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	130	
0879873	LISA & CRAIG ANTHONY PYLES 8611 WILLIAMS RD LOUISVILLE KY 40299	WILLIAMS RD DEED-BK 7908 DEED-PG 810 TAX-DST TAX-BLK 60	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	131	

Exhibit "A"

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
6	NUMBER OF CUSTOMERS LISTED				
	TOTAL PRINCIPAL REMAINING	32,700.00			
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LWC 1203

APPORTIONMENT WARRANT RESOLUTION

October 8, 2002

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Waterford Road: Bardstown Road to County Line** main extension project authorized by Ordinance No. 21, Series 2000 of the Jefferson Fiscal Court, adopted on September 12, 2000 such warrants to be against 4 benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0878906	LEON & LOIS DAVIDSON 11551 WATERFORD RD LOUISVILLE KY 40291	11551 WATERFORD RD DEED-BK 4901 DEED-PG 249 TAX-DST TAX-BLK 65	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0878991	ANNETTE MATTINGLY 11609 WATERFORD RD LOUISVILLE KY 40291	11607 WATERFORD RD DEED-BK 7440 DEED-PG 441 TAX-DST TAX-BLK 65	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0878996	ADRIAN K PATTERSON 11605 WATERFORD RD LOUISVILLE KY 40291	11605 WATERFORD RD DEED-BK 6589 DEED-PG 130 TAX-DST TAX-BLK 65	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0878997	JOHN & JUANITA TELLMAN 11607 WATERFORD RD LOUISVILLE KY 40291	11607 WATERFORD RD DEED-BK 4598 DEED-PG 523 TAX-DST TAX-BLK 65	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		

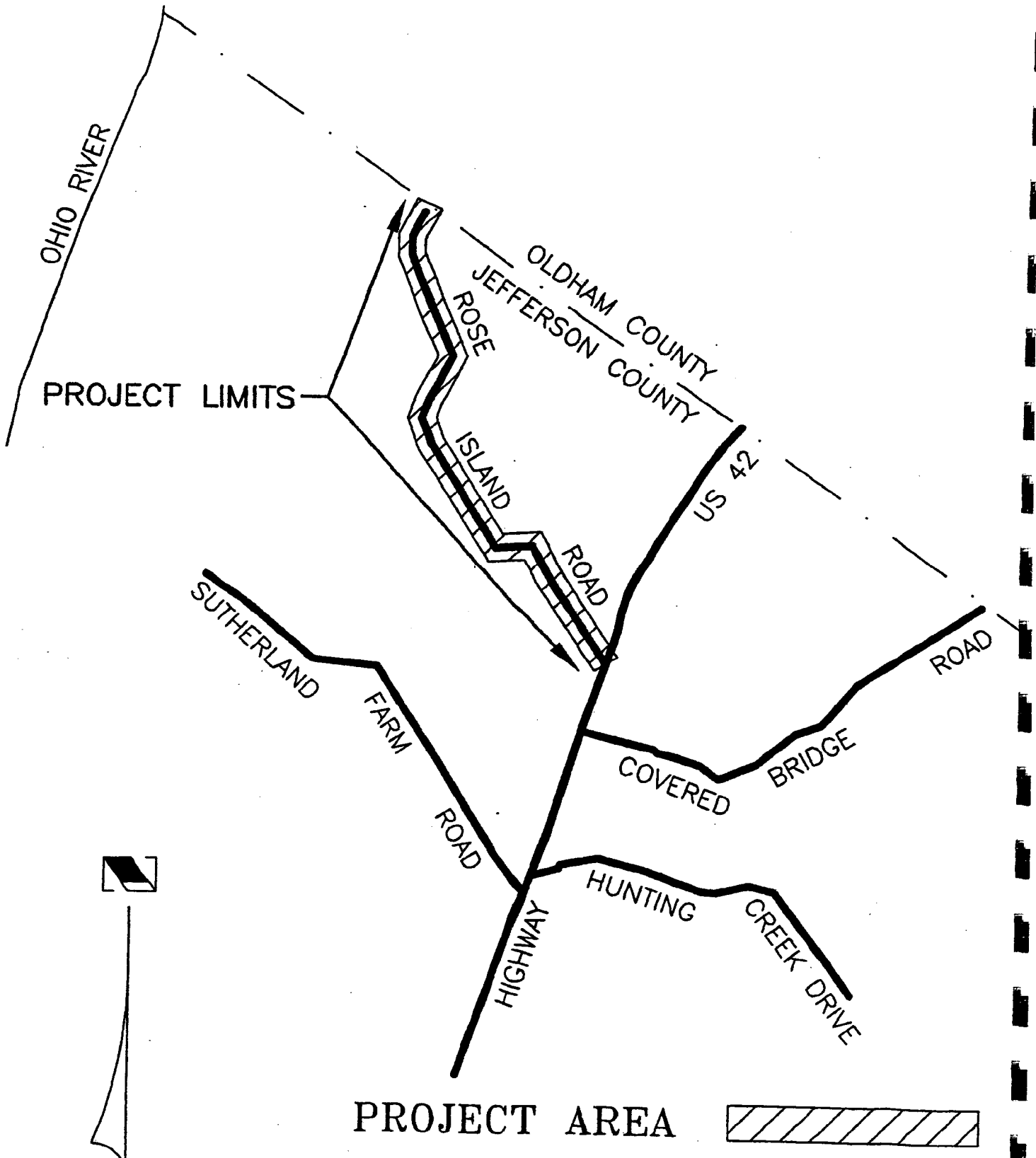
Exhibit "A"

**Board of Water Works
Resolution**

October 8, 2002

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Rose Island Road: US 42 to County Boundary**, a public way in Jefferson County, and acting thereon convened a public hearing on September 26, 2002, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Serving Customers and Business Development of the Company has recommended the extension of such water along **Rose Island Road: US 42 to County Boundary**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Rose Island Road: US 42 to County Boundary**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT LIMITS

OHIO RIVER

OLDHAM COUNTY
JEFFERSON COUNTY

ROSE
ISLAND
ROAD

US 42

SUTHERLAND
FARM
ROAD

ROAD

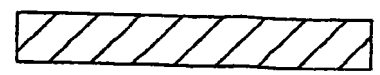
COVERED
BRIDGE

ROAD

HIGHWAY

HUNTING
CREEK
DRIVE

PROJECT AREA



FILE NAME: ROSE ISLAND ROAD

Published in the Sunday, September 15, 2002 edition of

The Courier Journal

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 9B.265, the Louisville Water Company will hold a public hearing for the property owners along Rose Island Rd: US 42 to county boundary (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Rose Island Rd: US 42 to county boundary.

This public hearing will be held on Thursday, September 26, 2002 at 6:00 p.m. at the Harrods Creek Fire Department, Station #1, 8905 US Hwy 42.

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.



PROJECT AREA

**OCTOBER 30, 2002 MINUTES
BOARD OF WATER WORKS
SPECIAL MEETING**

Board Members Present

Mr. Jack Segell
Mr. Stephen Gault
Mr. Stewart Conner
Mr. Owen Hammons
Mr. Phillip Bond
Ms. Wendy Welsh

Board Members Absent

Hon. David L. Armstrong

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Amber Halloran
Mr. Tony Gregory
Mr. Larry Lenahan

Mr. Huber called the meeting to order at 12:15 p.m.

He announced that there were three topics on the agenda. Those topics were: a request for approval of the 2003 Annual Budget; a request to approve an award of a contract to Solbourne for the Financial Information Systems; and a request for permission to purchase property.

SPECIAL ISSUES

A. Preliminary 2003 Annual Budget

The Budget is built around a 3.5% rate increase. The budget projects no increase water sales for 2003. The sales projection therefore is conservative.

Ms. Halloran provided additional detail regarding the 2003 budget. Net Income in 2003 is \$29,238,000.00 or 2.9% over the 2002 forecast. \$12,318,800.00 is the projected dividend to the City of Louisville. This is 1% higher than the 2002 dividend. Water sales for 2003 are projected at \$96,945,900.00. This is only .4% higher than 2002. Operating expenses are \$43,664,500.00 or 2.7% above the 2002 budget. Non-operating

expenses remain relatively unchanged for 2003. An additional \$300,000.00 will go to the Infrastructure Replacement Reserves.

Ms. Teasley provided additional detail regarding the 2003 Capital Budget. The 2003 Capital Budget is based upon the recent 2002 – 2012 Facilities Plan Review compiled by Black & Veatch. That is, all of the Black & Veatch recommendations have been incorporated into the capital budget. Significant capital budget items include an investment in advance treatment technology over twelve years. The twelve year amount is estimated at \$28.5 million. Other significant capital improvements include preservation and extension of infrastructure and supply delivery system improvements. Equipment tools, instrumentation and relocation expenses are also included in the ten year period amount.

For the 2003 budget, the net capital expense is \$54,033.667.00. The gross capital expense, which includes contributed capital from developers and government, is \$77,351,252.00.

Mr. Huber then presented a general overall budget document. He focused upon the ten year period Pro-Forma Income Statement. Over a ten year period, Louisville Water Company is considering a 3.5% rate increase per year. We are assuming a 9.07% return on equity over the ten year period. The debt service coverage during the next ten years will go from 4.35% to 2.86%. The 2.8% figure still exceeds the industry standard by approximately 1%. Mr. Miller led the Board in an examination of the ten year Financial Plan and Pro-Forma Balance Sheet. The next large borrowing for Louisville Water Company will be in 2006. The estimated borrowing in 2006 is \$67,000,000.00. The total amount of debt over the ten year period will increase by approximately \$5,000,000.00.

With the 2003 3.5% rate increase, the average residential water bill will increase from \$14.13 per month to \$14.62 per month. Mr. Huber stated that a water industry survey has reported the likelihood of a 6.5% increase in water rates per year given infrastructure and security needs.

After proper motion and second, the Board voted to adopt the proposed Budget Resolution authorizing a 3.5% rate increase for water service beginning January 1, 2003 and thereafter. The staff will now develop a rate schedule.

B. Recommendations for Award of Contracts for the Implementation of Project 01-489 Financial Information and Executive Decision Support System

Mr. Huber asked staff to present its recommendations for award of the Financial Information System Bid to Solbourne, for implementation and conversion services and to Oracle for system software. Mr. Miller, Ms. Halloran and Mr. Gregory presented the staff's recommendation.

Louisville Water Company has used its current financial reporting system since 1970. This system requires the devotion of five to eight working days per month to close. In

addition, detailed financial transaction data is not available for decision making by management due to the current data architecture.

Ms. Halloran reviewed the process by which staff selected Solbourne as the system implementer. Solbourne, the proposed awardee, was graded higher in all evaluated areas by the team.

After additional discussion, the Board decided to postpone a formal vote on award of the FINS contract until its November 12, 2002 meeting. In the interim period, staff will confer with Board members Philip Bond and Wendy Welsh in order to obtain their prospective.

CLOSED SESSION

After proper motion and second, the Board recessed to closed session for the purpose of discussing acquisition of property. The Board reconvened into open session without taking any action.

ADJOURN

The meeting was adjourned at 2:20 p.m.

RESOLUTION TO ADOPT 2003 ANNUAL BUDGET

RESOLVED, that rate schedules be developed and presented by staff for a 3.5% increase, effective for water service beginning January 1, 2003 and thereafter.

RESOLVED, that the Preliminary 2003 Operating Budget submitted by staff be adopted as the approved 2003 Operating Budget.

RESOLVED, that the Preliminary 2003 Capital Budget submitted by staff be adopted as the approved 2003 Capital Budget.

RESOLVED, in respect to the Louisville Water Company 2003 Capital Budget submitted to and approved by the Board of Water Works this day, that the Board hereby delegates to the President of Louisville Water Company, or his designee, the authority to:

1. Proceed to completion for those Projects in the 2003 Capital Budget (and prior year Capital Budgets) with an estimated cost of \$100,000 or less.
2. Proceed with advertisement and bid of Annual Allowance Projects in the 2003 Capital Budget with the stipulation that all contracts exceeding \$100,000 be submitted to the Board for approval.
3. Proceed with preliminary engineering for those Projects in the 2003 Capital Budget estimated to cost over \$100,000 with the stipulation that each item will be fully explained to the Board and approval obtained before proceeding with final design and solicitation of bids.
4. Proceed to authorize contract change orders on those Projects in the 2003 Capital Budget (or prior year Capital Budgets) with an estimated cost of \$100,000 or less where such change orders do not cause the total contract cost to exceed \$100,000.
5. Proceed to authorize contract change orders on those Projects in the 2003 Capital Budget (or prior year Capital Budgets) with an estimated cost of over \$100,000 where such change orders do not exceed 10% of the approved contract price or \$100,000 in change order costs.
6. Proceed to authorize contract change orders on those projects in the 2003 Capital Budget with an estimated cost of over \$100,000, where such change orders exceed 10% of the original contract price, and when a documented business necessity exists, and ratification of such action is sought at the next regularly scheduled Board meeting.

AND BE IT FURTHER RESOLVED, that all contract expenditures greater than \$100,000 must be submitted for approval to the Board of Water Works prior to award and execution of the contract.

**NOVEMBER 12, 2002 MINUTES
BOARD OF WATER WORKS
REGULAR MONTHLY MEETING**

Board Members Present

Mr. Jack Segell
Mr. Owen Hammons
Mr. Stephen Gault
Mr. Phillip Bond

Board Members Absent

Hon. David L. Armstrong
Mr. Stewart Conner
Ms. Wendy Welsh

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Jane Driskell, Deputy Mayor
Ms. Amber Halloran
Mr. Steve Hubbs
Ms. Kay Ball
Mr. Tony Gregory

Mr. Huber called the meeting to order at 12:45 p.m. He announced that Ms. Welsh and Mr. Conner would not be attending the meeting.

CONSENT AGENDA APPROVED

- ξ *Minutes of previous meetings*
- ξ *Claims paid during the previous month*
- ξ *Petitions and applications for water main extensions*
- ξ *Authorization for design and bid of projects under \$200,000*
- ξ *Bid tabulations for contracts under \$500,000*
- ξ *Listing for award of contracts less than \$100,000*

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ITEM A: MINUTES OF REGULAR MEETING HELD **OCTOBER 8, 2002**
REQUEST: APPROVE MINUTES

MINUTES OF SPECIAL MEETING HELD **OCTOBER 30, 2002**

ITEM B: CLAIMS PAID DURING **OCTOBER 2002**
REQUEST: FILE CLAIMS FOR FUTURE AUDIT.

ITEM C: PETITIONS AND APPLICATIONS FOR WATER MAIN EXTENSIONS AND RELOCATIONS
(WHEN IN FULL COMPLIANCE / SR&R)

PROJECT NO.	CONTRACT No.	DEVELOPER INSTALLED REFUNDING PROJECTS	TOTAL PROJECT COST	NET COST To LWC
01-097	G039M	PARK DUVALLE PHASE 3B-1	\$72,610.00	
02-041	F991M	GLENMARY EAST 3 PHASE A	\$85,250.00	
02-072	G036M	WOODMONT SECTION 5	\$101,920.00	\$2,100.00
02-075	G038M	WILLOW COVE	\$110,070.00	\$7,300.00
02-077	F992M	QUILLMAN DRIVE	\$29,810.00	\$850.00
02-085	F990M	THOMASON COURT LOTS 1 & 2	\$13,640.00	
02-088	F993M	BILLTOWN FARMS SECTION 2	\$116,240.00	\$17,000.00
02-092	F994M	LOCUST CREEK SECTION 2B	\$112,840.00	\$9,000.00
02-093	G035M	SHEPHERDS GLENN	\$152,660.00	
02-096	G037M	THE BRIDGES OF RAZOR CREEK	\$63,820.00	
02-101	G040M	PLEASANT VIEW PHASE 3	\$48,050.00	

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APPORTIONMENT WARRANT K.R.S. 96.265 PETITION	TOTAL PROJECT COST	NET COST To LWC
PRIVATE ROAD (SEGMENT 396): BROAD RUN RD TO EAST 1,750 FT	\$59,500.00	

BULLITT COUNTY EXTENSION PROJECT	TOTAL PROJECT COST	NET COST To LWC
PROJECT NO:		
02-317 COUNTRY LANE	\$45,500.00	

DEVELOPER RELOCATION PROJECTS

02-442 WALMART SUPERCENTER AT OUTERLOOP	\$90,800.00	
02-496 GRADE LANE WATER FACILITIES RELOCATION	\$160,000.00	

ITEM D: AUTHORIZATION FOR DESIGN AND BID OF PROJECTS (ESTIMATED TO COST LESS THAN \$200,000)

ITEM E: BID TABULATIONS (AWARD OF CONTRACTS LESS THAN \$500,000 HAVING AT LEAST 3 BIDDERS AND NOT MORE THAN 5% OVER BUDGET IF THERE ARE NO BID INFORMALITIES AND THE LOWEST PRICE RECEIVED IS FROM A QUALIFIED BIDDER AND THAT THE SECOND BIDDER IS WITHIN 10% OF THE LOW BID).

ITEM F: AWARD OF CONTRACTS LESS THAN \$100,000.00

PROJECT NO.	CAPITAL PROGRAM		
01-743	PRELIMINARY ENGINEERING DESIGN CONTRACT GENE SNYDER CORIDOR TRANSMISSION MAIN TETRA TECH	\$22,950.00	
02-ELEV01-B	INSPECTION, MAINTENANCE & REPAIR OF ELEVATORS AT LOUISVILLE WATER COMPANY	\$25,489.00	

PROCUREMENT OF GOODS AND SERVICES

PROJECT NO.	PROJECT NAME	TOTAL PROJECT COST	NET COST To LWC
02-40	STAINLESS STEEL TAPPING SERVICES VIKING SUPPLY INC.	\$38,623.00	
02-50	WATER BILL ENVELOPES WOLF DETROIT ENVELOPE COMPANY	\$88,650.00	

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REPORT OF OFFICERS

Administrative Report

Mr. Huber stated the company received a \$108K Grant from EPA to perform a vulnerability assessment. It must be completed by 2003. Recently certain staff attended training regarding the development of vulnerability assessments.

Financial Report

Mr. Miller presented the Income and Expense Summary for October 2002:

- 1) Total operating revenue of \$82,640,800 is \$3,317,000 or 4.18% more than budgeted and \$4,920,000 or 6.33% more than the same period in 2001.
- 2) Operation and maintenance expense of \$32,321,500 is \$359,000 or 1.02% less than budgeted and \$2,352,800 or 7.27% more than 2001.
- 3) Operating deductions of \$54,053,700 are \$1,072,700 or 1.95% less than budgeted and \$2,914,700 or 5.69% more than 2001.
- 4) Net operating income of \$28,587,100 is \$4,389,700 or 18.14% more than budgeted.
- 5) Net income of \$25,324,100 is \$3,363,000 or 15.31% more than budgeted and \$322,400 or 1.26% less than 2001.

Operations Report

Mr. Heitzman presented the Operations Report for October 2002.

Production - The water production in October of 123.1 MGD was slightly lower (1.4%) than October 2001 production due to the heavy rainfall for the month.

Water Quality - The water quality in the distribution system continued to exceed the 95 percent goals for turbidity, chlorine, and bacteria during the month of October.

The taste & odor (T&O) event we experienced in September lasted to early October with a MIB concentration in the river water between 10 and 20 parts per trillion (ppt).

Goshen Utilities Operation - In October, staff completed electrical upgrades at the well pump house and improved the safety for operations. There were no water supply interruptions in Goshen system in October.

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Sanitary Survey – The Kentucky Division of Water completed the Sanitary Survey of our production facilities in June and delivered a report of recommendations on October 21. The report states there the inspection revealed no deficiencies or violations. This Sanitary Survey is required as part of the Interim Enhanced Surface Water Treatment Rule that became effective January 1, 2002.

Distribution System – Staff is in the process of preparing for a possible winter emergency. This Plan is developed to define the management accountabilities for operational response, and also to ensure that there will be sufficient resources (personnel, equipment and materials) to deal with a potential emergency.

B.E. Payne Plant Improvement Project – The Company is scheduled to open bids on November 20, for the upgrade to the BE Payne Plant. A pre-bid meeting was held on October 30, with over 12 potential bidders in attendance. A subcontractor partnering session was also held, with over 15 Minority and Women subcontractors in attendance. This project will be bid using a weighted evaluation method, including criteria for price, completion time, and minority/women subcontract utilization. The bid results will be reported to the Board in December with an expected contract award.

Landscape Award – The Louisville Water Company received a second place Landscape Award from the Louisville Beautification League for the landscaping and maintenance of the Third Street Corporate Office complex.

Serving Customers Report

Ms. Teasley presented the Serving Customers Report.

Performance Measures – The October 2002 abandonment rate was 5.7%, an increase from the previous month's abandonment rate of 3.7%. Call volume for October was up 22% from last month, with 35,029 calls received versus 28,603 calls in September. Likewise we received 6,388 or 22% more calls in October 2002 than in October 2001. We attribute the increased calls to greater than normal high bill inquiries due to the drought, and the newly available options to pay by credit card through the Call Center.

Debit/Credit Card Payments – In the months of August and September, we processed 591 debit/credit card transactions for a total of \$70,205.25. The total card transaction fees were \$712.00. The estimated card usage for October was 2,500 transactions, totaling payments of \$252,000.

Also during 2003 we plan to implement our Integrated Web Response (IWR) system. The IWR system will provide customers with internet access to the same information and payment options available through our automated phone system.

City of Shepherdsville – The current goal is to finalize the asset acquisition agreement and close on the purchase of the system by November 15, 2002. This schedule anticipates that LWC will handle meter reading and billing for the November billing cycle.

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Oldham County Advisory Board – The Oldham County Water District #1 Advisory Board met October 22, 2002 to review the status of the Oldham County capital improvement and main extension programs and the status of funds in the Oldham County Reserve. Total funding of \$245,505 remains in the reserve with an estimated \$116,000 of this total committed to main extension projects. Following completion of these projects, \$130,000 is projected to remain in the Reserve Fund. Based on staff recommendations, two new projects were approved by the Advisory Board, Highway 22 Main Improvements and Old Floydensburg Road Main Improvements, to replace sections of these water mains experiencing high break frequencies. The estimated cost of \$194,000 for these projects will be funded by the Oldham County Reserve, with the difference to be funded by LWC's capital improvement program for main replacement and rehabilitation (MRRP).

Bullitt County Advisory Board – The Bullitt County Advisory Board met on October 24, 2002 to review results through the 3rd quarter. Staff provided financial information regarding the status of the Bullitt County Water Reserve (BCW Reserve) as well as the status of the capital projects completed and underway under the Bullitt County Water Improvement Program (BCWIP). Since total expenditures related to the BCWIP exceed the total contributions to BCW Reserve to date, LWC is loaning bridge funding as expected.

LITIGATION REPORT

After proper motion and second, the Board adjourned to closed session for the purpose of discussing litigation and acquisition of property. Ms. Douglas gave a litigation report in closed session. The Board reconvened in open session without taking any action.

REPORT OF COMMITTEES

Mr. Huber announced that the Compensation Committee report would be held in abeyance until the December 2002 meeting, given Mr. Connor's absence.

SPECIAL ISSUES

Mr. Gregory and Ms. Halloran presented a recommendation for award of contracts for the implementation of Project 01-489: Financial Information and Executive Decision Support System. This matter was first discussed at the October 2002 board meeting. Mr. Huber reported that Ms. Welsh worked with staff after the October meeting posing a series of questions which staff answered.

The Board approved award of contract to Oracle Corporation in the amount of \$525,192 for the Financial Information System software modules and computer applications, and to Solbourne in the amount of \$1,770,350 for implementation and consulting services for Project 01-489: Financial Decision Support and Executive Support System.

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Based on Ms. Welsh's recommendation, staff will contact BOSS Corporation for project monitoring Q & A service to make sure the project is on track. This will be funded from the O & M Budget approved at the October 2002 meeting.

After proper motion and second, the Board of Water Works authorized staff to proceed with acquisition of the financial information system and to award a contract to Oracle in the amount of \$525,192.00 for software modules/computer applications and Solbourne in the amount of \$1,770,350.00 for implementation and counseling services.

OLD BUSINESS

Mr. Huber requested that the Board move to one of the Old Business items up in the Agenda.

Mr. Ball and Mr. Hubbs reported on Project 99-402 Riverbank Infiltration Phase II. On March 14, 2000, the Board of Water Works approved a Professional Service Contract with JJ&G for a not-to-exceed amount of \$1,188,000 for design and construction services for Phase II of the Riverbank Filtration project and authorized Task I (\$199,200) of the contract for preliminary design. In August 2000, the Board authorized proceeding through Task II (\$488,000) and Task III (\$35,600) of this contract to the preparation of final plans and specifications.

On March 12, 2002 the Board authorized staff to increase the professional services budget reservation to \$1,622,500 and authorize JJ&G Engineers to proceed with Task I in the amount of \$633,700. The increase reflected a change in design concept to a solid rock tunnel and vertical well concept. The additional tunnel length, the discovery of natural gas, and property investigation has resulted in additional work anticipated at \$100,000 for Task I and \$588,000 for the remaining tasks. These changes bring the proposed budget reservation to \$2,310,00 for design services, summarized as follows:

Original Budget Reservation for Engineering Services	\$1,188,000
Revised Budget Reservation (3/12/2002)	\$1,622,500
Requested Increase (11/12/2002)	\$ 688,000
Proposed Budget Reservation for Engineering Services	\$2,310,500

After proper motion and second, the Board of Water Works established a new budget reservation for design services at \$2,310,500 and authorize JJ&G to complete Tasks I, II and III for a not-to-exceed price \$1,582,300. This authorization will also increase the project budget from \$31.0 million to \$32.8 million. Any significant changes in costs or schedule will be brought before the Board for approval prior to bidding. A project budget summary is attached for review.

BID TABULATIONS

Ms. Teasley presented the following Bid Tabulations:

Project or Bid No.: 02-519: Log Cabin Lane Area-Main Replacement Project.

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Bids were received and opened Wednesday, October 2, 2002 to install 1,730 LF of new 6-inch and 8-inch ductile iron water main using traditional trenching techniques, and supply and install 2,710 LF of new 6-inch HDPE water main using static main bursting techniques in the Log Cabin Lane Area of Anchorage.

A total of 4 bids were received and opened from pre-qualified contractors. Southern Pipeline Construction Company submitted the lowest responsive bid in the amount of \$242,000 resulting in a total project cost of \$305,400.

After proper motion and second, the Board of Water Works voted to authorized the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$242,000 to Southern Pipeline Construction Company to install the water facilities associated with this project.

**Project or Bid No.: 02-314 Valley View Drive and Partridge Road
Bullitt County Extension Program (BCEP) – Public Road Petition Main**

Bids were received and opened Wednesday, October 2, 2002 to furnish and install 5,900 linear feet of 8-inch water main along Valley View Drive and Partridge Run Road; bore and install 80 L. F. of 8-inch ductile iron pipe in 70 L. F. of steel casing pipe and; install five (5) fire hydrants.

A total of 8 bids were received and opened from pre-qualified contractors. Tom Brown Construction Company submitted the lowest responsive bid in the amount of \$112,825.

After proper motion and second, the Board of Water Works authorized the Vice President of Serving Customers & Business Development to award a contract in the amount of \$ 112,825 to Tom Brown Construction Company to install the water facilities associated with this project.

Mr. Heitzman presented the following Bid Tabulations:

Project or Bid No.: 02-649 HVAC Improvements for Administration Area at B.E. Payne Water Treatment Plant

Bids were received Wednesday, October 23 for replacement of the HVAC system at B.E. Payne Plant that serves the administrative and personnel facilities. The present unit dates from the original 1977 construction of the treatment plant.

Seven bids were received ranging \$133,460 - \$249,000.

After proper motion and second, the Board of Water Works authorized the Chief Engineer to award a contract in the amount of \$133,460 to Larry's Heating and Air Conditioning Service, Inc. for improvements to the HVAC system at B.E. Payne Water Treatment Plant.

Mr. Miller presented the following Bid Tabulations:

Bid No.: 02-55/Fire Hydrant Locking Devices – Competitive Negotiation

On October 23, 2002, proposals were opened to award a two-year contract for fire hydrant locking devices. Locking devices on the hydrant operating nut renders the hydrant inoperable

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except by means of a specialized wrench.

A total of three proposals were submitted with the lowest, most responsive proposal from McGard Special Products for an estimated two-year total of \$193,762.

After proper motion and second, the Board of Water Works authorized staff to award a two-year contract totaling an estimated \$193,762 to McGard Special Products.

This is the first time the Louisville Water Company has purchased this device.

Bid Number/Title: 02-40/Stainless Steel Tapping Sleeves

On October 23, 2002, bids were opened to award a one-year contract for tapping sleeves. Tapping sleeves are used to make extension taps on existing mains.

Nine bids were submitted with the lowest, most responsive bids from Viking Supply and Hughes Supply. This bid represents a 7.4% increase from our prior bid pricing.

After proper motion and second, the Board of Water Works authorized staff to award a one-year contract as follows:

Hughes Supply	\$135,253
Viking Supply	<u>\$ 38,623</u>
Total	\$173,876

This product was last bid five years ago.

OLD BUSINESS (continued)

Ms. Teasley presented the following Old Business items:

Acceptance of Water Extension Project and Referral to Louisville City Council Pursuant to KRS 96.265- Rollington Road: Oak Forest Road to North 900 ft

An Apportionment Warrant public hearing was held for Rollington Road: Oak Forest Road to North 900 ft. The public hearing was held in response to receipt of a majority petition for this public road project.

Following the formal presentation, an opportunity was provided for residents to ask questions and state their position with respect to their project.

After proper motion and second, the Board of Water Works decided that the subject project meets guidelines and determined that the project was feasible and beneficial in accordance with K.R.S. 96.265, thus the Board of Water Works referred this project to Louisville/Jefferson County Metro Council for consideration. Upon approval by Louisville/Jefferson County Metro Council and adoption of the ordinance required by K.R.S. 96.265, the Company will proceed to final design and advertisement for bid on this project.

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Acceptance of Water Extension Project and Referral to Louisville City Council Pursuant to KRS 96.265: Vista Hills Blvd: Bardstown Road to End

An Apportionment Warrant public hearing was held for Vista Hills Blvd: Bardstown Road to End. The public hearing was held in response to receipt of a majority petition for this public road project. The public hearing was structured to provide a brief background on the County-wide Water Extension Program, as well as address specific details of the project and process by which water mains will be extended using Apportionment Warrants as prescribed in KRS 96.265.

After proper motion and second, the Board of Water Works decided that the subject project meets guidelines and determined that the subject project was feasible and beneficial in accordance with K.R.S. 96.265, thus the Board of Water Works referred this project to Louisville/Jefferson County Metro Council for its consideration. Upon approval by Metro Council and adoption of the ordinance required by K.R.S. 96.265 the Company will proceed to final design and advertisement for bid on this project.

Amendment of Apportionment Warrant Register-Taylorsville Rd: Highway 148 to Highway 155

The Board approved a resolution for the issuance of Apportionment Warrants for Taylorsville Rd: Highway 148 to Highway 155 at its November 14, 2000 meeting in accordance with KRS 96.265. The Board amended the Apportionment Warrant Register for Taylorsville Rd: Highway 148 to Highway 155 on July 9, 2002.

With the issuance of Apportionment Warrants for the aforementioned project, liens were placed on properties with roadway frontage on the newly installed water main, including property known as Tax Block 55 Lot 68. Staff was alerted by a customer call that a property transfer occurred between Dunbar Springs, LLC and William and Sharon Knight on March 31, 2000 for Tax Block 55 Lot 68.

After proper motion and second, the Board of Water Works voted to adopt the amended resolution; thereby, revising the ownership information for Tax Block 55 Lot 68 for the Apportionment Warrant Register adopted by the Board of Water Works on May 14, 2002 in accordance with KRS. 96.265.

Mr. Heitzman presented the following Old Business items:

Project No.: 01-745: KY Hwy 1020 16" Transmission Main

Authorization was received from the Board in December 2001 to advertise and bid the referenced project. The project proposed is to install 8,350 feet of 16" water main in KY HWY 1020 between North Lakeview Drive and Brooks Hill Road.

Rock quantities were estimated after soundings were performed by the consultant and based on \$125/cubic yard. A total of 16 easements were needed when the final alignment determined and actual costs for the purchases are estimated at \$25,000. Final alignment dictated the necessity for two 30" bores, estimated at \$350/ft.

The Louisville Water Company will not pursue an alternate bid.

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The project was part of the KT merger agreement and will be financed through depreciation funds as outlined in the Bullitt County I-65 Transmission Main System projects.

After proper motion and second, the Board of Water Works voted to increase funding to the amount of \$746,127 and proceed to advertisement for bids.

Project No.: 98-607 – Chamberlain Lane Booster Pump Station Change Action

The March 2000 Board awarded a contract for procurement of the Chamberlain Lane booster pump station to Dakota Pump, Inc. in the amount of \$191,900. During fabrication, the manufacturer was requested to install additional equipment and instrumentation.

At the time of bid in March 2000, the easement site for the pump station had not been finalized. As a result, flow metering, originally conceived to be external to the station, was not incorporated into station design. Final easement negotiation with Kentucky Ford Truck Plant produced a site which required flow metering be included within the station capsule. This required equipment to measure and transmit flow information to be added to the project scope. In addition, trolley and hoist equipment utilized for future maintenance of station equipment was added.

The cost for the additional labor and materials is \$27,260, resulting in a final contract value of \$219,160, an increase of 14 percent.

After proper motion and second, the Board of Water Works voted to increase the value of contract E693 with Dakota Pump, Inc. from \$191,900 to \$219,160.

NEW BUSINESS

Mr. Heitzman presented the following New Business item:

Project No.: 02-402: Overhaul Pump Unit #7 at Crescent Hill Pump Station

Proposed under the 2002 Capital Budget are funds to overhaul Pump Unit #7 at Crescent Hill Pump Station.

Pump Unit #7 is a 35-million gallon per day capacity unit, utilized to pump potable water to meet system demand and provide pumping operations reliability. The overhaul was originally budgeted for rewind of the motor and rebuild of the pump for \$200,000. During preliminary engineering it was determined the suction valve used to isolate the pump is inoperable. The additional material and labor costs for valve replacement will require an additional \$35,000, an increase of 17.5 percent.

After proper motion and second, the Board of Water Works voted to authorize staff to proceed with engineering design and advertisement for bid for the subject project, and to increase the project budget from \$200,000 to \$235,000.

The meeting adjourned at 2:12 p.m.

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**Project 99-402 Riverbank Filtration Phase II
Proposed Adjustment to Budget Reservation and Engineering Contract with JJG Engineers**

Engineering Tasks	Original Budget Reservation (3/14/2000)	Approved Budget Reservation (3/12/02)	Proposed Budget Reservation (11/12/02)
Task I: Project Definition	\$ 199,200.00	\$ 633,700.00	\$ 733,700.00
Task II: Detailed Design	\$ 488,000.00	\$ 783,000.00	\$ 813,000.00
Task III: Bidding Assistance	\$ 35,600.00	\$ 35,600.00	\$ 35,600.00
Task IV: Construction Services	\$ 465,200.00	\$ 728,200.00	\$ 728,200.00
Total Budget Reservation	\$ 1,188,000.00	\$ 2,180,500.00	\$ 2,310,500.00
Amount Authorized	\$ 1,188,000.00	\$ 1,622,500.00	

** Highlighted cells indicate BOWW authorization granted to proceed

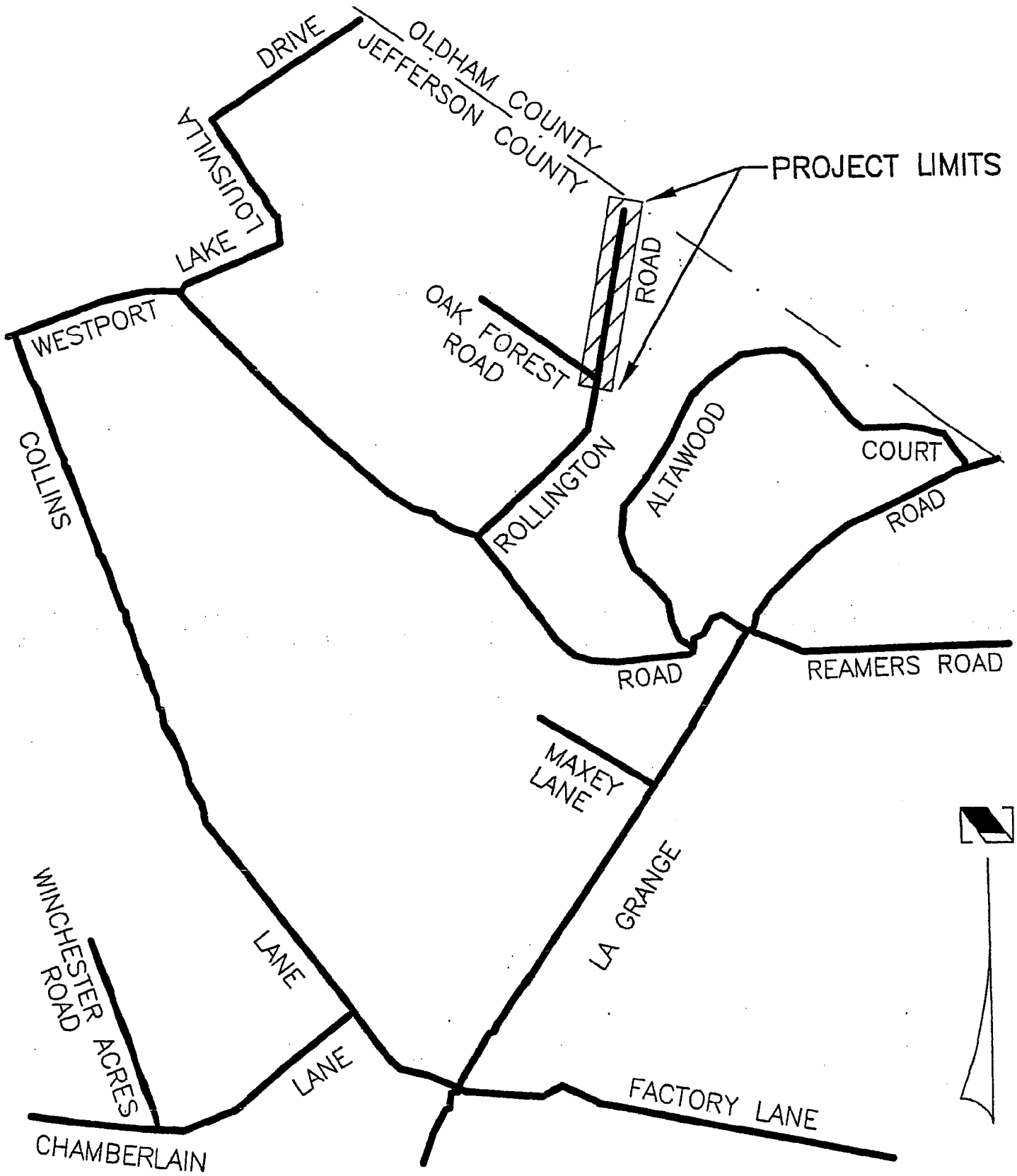
Original Contract (3/14/00)	\$ 1,188,000.00
Approved Contract to Date (3/12/02)	\$ 1,622,500.00
Requested Change to Contract (11/12/02)	\$ 688,000.00
Proposed Budget Reservation	\$ 2,310,500.00
Proposed Project Budget Estimate (3/12/02)	\$ 31,000,000.00
Revised Project Budget Estimate (11/12/02)	\$ 32,800,000.00

**Board of Water Works
Resolution**

November 12, 2002

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Rollington Road: Oak Forest Road to North 900 ft**, a public way in Jefferson County, and acting thereon convened a public hearing on October 1, 2002, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Serving Customers and Business Development of the Company has recommended the extension of such water along **Rollington Road: Oak Forest Road to North 900 ft**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Rollington Road: Oak Forest Road to North 900 ft**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Louisville/Jefferson County Metro Council, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



FILE NAME: ROLLINGTON ROAD

Published in the Sunday, September 22, 2002 edition of

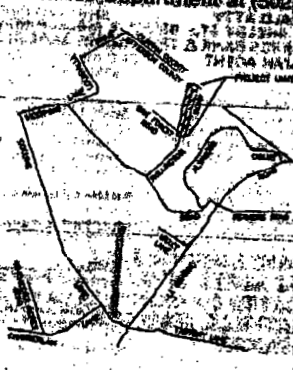
The Courier Journal

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to RS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Rollington Road: Oak Forest Road to County Boundary (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Rollington Road: Oak Forest Road to County Boundary.

This public hearing will be held on Tuesday, October 1, 2002 at 9:00 a.m. at the Louisville Water Company, 550 S. 3rd Street.

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 583-3600.



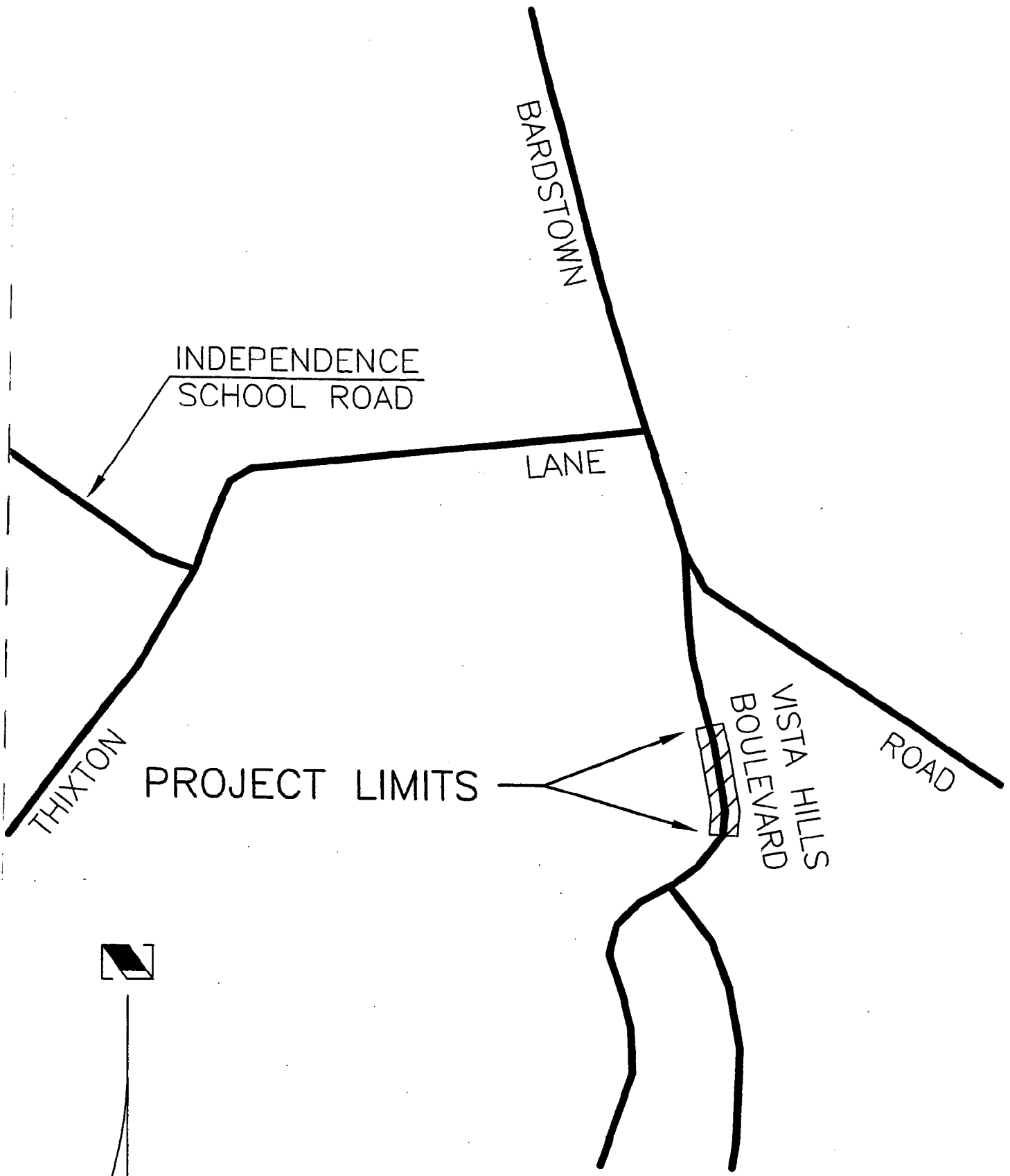
PROJECT AREA

**Board of Water Works
Resolution**

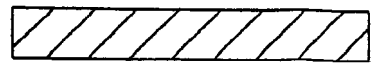
November 12, 2002

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Vista Hills Blvd: Bardstown Road to End**, a public way in Jefferson County, and acting thereon convened a public hearing on September 24, 2002, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Serving Customers and Business Development of the Company has recommended the extension of such water along **Vista Hills Blvd: Bardstown Road to End**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Vista Hills Blvd: Bardstown Road to End**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Louisville/Jefferson County Metro Council, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.



PROJECT AREA



FILE NAME: VISTA HILLS BLVD.

Published in the Sunday, September 15, 2002 edition of

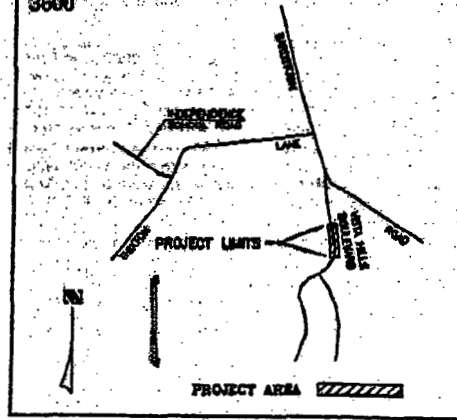
The Courier Journal

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 96.265, the Louisville Water Company will hold a public hearing for the property owners along Vista Hills Blvd. Bardstown Road to end (as shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Vista Hills Blvd. Bardstown Road to End.

This public hearing will be held on Tuesday, September 24, 2002 at 6:00 p.m. at the Fern Creek Fire Protection District, Station #2, 9409 Bardstown Road.

Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.



ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0796722	AMERICAN TOWER MANAGEMENT INC C/O NORTHEAST REGION P O BOX 724318 ATLANTA GA 31139	TAYLORSVILLE ROAD DEED-BK 7475 DEED-PG 111 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 143 LOT-NO. 37		
		TAYLORSVILLE ROAD DEED-BK 7475 DEED-PG 111 TAX-DST TAX-BLK 49	LOT-NO. 55		
0796740	MICHAEL K BENNETT 16101 TAYLORSVILLE ROAD FISHERVILLE KY 40023-8794	TAYLORSVILLE ROAD DEED-BK 5152 DEED-PG 876 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 143 LOT-NO. 40	00/0000	RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 311
		16101 TAYLORSVILLE ROAD DEED-BK 5152 DEED-PG 876 TAX-DST TAX-BLK 49	LOT-NO. 39		
0796756	JOHN K. & PATRICIA BLOCK 17014 TAYLORSVILLE ROAD FISHERVILLE KY 40023	17014 TAYLORSVILLE ROAD DEED-BK 4820 DEED-PG 428 TAX-DST TAX-BLK 54	5,450.00 LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 143 LOT-NO. 37	00/0000	RELS-DT 04/18/2001 RELS-BK 635 RELS-PG 684
0830292	JAMES & JULIA BRADLEY 15901 TAYLORSVILLE ROAD FISHERVILLE KY 40023	15901 TAYLORSVILLE ROAD DEED-BK 5328 DEED-PG 880 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT 08/16/2001 LIEN-BK 648 LIEN-PG 856 LOT-NO. 60		
0796897	ROBERT & DALARNA BRETZ 16323 TAYLORSVILLE RD FISHERVILLE KY 40023-8796	16323 TAYLORSVILLE ROAD DEED-BK 5639 DEED-PG 276 TAX-DST TAX-BLK 49	5,450.00 LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 144 LOT-NO. 30	00/0000	RELS-DT 04/18/2001 RELS-BK 635 RELS-PG 684
0796909	JAMES & URSULA DEPPEN 16701 TAYLORSVILLE ROAD FISHERVILLE KY 40023	TAYLORSVILLE ROAD DEED-BK 4239 DEED-PG 2 TAX-DST TAX-BLK 54	5,450.00 LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 144 LOT-NO. 181		RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 312
		TAYLORSVILLE ROAD DEED-BK 4239 DEED-PG 2 TAX-DST TAX-BLK 54	LOT-NO. 182		

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Exhibit "A"

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0796909	JAMES & URSULA DEPPEN (CONTINUED)	TAYLORSVILLE ROAD DEED-BK 4239 DEED-PG 2 TAX-DST TAX-BLK 54	LOT-NO. 183		
0796911	DUNBAR SPRINGS LLC 306 MIDDLETOWN PARK PL. UNIT C (PAID-UP) LOUISVILLE KY 40243	TAYLORSVILLE ROAD DEED-BK 7019 DEED-PG 689 TAX-DST TAX-BLK 55	LOT-NO. 68	5,450.00	00/0000
0845175	DUNBAR SPRINGS LLC 306 MIDDLETOWN PARK PL. UNIT C LOUISVILLE KY 40243	TAYLORSVILLE ROAD DEED-BK 7019 DEED-PG 689 TAX-DST TAX-BLK 55	LOT-NO. 68	5,450.00	01/05/2001 LIEN-DT LIEN-BK 625 LIEN-PG 144
0796914	LARRY GABBERT 16418 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16418 TAYLORSVILLE ROAD DEED-BK 7041 DEED-PG 677 TAX-DST TAX-BLK 49	LOT-NO. 48	5,450.00	01/05/2001 LIEN-DT LIEN-BK 625 LIEN-PG 144
0796915	JOHN M. & JOYCE GADDIE 17300 TAYLORSVILLE ROAD FISHERVILLE KY 40023	17220 TAYLORSVILLE RD DEED-BK 7373 DEED-PG 812 TAX-DST TAX-BLK 54	LOT-NO. 180	5,450.00	01/05/2001 LIEN-DT LIEN-BK 625 LIEN-PG 144
		17300 TAYLORSVILLE ROAD DEED-BK 4960 DEED-PG 766 TAX-DST TAX-BLK 54	LOT-NO. 116		
0796946	STEPHEN & JANICE GREGG 15903 TAYLORSVILLE ROAD FISHERVILLE KY 40023	15903 TAYLORSVILLE ROAD DEED-BK 4617 DEED-PG 457 TAX-DST TAX-BLK 49	LOT-NO. 45	5,450.00	01/05/2001 LIEN-DT LIEN-BK 625 LIEN-PG 145
0796948	WILLARD & JOAN HESTER (PAID-UP) PO BOX 177 FISHERVILLE KY 40023	TAYLORSVILLE ROAD DEED-BK 5114 DEED-PG 766 TAX-DST TAX-BLK 54	LOT-NO. 175	5,450.00	03/2002 01/05/2001 LIEN-DT LIEN-BK 625 LIEN-PG 145
0862800	WILLIAM & KIMBERLY HESTER (PAID-UP) 17100 TAYLORSVILLE RD FISHERVILLE KY 40023-8779	17100 TAYLORSVILLE RD DEED-BK 7123 DEED-PG 953 TAX-DST TAX-BLK 54	LOT-NO. 173	5,450.00	00/0000

Y	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
1	0796955 SHARON HOFFMAN C/O WILLIAM B. HOFFMAN (PAID-UP) 16601 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16507 TAYLORSVILLE ROAD DEED-BK 7163 DEED-PG 993 TAX-DST TAX-BLK 49	5,450.00 01/05/2001 625 146 50	02/2002 RELS-DT 04/15/2002 RELS-BK 676 RELS-PG 932
2		16601 TAYLORSVILLE ROAD DEED-BK 7163 DEED-PG 993 TAX-DST TAX-BLK 49	LOT-NO. 65	
3		TAYLORSVILLE ROAD DEED-BK 7163 DEED-PG 993 TAX-DST TAX-BLK 55	LOT-NO. 70	
4	0797368 HARRELL & CAROL HURST (PAID-UP) 15905 TAYLORSVILLE RD FISHERVILLE KY 40023	15905 TAYLORSVILLE ROAD DEED-BK 5037 DEED-PG 563 TAX-DST TAX-BLK 49	5,450.00 01/05/2001 625 146 44	00/0000 RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 312
5		15907 TAYLORSVILLE ROAD DEED-BK 5037 DEED-PG 563 TAX-DST TAX-BLK 49	LOT-NO. 43	
6	0797369 HARRELL & CAROL HURST (PAID-UP) 15905 TAYLORSVILLE ROAD FISHERVILLE KY 40023	16200 TAYLORSVILLE ROAD DEED-BK 6150 DEED-PG 846 TAX-DST TAX-BLK 49	5,450.00 01/05/2001 625 146 34	00/0000 RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 312
7		TAYLORSVILLE ROAD DEED-BK 6992 DEED-PG 731 TAX-DST TAX-BLK 54	5,450.00 01/05/2001 625 146 166	07/2001 RELS-DT 08/01/2001 RELS-BK 647 RELS-PG 507
8	0797370 JAMES E. & DONNA B. JONES (PAID-UP) 16625 TAYLORSVILLE RD FISHERVILLE KY 40023	16429 TAYLORSVILLE ROAD DEED-BK 7209 DEED-PG 910 TAX-DST TAX-BLK 3525	5,450.00 01/05/2001 625 146 39	
9		16431 TAYLORSVILLE ROAD DEED-BK 6782 DEED-PG 46 TAX-DST TAX-BLK 49	LOT-NO. 17	
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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797373	JOHN & MIYO LITTLE	16103 TAYLORSVILLE ROAD	5,450.00	11/2000	
(PAID-UP)	16103 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 6321 DEED-PG 748 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 146 LOT-NO. 64		RELS-DT 04/18/2001 RELS-BK 635 RELS-PG 684
0797393	JAMES & HELENE MARKS	16104 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	16104 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 6180 DEED-PG 744 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 147 LOT-NO. 87		RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 312
		COMMENT \$5450 TP DUE ON THIS PARCEL			
0797386	JOHN P. & RHONDA JO MARKS	15908 TAYLORSVILLE ROAD	5,450.00		
	15908 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 6473 DEED-PG 248 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 147 LOT-NO. 95		
0797379	IRVIN & BERNICE MARRILLIA	16442 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	12607 TAYLORSVILLE ROAD LOUISVILLE KY 40299	DEED-BK 6389 DEED-PG 170 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 146 LOT-NO. 84		RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 312
0797445	MARK & LISA MCGILL	16422 TAYLORSVILLE ROAD	5,450.00	01/2001	
(PAID-UP)	16422 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 6669 DEED-PG 177 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 147 LOT-NO. 53		RELS-DT 04/18/2001 RELS-BK 635 RELS-PG 684
		TAYLORSVILLE ROAD DEED-BK 6669 DEED-PG 177 TAX-DST TAX-BLK 49	LOT-NO. 102		
0797448	DEBORAH H OWEN	17317 TAYLORSVILLE ROAD	5,450.00	05/2001	
(PAID-UP)	17317 TAYLORSVILLE RD FISHERVILLE KY 40023	DEED-BK 6784 DEED-PG 423 TAX-DST TAX-BLK 55	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 147 LOT-NO. 35		RELS-DT 08/01/2001 RELS-BK 647 RELS-PG 507
0797453	DANIEL L. & JULIE M PATTERSON	16420 TAYLORSVILLE ROAD	5,450.00	02/2002	
(PAID-UP)	16420 TAYLORSVILLE RD FISHERVILLE KY 40023	DEED-BK 6184 DEED-PG 381 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 147 LOT-NO. 52		RELS-DT 03/28/2002 RELS-BK 674 RELS-PG 921

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797460	THOMAS & VALINDA PETRI	16730 TAYLORSVILLE ROAD	5,450.00		
	16730 TAYLORSVILLE ROAD	DEED-BK 6189	LIEN-DT 01/05/2001		
	FISHERVILLE KY	DEED-PG 743	LIEN-BK 625		
	40023	TAX-DST	LIEN-PG 147		
		TAX-BLK 54	LOT-NO. 87		
0797462	MARGARET ROBERTSON	16219 TAYLORSVILLE ROAD	5,450.00	00/0000	
	16219 TAYLORSVILLE ROAD	DEED-BK 5159	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
(PAID-UP)	FISHERVILLE KY	DEED-PG 657	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 148		RELS-PG 313
		TAX-BLK 49	LOT-NO. 70		
		COMMENT CONTINUOUS W/ 49/71			
		16219 TAYLORSVILLE ROAD			
		DEED-BK 5127			
		DEED-PG 523			
		TAX-DST			
		TAX-BLK 49	LOT-NO. 71		
0797466	FR. FRANK O. & IMOGEN SCHODLER	TAYLORSVILLE ROAD	5,450.00	00/0000	
	17301 TAYLORSVILLE ROAD	DEED-BK 6530	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
(PAID-UP)	FISHERVILLE KY	DEED-PG 688	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 148		RELS-PG 313
		TAX-BLK 55	LOT-NO. 59		
		TAYLORSVILLE ROAD			
		DEED-BK 6530			
		DEED-PG 688			
		TAX-DST			
		TAX-BLK 55	LOT-NO. 60		
		TAYLORSVILLE ROAD			
		DEED-BK 6530			
		DEED-PG 688			
		TAX-DST			
		TAX-BLK 55	LOT-NO. 62		
		TAYLORSVILLE ROAD			
		DEED-BK 6530			
		DEED-PG 688			
		TAX-DST			
		TAX-BLK 55	LOT-NO. 63		
0797469	DENIS & CHRISTINE SPALDING	TAYLORSVILLE ROAD	5,450.00		
	3112 CHICKADEE RD	DEED-BK 7011	LIEN-DT 01/05/2001		
	LOUISVILLE KY	DEED-PG 298	LIEN-BK 625		
	40213	TAX-DST	LIEN-PG 148		
		TAX-BLK 54	LOT-NO. 165		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797447	DR RAY & DOROTHY TAYLOR	16520 TAYLORSVILLE ROAD	5,450.00	02/2001	
(PAID-UP)	7631 FAIRMOUNT ROAD LOUISVILLE KY 40291	DEED-BK 5507 DEED-PG 311 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 147 LOT-NO. 23		RELS-DT 04/18/2001 RELS-BK 635 RELS-PG 685
0830293	CHRIS & BARBARA WM. & THARP	15877 TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	5910 MILLWOOD COURT LOUISVILLE KY 40291	DEED-BK 7193 DEED-PG 697 TAX-DST TAX-BLK 49	LIEN-DT 08/16/2001 LIEN-BK 648 LIEN-PG 856 LOT-NO. 3		RELS-DT 09/27/2001 RELS-BK 653 RELS-PG 579
0815412	MICHAEL G & LINDA L THOMPSON	17210 TAYORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	17210 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 5718 DEED-PG 717 TAX-DST TAX-BLK 54	LIEN-DT 04/18/2001 LIEN-BK 635 LIEN-PG 666 LOT-NO. 39		RELS-DT 06/06/2001 RELS-BK 641 RELS-PG 77
0797473	RICHARD THOMPSON	4701 DUNBAR VALLEY ROAD	5,450.00	00/0000	
(PAID-UP)	16415 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 4110 DEED-PG 38 TAX-DST TAX-BLK 3125	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 1		RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 313
		TAYLORSVILLE ROAD			
		DEED-BK 5159 DEED-PG 657 TAX-DST TAX-BLK 49	LOT-NO. 94		
0797478	RICHARD A. & MARY A. THOMPSON	TAYLORSVILLE ROAD	5,450.00	00/0000	
(PAID-UP)	16415 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 7103 DEED-PG 489 TAX-DST TAX-BLK 55	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 69		RELS-DT 02/15/2001 RELS-BK 629 RELS-PG 314
0830305	JOHN & ANGELA TUCKER	15899 TAYLORSVILLE ROAD	5,450.00	11/2001	
(PAID-UP)	15899 TAYLORSVILLE ROAD FISHERVILLE KY 40023	DEED-BK 7235 DEED-PG 839 TAX-DST TAX-BLK 49	LIEN-DT 08/16/2001 LIEN-BK 648 LIEN-PG 856 LOT-NO. 59		RELS-DT 05/16/2002 RELS-BK 680 RELS-PG 777
0797480	ROBERT E. & CHRISTI VAN BUREN	16600 TAYLORSVILLE ROAD	5,450.00	01/2001	
(PAID-UP)	5812 SOUTHLAND TERRACE LOUISVILLE KY 40214	DEED-BK 6546 DEED-PG 443 TAX-DST TAX-BLK 49	LIEN-DT 01/05/2001 LIEN-BK 625 LIEN-PG 149 LOT-NO. 97		RELS-DT 04/18/2001 RELS-BK 635 RELS-PG 685
		16620 TAYLORSVILLE ROAD			
		DEED-BK 7139 DEED-PG 158 TAX-DST TAX-BLK 49	LOT-NO. 96		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0797483	J.T. & J.U. WHITAKER	17315 TAYLORSVILLE ROAD	5,450.00		
	581 POUND LANE	DEED-BK 2352	LIEN-DT 01/05/2001		
	SIMPSONVILLE KY	DEED-PG 147	LIEN-BK 625		
	40067	TAX-DST	LIEN-PG 149		
		TAX-BLK 55	LOT-NO. 7		
0797485	JOHN & ESTHER WOLFE	16115 TAYLORSVILLE ROAD	5,450.00	06/2002	
	280 2ND AVE S	DEED-BK 6573	LIEN-DT 01/05/2001		RELS-DT 07/16/2002
(PAID-UP)	NAPLES FL	DEED-PG 838	LIEN-BK 625		RELS-BK 687
	34102-5970	TAX-DST	LIEN-PG 149		RELS-PG 445
		TAX-BLK 49	LOT-NO. 4		
0797487	TINA WOLFE	17302 TAYLORSVILLE ROAD	5,450.00	00/0000	
	17302 TAYLORSVILLE ROAD	DEED-BK 7327	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
(PAID-UP)	FISHERVILLE KY	DEED-PG 213	LIEN-BK 625		RELS-BK 629
	40023	TAX-DST	LIEN-PG 149		RELS-PG 314
		TAX-BLK 54	LOT-NO. 179		
0797489	E PRESTON YOUNG	18205 TAYLORSVILLE ROAD	5,450.00	00/0000	
	413 OREAD ROAD	DEED-BK 3883	LIEN-DT 01/05/2001		RELS-DT 02/15/2001
(PAID-UP)	LOUISVILLE KY	DEED-PG 14	LIEN-BK 625		RELS-BK 629
	40207	TAX-DST	LIEN-PG 149		RELS-PG 314
		TAX-BLK 55	LOT-NO. 32		

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ACCOUNT

NAME

LOCATION

ASSESSMENT

PAID IN FULL

RELEASE OF LIEN

40 NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 57,597.98

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**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

November 12, 2002

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on July 9, 2002, directing the issuance of Apportionment Warrants against properties located on Taylorsville Rd: Highway 148 to Highway 155 to revise the ownership information for Tax Block 55 Lot 68:

Revised Account Information:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
845175	William & Sharon Knight	Taylorsville Rd Deed Book 7465 Pg. 126 Tax Block 55 Lot 68	\$5,450

Original Account Information:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
845175	Dunbar Springs, LLC	Taylorsville Rd Deed Book 7019 Pg. 689 Tax Block 55 Lot 68	\$5,450

**BOARD OF WATER WORKS
DECEMBER 20, 2002 MINUTES**

Board Members Present

Mr. Stewart Conner
Mr. Stephen Gault
Mr. Phillip Bond

Board Members Absent

Hon. David L. Armstrong
Mr. Jack Segell
Mr. Owen Hammons
Ms. Wendy Welsh

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Mr. Don McKay
Mr. Larry Lenahan
Mr. James Birch
Mr. Andrew Zalla
Mr. William Dulaney, III
Mr. Dale Wilson
Mr. Charlie Waites
Mr. Robert Loundes

Mr. Huber called the meeting to order at 1:05 p.m. and welcomed all of the visitors. He noted that there was not a quorum. He announced that all action taken today would be ratified by the Board at the next meeting. A few items taken up at today's meeting will be circulated prior to the next meeting for approval by unanimous consent. Mr. Huber announced that some items would be moved up on the agenda in deference to the visitors.

CONSENT AGENDA APPROVED

- Minutes of previous meetings
- Claims paid during the previous month
- Petitions and applications for water main extensions
- Authorization for design and bid of projects under \$200,000
- Bid tabulations for contracts under \$500,000
- Listing for award of contracts less than \$100,000

Item A: Minutes of Regular Meeting Held November 12, 2002
Request: Approve Minutes

Item B: Claims Paid During November 2002
Request: File claims for future audit.

Item C: Petitions and applications for Water Main Extensions and Relocations
(when in full compliance / SR&R)

DEVELOPER INSTALLED REFUNDING MAIN EXTENSION PROJECTS

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
02-071	G043M	Catalpa Springs Section 2	\$65,830.00	\$20,800.00
02-087	G044M	Tucker Lake Estates Section 2	\$78,400.00	
02-094	G041M	Hidden Creek Subdivision	\$54,570.00	\$8,400.00
02-106	G047M	Hunters Creek Phase 2B	\$41,150.00	

LWC REFUNDING MAIN EXTENSION PROJECTS

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
02-099	G042M	East Joyce Lane - Bullitt County	\$5,000.00	

BULLITT COUNTY EXTENSION PROJECTS

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
02-340		East Blue Lick Road	\$275,000.00	
02-343		Hurst Road	\$94,000.00	
02-344		Tracey Lynn Lane	\$141,400.00	
02-345		Medley Lane (Old County Road)	\$17,400.00	

APPORTIONMENT WARRANT KRS 96.265 PETITION

Homestead Trace: Eastwood & Fisherville Road to East 3,000 feet \$114,000.00

Item D: Authorization for design and bid of projects
(estimated to cost less than \$200,000)

Item E: Bid tabulations (award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).

Item F: Award of contracts less than \$100,000.00

CAPITAL PROGRAM

Project No.	Project Name	Total Project Cost	Net LWC Cost
02-205	Williams Road (Bullitt Co.) Water Main Extension	\$23,500.00	
02-480	Lonesome Hollow/Joyner Hill Booster Pump PACE Contracting	\$74,000.00	
02-508	Hi-View Lane – Main Replacement Project Southern Pipeline Construction Co. (CWBE)	\$60,843.00	

PROCUREMENT OF MATERIALS AND SERVICES

Project No.	Project Name	Total Project Cost	Net LWC Cost
01-20	8 oz. Water Bottles: 1 st PPI Renewal Louisville Container Company	\$48,773.00	
02-49	Uniforms – Shaheen’s Department Store, Inc.	\$67,398.00	
02-52	Data Collection Equipment Map Sync	\$26,980.00	
02-59	6” Portable Trash Pump Allied Technical Services, Inc.	\$23,375.00	

PROCUREMENT OF SOLE SOURCE MATERIALS AND SERVICES

Total Project Cost Net LWC Cost

Project No.	Project Name	
Sole Source	Quanti-tray, Colilert – 24 and Colilert – 18 Media for Total Coliform Testing Index Laboratory	\$70,000.00

REPORT OF OFFICERS

ADMINISTRATIVE REPORT

Mr. Huber announced that he did not have an administrative report since most of his items would be covered by others during their reports.

FINANCIAL REPORT

Mr. Miller gave the Income and Expense Summary for November 2002.

- 1) Total operating revenue of \$90,904,100 is \$2,423,300 or 2.74% more than budgeted and \$5,280,500 or 6.17% more than the same period in 2001. We sold 2.69% more water in 2002 than the same period in 2001. Water delivered to the mains was 2.17% more than 2001.
- 2) Operation and maintenance expense of \$37,884,800 is \$587,600 or 1.53% less than budgeted and \$2,374,300 or 6.69% more than 2001.
- 3) Operating deductions of \$59,393,600 are \$1,240,800 or 2.05% less than budgeted and \$3,100,400 or 5.51% more than 2001.
- 4) Net operating income of \$31,510,500 is \$3,664,200 or 13.16% more than budgeted.
- 5) Net income of \$27,820,900 is \$2,500,700 or 9.88% more than budgeted and \$508,500 or 1.79% less than 2001.

Mr. Miller announced that Auditors had already arrived and that the FINS Project was now fully underway.

OPERATIONS REPORT FOR MAY 2002

Mr. Heitzman provided the Operations Report for November 2002.

Production - The water production in November of 115.4 MGD was slightly lower (2.2%) than that November 2001 production. Due to the dry weather conditions in August and September, the year-to-date pumpage is 2.2 percent more than 2001 and 1.2 percent more than the 5-year average, respectively.

Water Quality – The water quality in the distribution system continued to exceed the 95 percent goals for turbidity, chlorine, and total coliform during the month of November.

During routine source water monitoring, the water quality staff detected the presence of 1,3-dichlorobenzene in the river water on November 27, 2002. Although the chemical is not a regulated chemical in drinking water, it would result in customers taste & odor complaints if it is not removed from the water. The source of the spill is unknown. Powder activated carbon (PAC) was used to absorb the chemical.

Goshen Utilities Operation - In November, staff completed the installation of altitude valve at the ground storage tank near the well field and converted the Goshen system to a 100 percent Louisville Water supply on November 22. With all system improvements made during past 4 months, the risk of losing water system-wide is reduced significantly. We experienced no water supply disruption in Goshen system in November.

Distribution System –Unseasonably cold weather in late November has lowered finished water temperatures to 45 degrees. Once water temperature passes through 38 degrees, main break activity will accelerate. However, due to the current unseasonably warm weather, breaks have not be anticipated.

A joint leak on a 24-in main in Bells Lane, situated under a Norfolk Southern rail line was discovered in November. An emergency or contingency contract may be executed to repair the leaking water main.

University of Louisville Center for Infrastructure Research – The Center is now up and running, with the hiring of Dr. Thomas Rockaway as Director. The Center's Advisory Board is made up of equal representation from LWC and MSD. Greg Heitzman and Steve Cooper are LWC's representatives on the Advisory Board. The Center will leverage the funding from LWC and MSD, by pursuing grants from Industry trade organizations and Educational Foundations.

Crescent Hill Reservoir – Phase II of the rehabilitation of the South basin of the reservoir is nearing completion, with the liner now installed. Staff is working with the contractor on filling the reservoir to remove trapped air below the liner.

SERVING CUSTOMERS REPORT

Ms. Teasley gave the Serving Customers Report for November 2002.

Performance Measures – The November 2002 abandonment rate was 3.0%, a reduction from the previous month's abandonment rate of 5.7%. This is the lowest abandonment percentage for a month experienced since before the CIS was implemented in 2000.

Bad debt for the month of November was \$37,755, approximately \$8,565 over budget. The write-offs continue to represent primarily small, residential accounts.

City of Shepherdsville – The closing planned on November 15 for the acquisition of the Shepherdsville water system was delayed. The new closing date is December 23, 2002.

Jefferson County Water Supply Planning Council - The annual meeting of the Jefferson County Water Supply Planning Council was conducted on November 20, 2002. The Jefferson County Water Supply Planning Council was established to direct the development of County Water Management Plans per regulatory requirements in 401 KAR 4:220. The next meeting of the Jefferson County Water Supply Planning Council is tentatively scheduled for March 2003.

LITIGATION REPORT

After proper motion and second, the Board adjourned to closed session for the purpose of discussing litigation and personnel. Ms. Douglas gave a litigation report in closed session. The Board reconvened in open session without taking any action.

NEW BUSINESS

Mr. Huber thanked all visitors for waiting. He stated that he would take the item on page 147 next. That item involved recommendation that an additional apportionment warrant exemption be added.

The County Wide Extension Program uses the Apportionment Warrant extension method for installation of water main in response to a majority petition of property owners along a project route. In accordance with KRS 96.265, apportionment warrants will be issued to all benefited properties along the route, upon completion of the water main extension. In some situations the property may not be benefited.

Since 1992, three Board policies have been adopted relating to the Apportionment Warrant extensions.

June, 1993 – The Board adopted a policy whereby a waiver of the apportionment warrant is granted to properties owned by the same individual(s) that are situated directly across a public roadway, when such properties have only one dwelling.

March, 1998 – The Board adopted a policy whereby cemeteries or burial grounds are exempted from the Apportionment Warrant assessment when certain conditions are met.

November, 1998 – The Board adopted a policy whereby subject parcels are exempted from the apportionment warrant assessment when separated by a public way from another parcel under the same ownership when certain conditions are met.

After proper motion and second, the Board of Water Works voted to adopt a policy for use throughout Jefferson County when the Apportionment Warrant Extension method is used which would exempt property which does not exceed 80 feet in width the property has no need for water the property is used by two or more property owners for access based on a recorded easement, and the parcels abut a private roadway.

Mr. Huber also gave Mr. James Birch an opportunity to speak.

Mr. Heitzman reported on **B.E. Payne Water Treatment Plant Improvements Project 00-418**

The Company accepted bids on November 20, 2002 for improvements to the B.E. Payne Water Treatment Plant. The project scope includes replacement of electrical switchgear, renovation of filters, upgrade of the backwash system, and expansion of the plant from 45 MGD to 60 MGD firm capacity. An alternate bid scope was also included to construct an on-site backup power supply. The project is funded in the 2000-04 Capital Budget in the amount of \$20.5 million.

Two of the six bids received were disqualified, due to bid irregularities as identified on the tabulation. The remaining 4 responsive bidders include Judy Construction, Building Crafts, Smith Contracting, and Hall Contracting. The low dollar bid was submitted by Judy Construction in the amount of \$15,069,180 for the base and alternate bid scope.

After proper motion and second, the Board of Water Works voted to to award a contract in the amount of \$15,069,180 to Judy Construction, contingent upon the receipt of documentation within 90 days of the bid opening date, specifying equipment supplier, Benschaw, Incorporated has obtained appropriate WBE certification from one of the eight agencies identified by the Company in the bid documents. The Board voted to retain the project budget at \$20.5 Million to accommodate the base and alternate bids, engineering (LWC and CDM Engineers), and remaining elements associated with this project.

Prior to the vote, Mr. Huber asked Mr. Dulaney and Mr. Zalla if they would like to make a statement. They declined. Mr. Huber then asked Mr. Waites and Mr. Wilson if they would like to make a statement. They both offered brief remarks. Mr. Waites offered to allow Board of Water Work's members to review Benschaw's file. Mr. Dulaney asked if the action by the Board would be official action since a quorum was absent. Mr. Huber responded that the Board action is a recommendation only and will be ratified by the Board at the next meeting or prior to the next meeting by circulating a consent letter.

REPORT OF COMMITTEES

Mr. Conner presented the minutes of the September 10, 2002 Compensation Committee. The Committee meeting focused upon the 2003 Performance Matrix. The Matrix will be modified so that employees in the Third and Fourth Quartile who receive performance ratings of 3-5 would experience a 1% lowering of their percentage pay increase. For example, a rating of 4.5 for an employee in quartile 3 may be market movement plus 3% rather than market movement plus 4%. After proper motion and second, the Board voted to adopt the Committee's recommendation.

SPECIAL ISSUES

Mr. Miller presented the 2003 Water Rate Schedule.

At the October 20, 2002 special meeting of the Board of Water Works, the 2003 Annual Budget was adopted with a provision for an overall 3.5% water rate increase.

The proposed rate schedule was developed in accordance with a cost of service study based upon the methods suggested in American Water Works Association Manual M1, Water Rates.

Staff has incorporated two changes to the water rate methodology for 2003:

- Allocations to peak day and peak hour have been revised in accordance with recent changes recommended by AWWA's M1 Manual.
- Use of updated demand factors based on standard estimation routines rather than monitored factors.

These changes are consistent with recommendations included by Black and Veatch in the 2002 Annual Inspection Report.

After proper motion and second, the Board of Water Works voted to adopt the attached 2003 Water Rate Schedule. Note: implementation of the 2003 wholesale rate will require filing a PSC rate case in 2003.

Ms. Teasley distributed a revised Board letter and asked all Board of Water Works members to substitute the revised letter for the one which appears in the Board book regarding the 2003 Service Installation and Temporary Meter Fees (Service Rule 1.04).

After proper motion and second, the Board of Water Works adopted the attached installation fees for 2003.

Mr. Miller presented the Declaration of Dividend to the City of Louisville.

After proper motion and second, the Board of Water Works voted to declare the fourth quarterly 2002 dividend in the amount of \$2,865,491 and authorized the President of the Louisville Water Company to pay \$2,984,766 to the Louisville and Jefferson County Revenue Commission on December 30, 2002 as indicated in the attached Resolution to Declare Fourth Quarter Dividend to the City of Louisville.

BID TABULATIONS

Mr. Miller presented the following Bid Tabulation:

Bid Number 02-27: Fire Hydrants

On November 20, 2002, proposals were opened to award a one (1) year contract, renewable for up to four (4) additional one year terms for fire hydrants and extension kits.

This was procured through competitive negotiation.

A total of five proposals were submitted with the best evaluated proposal from American Cast Iron Company for an estimated one year total of \$990,325.

After proper motion and second, the Board of Water Works voted to authorize staff to award a one (1) year contract renewable for up to four additional years at the sole discretion of Louisville Water Company to December 2007. The estimated first year total is \$990,325.

Mr. Heitzman presented the following Bid Tabulations:

Project No.: 94-792B (formerly 94-792B, Phase II)

Furnish and Install Westport Road / I-264 Interchange Transmission Mains (Phase II)

Bids were received on Wednesday, November 27, 2002, to relocate suction and discharge transmission mains in the vicinity of the new Westport Road Transfer Station. The relocation project is being financed by the Kentucky Transportation Cabinet (KTC) to accommodate the anticipated interchange construction at Watterson Expressway at Westport Road.

Bids were received from four prequalified firms. T & C Contracting, Inc. submitted the lowest bid in the amount of \$1,812,900, or 9.0% below the Project Manager's final-design contract labor estimate of \$1,991,915.

With this project the LWC is taking this opportunity to make some transmission improvements to its 660 and 770 pressure planes.

After proper motion and second, the Board of Water Works voted upon approval and written agreement from the KTC for 79.7% reimbursement of the total project amount of \$2,124,900 and to award a contract in the amount of \$1,812,900.00 to T & C Contracting, Inc. for the above-referenced project.

Project No: 01-745A

KY HWY 1020 16-Inch Water Main

Bids were received Wednesday, November 27, 2002, to Furnish and Install approximately 8,500 feet of 16-inch water main in Right-Of-Way and easements, East of and parallel to Highway 1020 between Highway 1526 (Brooks Hill Road) and North Lakeview Drive.

A total of 8 bids were received from qualified contracting firms. Basham Construction and Rental submitted the best-evaluated bid in the amount of \$598,000. Their bid is below the engineer's estimate by \$17,590 or 2.8%.

After proper motion and second, the Board of Water Works voted to authorize the Chief Engineer to award a contract in the amount of \$598,000 to Basham Construction and Rental, to install water facilities associated with this project.

Ms. Teasley presented the following Bid Tabulations:

Installation of Water Services ¾" & 1"	03-296B
Installation of Fire Hydrants	03-298A
Installation of Water Services 1 ½" & 2"	03-298B
Installation of Water Services 4" & larger	03-298C
Installation of Fire Services	03-299A
Renewal of Water Services ¾" & 1"	03-447
Discontinue of Small Water Services	03-1405A

Prior to 2001, the Company solicited annual bids to perform various service installations. In November 2001, an invitation to bid was advertised for 3-year renewable service contracts to begin in 2002. Then, based upon satisfactory performance, the contracts could be renewed annually for a maximum of two additional years.

After proper motion and second, the Board of Water Works voted to authorize the Vice President, Serving Customers & Business Development, to extend a unit price contract to Tom Brown Construction for ¾" & 1" services, Fire Hydrants, Fire Services and 1 ½" & 2" services, DSE for 4" & Larger Services and ¾" & 1" Renewals and Miller Pipeline for Discontinues.

Project No: 02-526

Floydsburg Road - Main Replacement Project

Bids were received and opened Wednesday, November 27, 2002 to install 1,700 linear feet of 12-inch water line along Floydsburg Road between Cherry Road and Old Floydsburg Road in western Oldham County.

A total of 3 bids were received and opened from pre-qualified contractors. Southern Pipeline Construction Company submitted the lowest responsive bid in the amount of \$145,600 resulting in a total project cost of \$195,600.

The bid from Southern Pipeline is 2% under the Project Manager's Estimate. The resulting total unit cost for this project is \$115.06/LF.

After proper motion and second, the Board of Water Works voted to authorize the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$145,600 to Southern Pipeline Construction Company to install the water facilities associated with this project.

COMMUNICATIONS

Ms. Teasley presented the following Communication Reports:

Payment Options Summary of Costs

Methods of Payments: The Louisville Water Company accepts the following methods of bill payment: mail for bank processing (lockbox payments); walk-in lobby transactions; direct withdrawal from checking account (EFT); and debit/credit card via lobby/walk-in or over the telephone. In the 1st quarter of 2003 we also plan to accept credit card payments over the Interactive Voice Response (IVR) system allowing the customer to pay their bill from any telephone 7 days per week/ 24 hours per day.

Analysis of Payment Options: The EFT payment option was found to be the most cost effective method for LWC bill processing at \$.07 per transaction. Next was the lockbox payment option at \$.14, followed by the debit card option at \$1.49, the walk-in lobby transaction at \$1.51 and finally the credit card payment option at \$2.81. The cost to process returned checks is \$4.09.

Debit/Credit Card Usage: Staff will collect measures on a monthly basis to determine the number of customers using these options and at what step in the payment or collection process the card was used. This information will assist staff in performing a cost benefit analysis for the debit/credit card payments.

County-Wide Water Extension Program

Rockycreek Lane: Back Run Road to North 1,800 feet

In accordance with KRS 96.265 a public hearing was held on October 29, 2002 for the property owners along Rockycreek Lane to consider the extension of a water main along this private roadway. The scope of the project as presented at the October 29, 2002 meeting would have extended a 6-inch and 4-inch water main approximately 1,800 feet from Back Run Road to the Tony and Mary Killian property on Rockycreek Lane and includes two fire hydrants for fire protection. As presented, using the equal assessment method, seven (7) eligible property owners on this private roadway were given the "equal share" cost per property of \$15,250. The attending property owners did not agree to proceed with the project at the cost presented.

Earlier this year, January 3, 2002, a public hearing was held in accordance with KRS 96.265 for the property owners along Rockycreek Lane. The scope of the project as presented at the January 3, 2002 meeting would have extended a 6-inch and 4-inch water main approximately 2,600 feet from Back Run Road to the last property on Rockycreek Lane and included two fire hydrants for fire protection. After pursuing alternatives for the water main extension for the January 3, 2002 meeting, the cost per property owner was reduced from \$20,800 to \$16,100. The property owners did not agree to proceed with the project at the \$16,100 cost presented.

In order to exhaust all water main extension alternatives, staff will prepare bid documents and bid the water main extension project pursuing contractor labor cost reductions to provide a final "not-to-exceed" cost to the property owners. Staff will present the results of the bidding process and the response from the Rockycreek Lane property owners to the Board of Water Works in the first quarter of 2003.

OLD BUSINESS

Ms. Teasley presented the following Issuance of Apportionment Warrants per KRS 96.265:

Top Hill Rd: Snawder Ln to Mitchell Hill Rd

Snawder Ln: Top Hill Rd to South 1,600 ft

Goff Ln: Top Hill Rd to South 2,000 ft (end of public portion)

Mitchell Hill Rd: Top Hill Rd to South 1,100 ft

Mitchell Hill Rd: County Line to North 2,950 ft

A public hearing was held June 7, 2001 for the extension of water service along Top Hill Rd: Snawder Ln to Mitchell Hill Rd, Snawder Ln: Top Hill Rd to South 1,600 ft, Goff Ln: Top Hill Rd to South 2,000 ft, and Mitchell Hill Rd: Top Hill Rd to South 1,100 ft. A public hearing was held December 6, 2001 for Mitchell Hill Rd: County Line to North 2,950 ft. The Board of Water Works adopted a resolution for Top Hill Rd, Snawder Ln, Goff Ln and Mitchell Hill Rd: Top Hill Rd to South 1,100 ft July 10, 2001 and for Mitchell Hill Rd: County Line to North 2,950 ft on January 15, 2002 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance.

With the completion of this public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board of Water Works voted to adopt the attached resolution for the issuance Apportionment Warrants and liens against 70 benefited properties along Top Hill Rd, Snawder Ln, Goff Ln, and Mitchell Hill Rd in accordance with KRS. 96.265, as described.

Ms. Teasley presented the following Amendment of Apportionment Warrant Register:

1) Echo Trail: Seatonville Road to Thurman Road

The Board approved a resolution for the issuance of Apportionment Warrants for Echo Trail: Seatonville Road to Thurman Road at its March 12, 2002 meeting in accordance with KRS 96.265. The Apportionment Warrant Register approved at the March 12, 2002 meeting is attached as Exhibit A.

Property known as Tax Block 58 Lot 130 located along the Echo Trail water main extension was placed "in-service" on October 31, 2002. The construction of this portion of the water main was delayed by easement negotiation. With the completion of this public water main the Board of Water Works is required to issue an Apportionment Warrant against the property assessed in accordance with KRS 96.265.

After proper motion and second, the Board of Water Works voted to adopt the amended resolution attached; thereby, adding Tax Block 58 Lot 130 in the name of Deborah and Michael Creagh, Steven Cline, and Howard Frank Cline, Jr. to the Apportionment Warrant Register adopted by the Board of Water Works on March 12, 2002 in accordance with KRS. 96.265. The adoption of the attached resolution will result in an Apportionment Warrant assessment of \$5,450 for the aforementioned property.

2) Williams Road: Dry Ridge to County Line

The Board of Water Works approved a resolution for the issuance of Apportionment Warrants for Williams Rd: Dry Ridge Road to County Line at its October 8, 2002 meeting in accordance with KRS 96.265(11).

Staff discovered that William A. French was inadvertently assessed for the same property, Tax Block 60 Lot 116, on both the Williams Road and Dry Ridge Road water main extension projects.

After proper motion and second, the Board of Water Works voted to adopt the attached amended resolution for Williams Rd: Dry Ridge Road to County Line thereby removing Tax Block 60 Lot 116 from the Apportionment Warrant Register for Williams Road and releasing the associated lien, in accordance with KRS. 96.265(11).

Mr. Heitzman presented the following Old Business:

Facilities Improvement Program Request for Proposal for Consulting Engineering:

The 2002 Capital Improvement Program identifies facilities improvement projects having a total value of nearly \$ 70 million dollars to be constructed over the next five years. However, in assessing the overall needs of the Louisville Water Company, it has been determined that approximately \$ 30 million of projects must be out-sourced.

In July 2002, the Board authorized staff to prepare a Request for Proposal for Engineering Services(RFP) and solicit proposals from engineering consultants.

Seven firms were invited to submit an RFP and six firms did so. RFP's were received and interviews were conducted. An evaluation, or scoring matrix was prepared by staff to select the firms for future work.

After proper motion and second, the Board of Water Works voted to authorize staff to negotiate contracts for engineering services for projects selected for out-sourcing to Camp, Dresser & McKee, CH2M Hill, O'Brien & Gere and Jordan, Jones and Goulding. Contracts exceeding \$100,000 will be submitted to the Board of Water Works for approval.

NEW BUSINESS

Mr. Heitzman presented the following:

Approval of Purchase – Land for Tank Site Project 01-701 owned by Sheehan and Sheehan
Louisville Water Company staff is interested in purchasing property for the future construction of a new elevated storage tank on Snawder Road off Top Hill Road, adjacent to the Jefferson Memorial Forest in southern Jefferson County. Construction of the tank will improve the fire flow and system expansion opportunities in the 1030 pressure zone in southern Jefferson County and northern Bullitt County.

The property has been appraised and an offer was made and accepted for slightly less than the appraised value of the land.

The following contingencies were included in the offer:

- A) a clear title examination and/or survey to determine there are no restrictions, easements, or regulations that will inhibit the intended use;
- B) an environmental audit to determine the property is free of hazardous or toxic substances;
- C) a geo-technical survey and core drillings to determine the property is suitable for the purchaser's intended use;
- D) a survey of the property to confirm there are no encroachments;
- E) authorization / approval to use the property for the intended use; and
- F) approval by the Board of Water Works

After proper motion and second, the Board of Water Works voted to authorize staff to purchase land for the purpose of constructing an elevated storage tank on Snawder Road in Jefferson County, Kentucky at a price slightly less than the appraised value.

Project 01-616 – Cardinal Hill Detention Basin Request for Design/Bid Authorization

The 2002 Capital Budget includes \$300,000 to construct a detention basin for planned and emergency discharges from the Cardinal Hill Reservoir.

A detention basin is desired to minimize the impact of reservoir draining. Currently water drains downhill from Cardinal Hill Reservoir into neighborhoods that have recently been developed. In order to minimize the risk of possible damage or disruption to our customers at the base of the hill a detention basin is proposed to control the rate the water enters the natural drainage ways.

The Company retained PDR Engineers (Tetra Tech) to evaluate alternatives for the detention facility. Four potential sites were identified with nine alternatives among the sites evaluated. The recommended site for the detention basin will be located near the YMCA buildings and replace a basin that is in need of extensive renovation. Replacement of the basin will allow improved control of rainfall runoff on the YMCA property in addition to providing control of the rate of discharge of water from the reservoir.

After proper motion and second, the Board of Water Works voted to proceed with final engineering design and advertisement for bid for the project.

Crescent Hill Water Treatment Plan Security Improvements:

Following the September 2001 terrorist act, several improvements were enacted at the Crescent Hill Water Treatment Plant to upgrade site security. This correspondence provides discussion of the improvements, and requests authorization of an unbudgeted capital project budget in the amount of \$116,914 to fund the improvements.

The purpose of the various improvements was to construct immediate and long-term site security measures to control access to the facility and to secure vulnerable areas. The improvements in general consisted of the following:

- Gate and fence modifications to secure plant entrance and critical facilities
- Security guard housing and utilities for access control
- Additional concrete in select areas to secure building perimeters
- Additional facility exterior lighting for enhanced visual monitoring

These costs, plus LWC expenses total \$116,914.

After proper motion and second, the Board of Water Works voted to authorize staff to establish a capital project budget in the amount of \$116,914 for Crescent Hill Water Treatment Plant Security Improvements.

Mr. McKay presented the following report on **Health Care, Dental & Disability Benefits.**

Staff provided a projection of health care costs and an analysis of the cost drivers at the August Board meeting. Early projections at time were for health care cost increases in the 20 – 22% range. It now appears that the increase for health care insurance will be just under 20%, that dental coverage will increase approximately 10% and no cost increases will be realized for long-term disability and short-term disability administration.

After proper motion and second, the Board of Water Works voted to authorize staff to enter into a renewal contract with Humana for the provision of Health Insurance in 2003 at a projected net premium of \$3,170,000.00 and to enter into a renewal contract with Delta Dental for the provision of dental coverage at a forecasted net premium of \$254,179.00. No recommendation was presented on life or disability insurance. Staff will present a life insurance contract recommendation in January 2003.

Mr. Miller presented the **Retiree Insurance Renewals.**

Louisville Water Company provides group medical insurance to former employees who retired prior to conversion of our retirement program to CERS in 1990 and to their eligible dependents. All of the eighty-eight policies remaining are covered by Medicare plans for which retirees pay a portion of the premium.

Prescription drug coverage remains the number one issue facing retirees. LWC offers three types of medical plans to our retirees. The remaining 16 retirees are covered by a Medicare HMO plan which provides drug coverage up to \$1,500 per year.

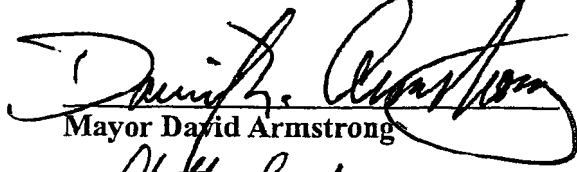
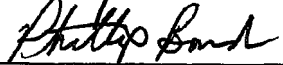

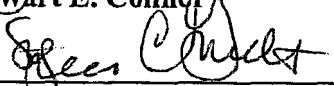
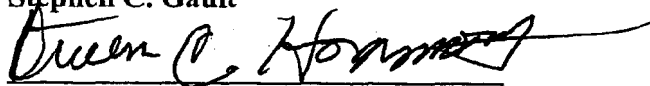
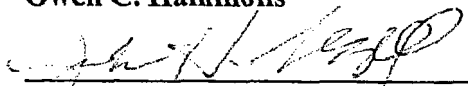

After proper motion and second, the BOWW voted to authorize staff to approve the retiree insurance renewal contract with Anthem Blue Cross/Blue Shield in the amount of \$123,000 for the provision of group Medicare HMO coverage to LWC retirees.

Mr. Huber announced that, at his request, Ms. Douglas prepared a document during the course of the Board of Water Works meeting entitled "Statement of Unanimous Consent" for signature by all Board of Water Works members. Since there was no quorum for the December 20, 2002 meeting, all actions taken by the Board at that meeting must be submitted to the Board for full ratification at the January 2003 meeting. However, there are three items that require action prior to the January 2003 Board meeting based upon critical time restraints. These actions are: declaration and payment of the fourth quarter dividend, adoption and implementation of the 2003 water rate schedule and adoption and implementation of the 2003 Service Installation and Temporary Meter Fees. Therefore, the "Statement of Unanimous Consent" was drafted in order to obtain the signatures of all Board of Water Works' members and, thereby, ratify the action taken on these critical items prior to the January 2003 meeting. (Those Board of Water Works' members present for the December 20, 2002 meeting signed the document immediately upon adjournment of the meeting). Ms. Douglas will circulate the document and obtain the signature of all absent Board of Water Works members. (A copy of the fully executed statement of unanimous consent is attached to these minutes.

The meeting adjourned at 3:15 p.m.

STATEMENT OF UNANIMOUS CONSENT

By unanimous consent, the Board of Water Works adopts as of the date of the signature of the last party so signing, the attached 2003 Water Rate Schedule, the Resolution to Declare Fourth Quarter Dividend to the City of Louisville and the 2003 Service Installation and Temporary Meter Fees (Service Rule 1.04).

 _____ Mayor David Armstrong	<u>12/20/02</u> Date Signed
 _____ Phillip B. Bond	<u>12/20/02</u> Date Signed
 _____ Stewart E. Conner	<u>12/20/02</u> Date Signed
 _____ Stephen C. Gault	<u>12/20/02</u> Date Signed
 _____ Owen C. Hammons	<u>12/23/02</u> Date Signed
 _____ Jack H. Segell	<u>12/23/02</u> Date Signed
 _____ Wendy C. Welsh	<u>12/31/02</u> Date Signed

WATER RATES

LOUISVILLE WATER COMPANY LOUISVILLE, KENTUCKY

BOARD OF WATER WORKS RULES AND REGULATIONS

6.00 RATES

6.01 For the purpose of classifying revenues, and to provide for different classes of rates, there shall be established seven (7) classes of customers and four (4) areas of service.

The classes of customers shall be identified as:

Residential
Commercial
Industrial
Fire Service
Fire Hydrants
Municipal
Wholesale

The areas of service shall be identified as:

Retail Service Area
Kentucky Turnpike #1 Area
Kentucky Turnpike #2 Area
Goshen Utilities Area

6.02 The rate charge for metered water service shall be comprised of three components except for municipal customers as defined in KRS 96.270 who shall be served as provided therein at no cost to the customer and publicly owned fire hydrants:

- (1.) A service charge based on the size of the meter through which the customer receives such service, and
- (2.) A commodity charge based on the amount of water consumed, and
- (3.) An elevated service area surcharge, if applicable, in Rule 6.02.03.

6.02.01 **Service Charge**

The service charge for classes of customers taking metered service and situated within the **Retail Service Area** shall be charged in accordance with the following schedule:

<u>Meter Size</u>	<u>Service Charge</u> <u>Monthly Bill</u>	
5/8" x 3/4"	\$	4.50
1"	\$	11.25
1 1/2"	\$	22.50
2"	\$	36.00
3"	\$	78.75
4"	\$	135.00
6"	\$	315.00
8"	\$	562.50
10"	\$	855.00
12"	\$	1,305.00
16"	\$	2,587.50

The service charge for customer classes situated within the **Kentucky Turnpike #1** area shall be charged in accordance with the following schedule:

Meter Size

5/8" x 3/4"	\$	6.00	+	4.50	=	10.50
1"	\$	24.00	+	11.25	=	35.25
1 1/2"	\$	54.00	+	22.50	=	76.50
2"	\$	96.00	+	36.00	=	132.00
3"	\$	216.00	+	78.75	=	294.75
4"	\$	384.00	+	135.00	=	519.00
6"	\$	864.00	+	315.00	=	1,179.00

6.02.02 Commodity Charge

The commodity charge for monthly usage for customers within the **Retail Service Area** and the **Kentucky Turnpike #1** area shall be computed in accordance with the following schedule:

	<u>Thousand Gallons</u> <u>Per Month</u>	
First	3	at \$1.63 per 1,000 Gallons
Next	3	at \$1.78 per 1,000 Gallons
Next	194	at \$2.01 per 1,000 Gallons
Next	1,300	at \$1.87 per 1,000 Gallons
Next	3,500	at \$1.71 per 1,000 Gallons
Next	5,000	at \$1.32 per 1,000 Gallons
All Over	10,000	at \$1.16 per 1,000 Gallons

The commodity charge for monthly usage within the **Kentucky Turnpike #2** area shall be computed in accordance with the following schedule:

Thousand Gallons
Per Month

5/8 inch and 3/4 inch connection

First	2	\$15.67 Monthly Minimum
Next	3	at \$4.75 per 1,000 gallons
Next	5	at \$4.27 per 1,000 gallons
Next	15	at \$4.04 per 1,000 gallons
Next	25	at \$3.55 per 1,000 gallons

1 inch connection

First	5	\$29.92 Monthly Minimum
Next	5	at \$4.27 per 1,000 gallons
Next	15	at \$4.04 per 1,000 gallons
Next	25	at \$3.55 per 1,000 gallons

1 1/2 inch to 4 inch connection

First	10	\$51.27 Monthly Minimum
Next	15	at \$4.04 per 1,000 gallons
Next	25	at \$3.55 per 1,000 gallons

Bernheim Forest \$100.00 per month

City of Shepherdsville \$1.40 per 1,000 gallons

City of Lebanon Junction \$1.40 per 1,000 gallons

North Nelson Water District

Up to	4,000	\$7,880.00
Excess of	4,000	at \$1.75 per 1,000 gallons

The commodity charge for monthly usage within the **Goshen Utilities** area shall be computed in accordance with the following schedule:

Thousand Gallons
Per Month

First	2	\$9.51 Monthly Minimum
Next	13	at \$3.00 per 1,000 gallons
Next	15	at \$2.42 per 1,000 gallons
Next	20	at \$1.84 per 1,000 gallons
Over	50	at \$1.27 per 1,000 gallons

Monthly Debt Surcharge of \$1.73 per month

Service Deposit Fee of \$50.00

6.02.03 Elevated Service Area Surcharge

All customers shall pay a surcharge of \$0.19 per thousand gallons if water must be delivered at a higher elevation than the general pressure plane served by the Crescent Hill / Cardinal Hill System, excluding customers in the Kentucky Turnpike #2 and Goshen Utilities areas.

6.03 Wholesale Customers

Wholesale customers which purchase water for resale wherever situated shall be charged: \$1.16 per thousand gallons for all water purchased, the elevated service area surcharge specified in Rule 6.02.3, if applicable, and the service charge specified in Rule 6.02.1.

6.04 Fire Service Charges

The charge for fire service, where water may be taken for fire protection only, shall be in accordance with the following schedule. This charge will also be applicable to such fire hydrants as may be provided by private agencies.

<u>Size</u>	<u>Monthly Charge</u>
4"	\$ 12.25
6"	\$ 24.75
8"	\$ 48.25
10"	\$ 95.00
12"	\$ 190.50

6.05 At the Company's option, bills may be rendered monthly or bimonthly.

6.06 In the event that payment for any charge is not made within twenty (20) days from the billing date, the net amount of the bill shall be increased by 5% and the gross amount thus determined must be paid.

6.07 Where water is used without proper authorization, the estimated quantity of unmetered water used shall be paid for at the rate of \$10.00 per thousand gallons.

6.08 Water taken from a Louisville Water Company public fill station shall be paid for at the rate of \$2.50 per thousand gallons plus such deposits as may be established from time to time.

6.09 Temporary services shall be charged at the rate of \$2.00 per day, plus water consumed at the applicable rate schedule.

Upon adoption, these rates shall become effective for water service on and after January 1, 2003.

COMPARISON OF REVENUE UNDER EXISTING RATES AND PROPOSED RATES

	UNITS	2002		2003		INCREASE OVER EXISTING RATE %	REVENUE % OF COST OF SERVICE %
		PRESENT RATES		PROPOSED			
		RATES	REVENUE	RATES	REVENUE		
	\$	(\$1,000)	\$	(\$1,000)			
RESIDENTIAL: Service Charge	2,835,770 E.U.	4.25	12,052.02	4.50	12,780.97		
Water Sold 0 - 3	7,879,514 T.G.	1.57	12,370.84	1.63	12,682.81		
4 - 6	4,920,744 T.G.	1.72	8,463.68	1.78	8,759.91		
7 - 200	3,785,828 T.G.	1.98	7,420.22	2.01	7,804.21		
201 - 1,500	<u>54,815</u> T.G.	1.83	<u>100.49</u>	1.87	<u>102.81</u>		
Total Residential	18,841,000 T.G.		40,407.25		42,110.61	4.22%	98.71
COMMERCIAL: Service Charge	908,437 E.U.	4.25	3,860.86	4.50	4,087.97		
Water Sold 0 - 3	688,847 T.G.	1.57	1,078.35	1.63	1,122.96		
4 - 6	558,301 T.G.	1.72	856.84	1.78	980.33		
7 - 200	7,326,898 T.G.	1.98	14,360.64	2.01	14,716.73		
201 - 1,500	4,140,385 T.G.	1.83	7,576.87	1.87	7,759.25		
1,501 - 5,000	1,292,102 T.G.	1.64	2,119.05	1.71	2,208.14		
5,001 - 10,000	418,822 T.G.	1.25	524.78	1.32	555.74		
Over 10,000	<u>412,405</u> T.G.	1.16	<u>478.39</u>	1.16	<u>478.39</u>		
Total Commercial	14,834,700 T.G.		30,855.77		31,917.50	3.11%	103.78
MUNICIPAL Service Charge	36,801 E.U.	4.25	156.40	4.50	165.60		
Water Sold 0 - 3	18,338 T.G.	1.57	25.85	1.63	26.71		
4 - 6	13,070 T.G.	1.72	22.48	1.78	23.27		
7 - 200	334,015 T.G.	1.98	654.87	2.01	670.90		
201 - 1,500	448,824 T.G.	1.83	821.53	1.87	841.31		
1,501 - 5,000	343,836 T.G.	1.64	563.56	1.71	588.72		
5,001 - 10,000	588,180 T.G.	1.25	732.70	1.32	775.93		
Over 10,000	<u>73,157</u> T.G.	1.16	<u>84.88</u>	1.16	<u>84.88</u>		
Total Municipal	1,815,300 T.G.		3,061.86		3,175.31	3.71%	101.74
INDUSTRIAL: Service Charge	94,112 E.U.	4.25	399.98	4.50	423.50		
Water Sold 0 - 3	10,895 T.G.	1.57	16.79	1.63	17.49		
4 - 6	8,300 T.G.	1.72	16.00	1.78	16.56		
7 - 200	275,280 T.G.	1.98	539.55	2.01	552.83		
201 - 1,500	895,125 T.G.	1.83	1,638.08	1.87	1,677.51		
1,501 - 5,000	1,024,860 T.G.	1.64	1,680.77	1.71	1,740.85		
5,001 - 10,000	825,375 T.G.	1.25	1,031.72	1.32	1,092.89		
Over 10,000	1,609,365 T.G.	1.16	<u>1,886.86</u>	1.16	<u>1,886.86</u>		
Total Industrial	4,650,000 T.G.		7,189.74		7,397.28	2.89%	98.82
TOTAL RETAIL: Service Charge	3,875,120 E.U.	4.25	16,468.26	4.50	17,438.04		
Water Sold 0 - 3	8,593,393 T.G.	1.57	13,481.63	1.63	14,048.77		
4 - 6	5,489,415 T.G.	1.72	9,458.99	1.78	9,790.06		
7 - 200	11,721,981 T.G.	1.98	22,975.08	2.01	23,544.77		
201 - 1,500	5,539,329 T.G.	1.83	10,138.97	1.87	10,380.98		
1,501 - 5,000	2,680,989 T.G.	1.64	4,383.38	1.71	4,542.71		
5,001 - 10,000	1,831,357 T.G.	1.25	2,288.20	1.32	2,424.28		
Over 10,000	2,084,928 T.G.	1.16	<u>2,430.11</u>	1.16	<u>2,430.11</u>		
Total General Pres. Retail	37,941,000 T.G.		81,614.63		84,600.70	3.66%	100.69
Elev. Serv. Area Surcharge	10,688,855 T.G.	0.19	2,030.88	0.19	2,030.88	0.00%	85.36
Private Fire Services			1,597.14		1,653.04		
Public Fire Services			<u>5,225.79</u>		<u>5,408.70</u>		
Total Retail Sales			90,468.45		93,693.32	3.56%	100.28
WHOLESALE SALES:							
Service Charge	8,300 E.U.	3.50	29.05	3.50	29.05		
General Pressure Charge	1,800,000 T.G.	1.16	1,856.00	1.16	1,856.00	0.00%	91.34
Elevated Service Area	1,332,145 T.G.	0.19	<u>253.11</u>	0.19	<u>253.11</u>	0.00%	88.36
Total Utility Sales			<u>2,138.16</u>		<u>2,138.16</u>	0.00%	90.40
SUB-TOTAL SALES	39,541,000 T.G.		92,802.81		95,831.48	3.48%	100.03
Deduction for phased in rate increase			(275.00)		(275.00)		
KT #1 Surcharge			426.77		426.77		
KT #2 Rate Differential			782.92		782.92		
Goshen Rate Differential			207.70		207.70		
GRAND TOTAL ESTIMATED SALES			93,729.00		96,953.87	3.44%	
2003 Budgeted Water Revenue					96,945.92		

7.85

E.U. is 5/8" meter equivalent units; water sold units are in thousands of gallons. (T.G.)

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COMPARISON OF MONTHLY BILLS AT VARIOUS CONSUMPTION LEVELS
(GENERAL PRESSURE AREA)
(METER CAPACITY)

	CONSUMPTION (Thousand Gallons)	METER SIZE	2002 PRESENT RATES	2003		%
				PROPOSED RATES	PROPOSED INCREASE AMOUNT	
0	(Minimum Bill)	5/8 x 3/4"	\$ 4.25	\$ 4.50	\$ 0.25	5.88
3		5/8 x 3/4"	8.96	9.41	0.45	4.97
6	(Average Bill) *	5/8 x 3/4"	14.12	14.75	0.63	4.43
10		5/8 x 3/4"	21.96	22.78	0.82	3.73
20		5/8 x 3/4"	41.56	42.87	1.31	3.14
40		1"	87.14	89.79	2.65	3.04
100		1"	204.74	210.30	5.57	2.72
200		2"	424.11	435.91	11.80	2.78
500		2"	973.11	998.14	25.03	2.57
1,000		3"	1,928.49	1,977.94	49.46	2.56
1,500		3"	2,843.49	2,914.99	71.51	2.51
5,000		6"	8,806.61	9,127.14	320.53	3.64
10,000		6"	15,056.61	15,746.14	689.53	4.58
32,498	General Electric	Various	43,406.21	44,228.24	822.03	1.89
16,791	Shepherdsville	Various	19,774.77	19,774.77	0.00	0.00
88,560	Oxy Vinyls	Various	106,696.21	107,415.74	719.53	0.67

*Residential Customer

ENCLOSURE 2

COMPARISON OF MONTHLY BILLS AT VARIOUS CONSUMPTION LEVELS
(ELEVATED PRESSURE AREA)
(METER CAPACITY)

	CONSUMPTION (Thousand Gallons)	METER SIZE	2002 PRESENT RATES	2003		%
				PROPOSED RATES	PROPOSED INCREASE AMOUNT	
0	(Minimum Bill)	5/8 x 3/4"	\$ 4.25	\$ 4.50	\$ 0.25	5.88
3		5/8 x 3/4"	9.53	9.98	0.45	4.67
6	(Average Bill) *	5/8 x 3/4"	15.26	15.89	0.63	4.10
10		5/8 x 3/4"	23.86	24.68	0.82	3.44
20		5/8 x 3/4"	45.36	46.67	1.31	2.88
40		1"	94.74	97.39	2.65	2.80
100		1"	223.74	229.30	5.57	2.49
200		2"	462.11	473.91	11.80	2.55
500		2"	1,068.11	1,093.14	25.03	2.34
1,000		3"	2,118.49	2,167.94	49.46	2.33
1,500		3"	3,128.49	3,199.99	71.51	2.29
44,610	(Ford Motor - Westport)	Various	64,571.94	65,313.97	742.03	1.15
43,038	(Mt. Washington)	Various	58,696.75	58,696.75	0.00	0.00
18,144	(North Shelby)	Various	24,568.78	24,568.78	0.00	0.00
34,423	(Taylorsville)	Various	46,544.75	46,544.75	0.00	0.00
11,675	(West Shelby)	Various	15,888.98	15,888.98	0.00	0.00

* Residential Customer

ENCLOSURE 3

20 LARGEST INDUSTRIAL/COMMERCIAL CUSTOMERS OF
THE LOUISVILLE WATER COMPANY

<u>COMPANY</u>	<u>AVG MONTHLY CONSUMPTION (T.G.)</u>	<u>2002 PRESENT RATES</u>	<u>2003 PROPOSED RATES</u>	<u>DIFFERENCE AMOUNT</u>	<u>%</u>
Oxy Vinyl	88,560	\$ 106,696	\$ 107,416	\$ 720	0.67
Ford Motors (Westport/Chamberlain)*	44,610	66,253	67,094	841	1.27
American Synthetic	41,198	52,638	53,410	771	1.47
General Electric	32,498	41,679	42,399	720	1.73
Metro Sewer District	25,504	33,806	34,540	735	2.17
E.I. DuPont	24,389	32,016	32,721	705	2.20
Ford Motors (Fern Valley Rd)	18,247	24,867	25,571	704	2.83
Protein Technologies	17,293	24,557	25,308	751	3.06
Brown Forman	16,070	23,040	23,785	745	3.23
Lou Gas & Electric	13,812	20,596	21,351	755	3.67
Harshaw - Filtrol	11,579	17,706	18,444	738	4.17
United Catalysts - Crittenden	10,626	16,017	16,720	703	4.39
Fischer Packing	10,425	15,554	16,244	690	4.43
Carbide/Graphite	9,636	14,674	15,341	667	4.55
Borden Chemical	9,031	13,954	14,578	624	4.47
United Catalysts - 12th St	8,714	14,106	14,739	633	4.49
Baptist Hospital East	8,377	13,374	13,964	590	4.41
Frito Lay Inc	7,423	11,857	12,358	501	4.22
Opta Food	7,295	12,716	13,267	551	4.33
Zeochem	7,238	11,778	12,274	496	4.21

* ELEVATED SERVICE AREA

ENCLOSURE 4

(CUSTOMERS SERVED BY GENERAL PRESSURE)*

CITY	PROPOSED INCREASE FOR 2002		DATE OF LAST INCREASE (DECREASE)	5/8" METER 6,000 GALLONS				3" METER 2,250,000 GALLONS				4" METER 4,500,000 GALLONS				6" METER 10,000,000 GALLONS			
	INSIDE CITY	OUTSIDE CITY		INSIDE CITY		OUTSIDE CITY		INSIDE CITY		OUTSIDE CITY		INSIDE CITY		OUTSIDE CITY		INSIDE CITY		OUTSIDE CITY	
				RANK		RANK		RANK		RANK		RANK		RANK		RANK		RANK	
LOUISVILLE (502) 589-3600	3.50%	3.50%	Jan '02	5	14.75	1	14.75	8	4,195.48	5	4,195.48	7	8,093.38	6	8,093.38	6	15,745.83	5	15,745.83
ATLANTA (404) 330-6079	3.00%	3.00%	Jan '01	4	13.60	5	16.48	7	4,270.24	9	5,172.40	8	8,120.48	9	9,834.80	7	17,533.60	9	21,233.60
CINCINNATI (513) 591-7951	2.00%	2.00%	Jan '02	1	12.73	3	18.03	4	3,050.06	4	3,833.82	4	6,107.23	4	7,870.98	5	13,266.73	6	16,657.08
COLUMBUS (614) 645-7761	5.00%	5.00%	Jan '99	2	12.86	8	18.71	1	2,494.21	2	3,219.03	1	4,825.42	3	6,271.78	3	10,316.15	3	13,409.28
INDIANAPOLIS (317) 655-1751	None	None	Jan '01	7	17.98	7	17.98	3	2,908.07	1	2,908.07	3	5,167.30	1	5,167.30	1	9,545.75	1	9,545.75
KNOXVILLE (865) 658-2381	None	None	Jul '02	8	18.06	10	21.58	5	3,786.15	8	4,571.03	5	8,935.28	7	8,369.82	4	12,734.48	4	15,384.58
LEXINGTON (606) 269-6308	None	None	May '01	10	20.72	9	20.72	9	4,764.87	8	4,764.87	6	7,780.01	5	7,780.01	8	20,184.60	7	20,184.60
MILWAUKEE (414) 286-2435	None	None	May '02	3	13.03	4	16.29	2	2,778.81	3	3,473.27	2	4,870.89	2	6,088.81	2	9,607.77	2	12,009.71
NASHVILLE (615) 259-7217	None	None	May '99	6	14.76	2	14.76	10	5,228.43	10	5,228.43	10	9,943.90	10	9,943.90	10	21,450.09	10	21,450.09
MISSOURI AMERICAN (ST. LOUIS CO) (314) 991-3404	None	None	May '02	9	18.38	8	18.38	8	4,618.16	7	4,618.16	9	9,263.32	8	9,263.32	9	20,469.74	8	20,469.74

Notes:

The bills shown are computed using basic rates only and do not include special charges such as the elevated area surcharge, public fire protection charges, sales, franchises, or other taxes. Water bills for LWC include 3.5% rate increase for 2003, water bills for other utilities do not include any proposed 2003 increase.

Rank #1 is lowest charge.

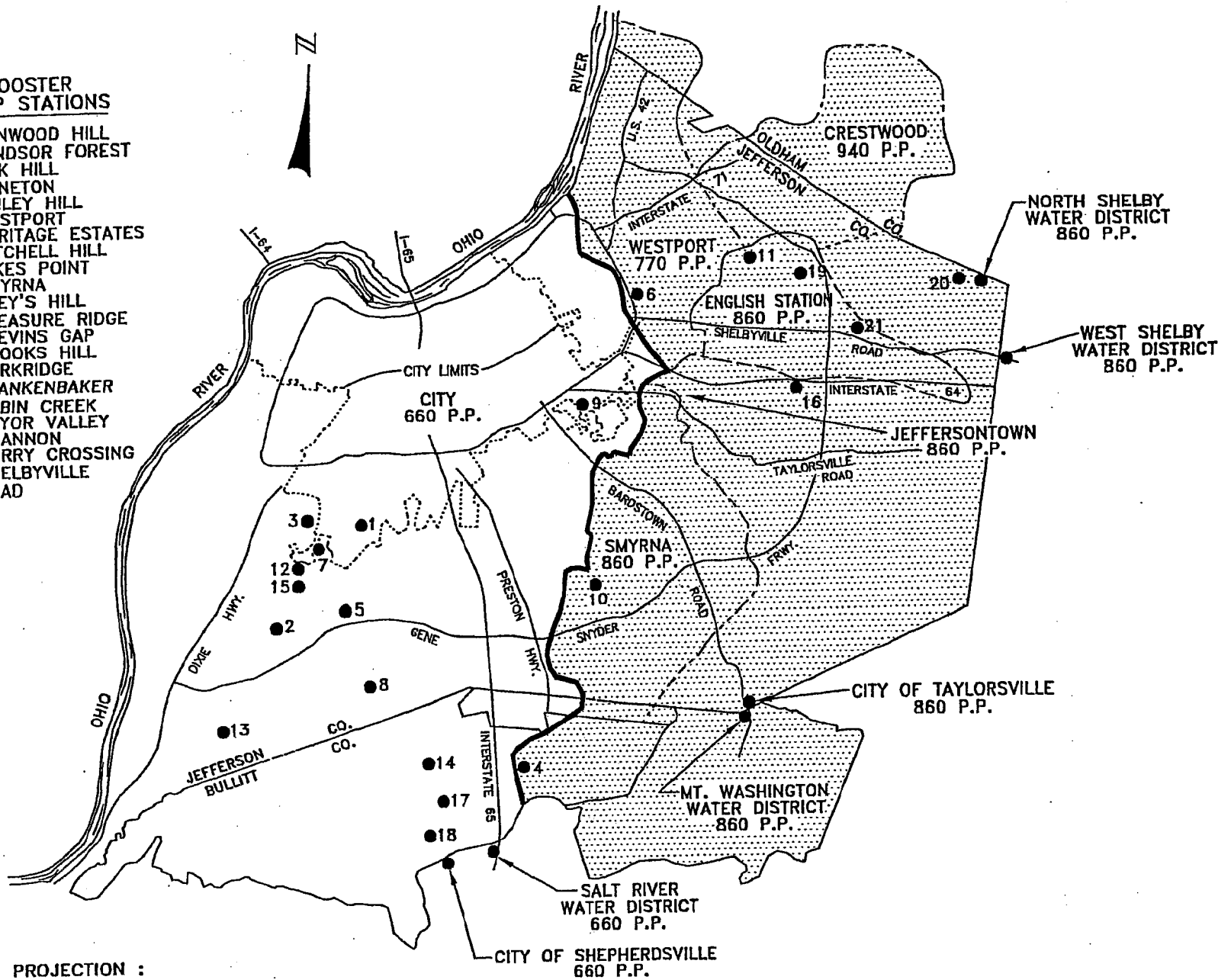
Indianapolis, Lexington, and Missouri American are investor owned water utilities.

ENCLOSURE 5

**BOOSTER
PUMP STATIONS**

- 1...KENWOOD HILL
- 2...WINDSOR FOREST
- 3...OAK HILL
- 4...ZONETON
- 5...FINLEY HILL
- 6...WESTPORT
- 7...HERITAGE ESTATES
- 8...MITCHELL HILL
- 9...HIKES POINT
- 10...SMYRNA
- 11...FREY'S HILL
- 12...PLEASURE RIDGE
- 13...BLEVINS GAP
- 14...BROOKS HILL
- 15...PARKRIDGE
- 16...BLANKENBAKER
- 17...CABIN CREEK
- 18...PRYOR VALLEY
- 19...OBANNON
- 20...CURRY CROSSING
- 21...SHELBYVILLE ROAD

27



2003 PROJECTION :

	THOUSAND GALLONS
NUMBER OF CUSTOMERS: 97,900	
PROJECTED ANNUAL WATER USAGE: 2003	
RESIDENTIAL.....	6,301,120 GALLONS
COMMERCIAL.....	4,139,270 GALLONS
INDUSTRIAL.....	237,050 GALLONS
PURCHASED FOR RESALE.....	1,332,160 GALLONS
PRIVATE FIRE PROTECTION.....	11,400 GALLONS
TOTAL.....	12,021,000 GALLONS

ELEVATED SERVICE AREAS

ENCLOSURE 6
12/03/02

FILE NAME: ELEVSERV

**RESOLUTION TO DECLARE FOURTH QUARTER DIVIDEND
TO THE CITY OF LOUISVILLE**

WHEREAS, it has been the long established policy of the 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 1992 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 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, the Board passed a resolution on March 12, 2002 to adjust the 2001 annual dividend by \$477,094 from \$12,599,250 to \$13,076,344, the difference to be added in equal quarterly installments to the quarterly 2002 dividend payments, and

WHEREAS, the 1992 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 Louisville Water Company estimated annual net income for 2002 is \$27,240,441 and the projected annual dividend computed in the manner specified in the 1992 Bond Resolution is \$12,021,776 and considering dividends declared earlier this year, it would be in order at this time to declare a regular fourth quarter dividend of \$2,865,491.

RESOLVED, the regular fourth quarter 2002 dividend of \$2,865,491 is hereby declared, and further,

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$2,984,766 to the Louisville and Jefferson County Revenue Commission on December 30, 2002, this being the fourth quarterly dividend for 2002 plus one quarter of the dividend adjustment for 2001, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

**10 YEAR SERVICE COST AVERAGES
1993 THROUGH 2002**

Service Type 3/4" DS				Service Type 1" DS				Service Type 1 1/2" DS				Service Type 2" DS				Service Type 3" & 4" DS			
Year	Fee	Avg. Cost	Quantity	Year	Fee	Avg. Cost	Quantity	Year	Fee	Avg. Cost	Quantity	Year	Fee	Avg. Cost	Quantity	Year	Fee	Avg. Cost	Quantity
1993	\$ 450.00	\$ 568.23	2956	1993	\$ 750.00	\$ 949.49	117	1993	\$ 2,400.00	\$ 2,692.51	36	1993	\$ 2,900.00	\$ 2,583.11	37	1993	\$ 6,500.00	\$ 7,006.47	10
1994	\$ 450.00	\$ 586.10	3069	1994	\$ 750.00	\$ 878.84	78	1994	\$ 2,100.00	\$ 2,232.76	23	1994	\$ 2,900.00	\$ 2,967.99	27	1994	\$ 6,500.00	\$ 7,503.25	12
1995	\$ 450.00	\$ 612.51	2817	1995	\$ 750.00	\$ 1,088.04	140	1995	\$ 2,100.00	\$ 2,138.32	38	1995	\$ 2,900.00	\$ 2,406.87	52	1995	\$ 6,500.00	\$ 7,488.04	13
1996	\$ 450.00	\$ 597.85	2900	1996	\$ 750.00	\$ 997.46	146	1996	\$ 2,100.00	\$ 1,884.58	53	1996	\$ 2,900.00	\$ 2,312.32	53	1996	\$ 6,600.00	\$ 8,460.00	35
1997	\$ 450.00	\$ 544.52	2550	1997	\$ 750.00	\$ 955.70	130	1997	\$ 2,000.00	\$ 1,853.08	23	1997	\$ 2,500.00	\$ 2,541.25	31	1997	\$ 7,000.00	\$ 10,170.59	24
1998	\$ 450.00	\$ 522.80	3166	1998	\$ 750.00	\$ 1,179.50	113	1998	\$ 2,000.00	\$ 1,930.20	32	1998	\$ 2,500.00	\$ 2,169.78	31	1998	\$ 7,000.00	\$ 7,350.70	16
1999	\$ 450.00	\$ 512.53	3572	1999	\$ 750.00	\$ 1,138.77	200	1999	\$ 2,000.00	\$ 2,519.28	53	1999	\$ 2,500.00	\$ 2,488.10	68	1999	\$ 7,000.00	\$ 7,022.90	23
2000	\$ 450.00	\$ 511.14	3812	2000	\$ 750.00	\$ 801.96	273	2000	\$ 2,000.00	\$ 2,253.50	91	2000	\$ 2,500.00	\$ 2,421.30	98	2000	\$ 7,000.00	\$ 6,537.29	22
2001	\$ 450.00	\$ 663.73	4201	2001	\$ 750.00	\$ 1,054.00	250	2001	\$ 2,000.00	\$ 2,581.07	90	2001	\$ 2,500.00	\$ 2,787.76	90	2001	\$ 7,000.00	\$ 7,508.64	30
2002*	\$ 450.00	\$ 600.99	3829	2002*	\$ 750.00	\$ 987.98	243	2002*	\$ 2,000.00	\$ 2,189.46	54	2002*	\$ 2,500.00	\$ 2,780.05	82	2002*	\$ 7,000.00	\$ 7,297.67	13
Previous 3 YR. AVG.		\$ 591.95	3947	Previous 3 YR. AVG.		\$ 947.98	255	Previous 3 YR. AVG.		\$ 2,341.34	78	Previous 3 YR. AVG.		\$ 2,663.04	90	Previous 3 YR. AVG.		\$ 7,114.53	22
Previous 10 YR. AVG.		\$ 572.04	3267	Previous 10 YR. AVG.		\$ 1,003.17	169	Previous 10 YR. AVG.		\$ 2,227.48	49	Previous 10 YR. AVG.		\$ 2,551.85	57	Previous 10 YR. AVG.		\$ 7,634.56	20

Service Type 6" DS				Service Type 8" DS				Service Type 10" DS				Service Type 12" DS				Service Type Irrigation Retrofit			
Year	Fee	Avg. Cost	Quantity	Year	Fee	Avg. Cost	Quantity	Year	Fee	Avg. Cost	Quantity	Year	Fee	Avg. Cost	Quantity	Year	Fee	Avg. Cost	Quantity
1993	EST.	\$ 7,831.82	1	1993	EST.	\$ -	1	1993	EST.	\$ -	0	1993	EST.	\$ -	0	2000	\$300.00	\$263.10	482
1994	EST.	\$ 10,816.21	6	1994	EST.	\$ 13,014.68	6	1994	EST.	\$ -	0	1994	EST.	\$ -	0	2001	\$300.00	\$226.81	435
1995	EST.	\$ 9,841.13	5	1995	EST.	\$ 7,167.51	2	1995	EST.	\$ -	0	1995	EST.	\$ -	0	2002*	\$250.00	\$204.85	525
1996	EST.	\$ 3,390.32	1	1996	EST.	\$ 14,265.87	1	1996	EST.	\$ 10,453.05	1	1996	EST.	\$ -	0				
1997	EST.	\$ 6,400.05	3	1997	EST.	\$ -	0	1997	EST.	\$ -	0	1997	EST.	\$ -	0				
1998	EST.	\$ 11,055.41	2	1998	EST.	\$ -	0	1998	EST.	\$ -	0	1998	EST.	\$ -	0				
1999	EST.	\$ 6,484.42	2	1999	EST.	\$ 13,135.89	1	1999	EST.	\$ 7,287.39	1	1999	EST.	\$ 48,276.63	1				
2000	EST	\$ -	0	2000	EST	\$ -	0	2000	EST	\$ -	0	2000	EST	\$ -	0				
2001	EST	\$ 6,598.41	2	2001	EST	\$ 24,326.93	1	2001	EST	\$ -	0	2001	EST	\$ -	0				
2002*	EST	\$ 13,840.32	4	2002*	EST	-	-	2002*	EST	\$ -	0	2002*	EST	\$ -	0				
Previous 3 YR. AVG.		\$ 10,219.37	2	Previous 3 YR. AVG.		\$ 12,163.47	1	Previous 3 YR. AVG.		\$ -	0	Previous 3 YR. AVG.		\$ -	0	Previous 3 YR. AVG.		\$ 231.59	481
Previous 10 YR. AVG.		\$ 8,473.12	3	Previous 10 YR. AVG.		\$ 14,382.16	1	Previous 10 YR. AVG.		\$ 8,870.22	1	Previous 10 YR. AVG.		\$ 48,276.63	1	Previous 10 YR. AVG.		\$ 231.59	481

Service Type 4" FS				Service Type 6" FS				Service Type 8" FS				Service Type 10" FS				Service Type 12" FS			
Year	Fee	Avg. Cost	Quantity	Year	Fee	Avg. Cost	Quantity	Year	Fee	Avg. Cost	Quantity	Year	Fee	Avg. Cost	Quantity	Year	Fee	Avg. Cost	Quantity
1993	\$ 4,000.00	\$ 4,707.68	28	1993	\$ 5,000.00	\$ 4,940.52	50	1993	\$ 6,000.00	\$ 4,957.76	15	1993	EST.	\$ 7,963.50	2	1993	EST.	\$ -	0
1994	\$ 4,000.00	\$ 5,239.87	21	1994	\$ 5,000.00	\$ 5,431.44	26	1994	\$ 6,000.00	\$ 6,383.31	14	1994	EST.	\$ 3,941.20	2	1994	EST.	\$ -	0
1995	\$ 4,000.00	\$ 5,298.15	26	1995	\$ 5,000.00	\$ 4,876.86	62	1995	\$ 6,000.00	\$ 7,777.42	27	1995	EST.	\$ 7,384.16	1	1995	EST.	\$ 6,168.18	3
1996	\$ 4,000.00	\$ 4,440.98	32	1996	\$ 6,000.00	\$ 4,814.06	47	1996	\$ 6,000.00	\$ 7,475.37	25	1996	EST.	\$ 15,330.33	3	1996	EST.	\$ 7,876.51	2
1997	\$ 4,000.00	\$ 4,693.39	20	1997	\$ 5,000.00	\$ 5,353.11	38	1997	\$ 6,000.00	\$ 6,719.70	20	1997	EST.	\$ 14,757.28	2	1997	EST.	\$ 32,313.29	1
1998	\$ 4,000.00	\$ 3,591.87	25	1998	\$ 5,000.00	\$ 4,385.00	50	1998	\$ 6,000.00	\$ 5,214.96	14	1998	EST.	\$ 12,226.40	5	1998	EST.	\$ 9,315.79	1
1999	\$ 4,000.00	\$ 3,984.95	26	1999	\$ 5,000.00	\$ 4,994.59	61	1999	\$ 6,000.00	\$ 4,830.96	24	1999	EST.	\$ 7,156.03	5	1999	EST.	\$ 9,631.17	3
2000	\$ 4,000.00	\$ 4,332.54	25	2000	\$ 5,000.00	\$ 5,111.23	73	2000	\$ 6,000.00	\$ 4,974.63	21	2000	EST.	\$ 10,118.88	3	2000	EST.	\$ -	0
2001	\$ 4,000.00	\$ 4,285.91	32	2001	\$ 5,000.00	\$ 4,376.91	76	2001	\$ 6,000.00	\$ 5,648.48	37	2001	EST.	\$ 6,044.76	2	2001	EST.	\$ 16,600.68	1
2002*	\$ 4,000.00	\$ 3,700.47	18	2002*	\$ 4,500.00	\$ 4,939.94	42	2002*	\$ 5,000.00	\$ 5,477.72	20	2002*	EST.	\$ 9,490.69	2	2002*	EST.	\$ 5,195.00	1
Previous 3 YR. AVG.		\$ 4,106.31	25	Previous 3 YR. AVG.		\$ 4,809.36	64	Previous 3 YR. AVG.		\$ 6,366.94	26	Previous 3 YR. AVG.		\$ 8,551.44	2	Previous 3 YR. AVG.		\$ 10,897.84	1
Previous 10 YR. AVG.		\$ 4,427.58	25	Previous 10 YR. AVG.		\$ 4,922.37	53	Previous 10 YR. AVG.		\$ 5,946.03	22	Previous 10 YR. AVG.		\$ 9,441.32	3	Previous 10 YR. AVG.		\$ 12,442.95	1

* Quantity total for 2002 is a projection based on actual installation numbers through November, 2002

PROPOSED 2003 SERVICE INSTALLATION, TEMPORARY METER, FIRE FLOW TEST FEES

SERVICE INSTALLATION

<u>SIZE</u>	<u>TYPE</u>	<u>EXISTING 2002 FEE</u>	<u>PREVIOUS 3 YR AVG</u>	<u>PROPOSED 2003 FEE</u>
3/4"	Dom. Svc.	\$ 450.00	\$ 591.95	\$ 450.00
1"	Dom. Svc.	\$ 750.00	\$ 947.98	\$ 750.00
1 1/2"	Dom. Svc.	\$ 2,000.00	\$ 2,341.34	\$ 2,000.00
2"	Dom. Svc.	\$ 2,500.00	\$ 2,663.04	\$ 2,500.00
3" & 4"	Dom. Svc.	\$ 7,000.00	\$ 7,114.53	\$ 7,000.00
6"	Dom. Svc.	Variable Deposit	\$ 10,219.37	Variable Deposit
8"	Dom. Svc.	Variable Deposit	\$ 12,163.47	Variable Deposit
10"	Dom. Svc.	Variable Deposit	\$ -	Variable Deposit
12"	Dom. Svc.	Variable Deposit	\$ -	Variable Deposit
3/4" Irr. Retrofit	Dom. Svc.	\$ 250.00	\$ 231.59	\$ 250.00
3/4" Tandem	Dom. Svc.	\$ 750.00	n/a	\$ 750.00
1" Tandem (2 meters)	Dom. Svc.	\$ 800.00	n/a	\$ 800.00
1" 3-Way Manifold	Dom. Svc.	\$ 1,200.00	n/a	\$ 1,200.00
1" 4-Way Manifold	Dom. Svc.	\$ 1,500.00	n/a	\$ 1,500.00
4"	Fire Svc.	\$ 4,000.00	\$ 4,106.31	\$ 4,000.00
6"	Fire Svc.	\$ 4,500.00	\$ 4,809.36	\$ 4,500.00
8"	Fire Svc.	\$ 5,000.00	\$ 5,366.94	\$ 5,000.00
10"	Fire Svc.	Variable Deposit	\$ 8,551.44	Variable Deposit
12"	Fire Svc.	Variable Deposit	\$ 10,897.84	Variable Deposit

30

TEMPORARY METER

<u>SIZE</u>	<u>TYPE</u>	<u>EXISTING 2002 FEE</u>	<u>PROPOSED 2003 FEE</u>
3/4"	Temp Meter	\$ 200.00	\$ 200.00 (\$100.00 Non-Refundable, \$100.00 Refundable)
1 1/2"	Temp Meter	\$ 500.00	\$ 500.00 (\$100.00 Non-Refundable, \$400.00 Refundable)
3"	Temp Meter	\$ 600.00	\$ 600.00 (\$100.00 Non-Refundable, \$500.00 Refundable)

FIRE FLOW TEST

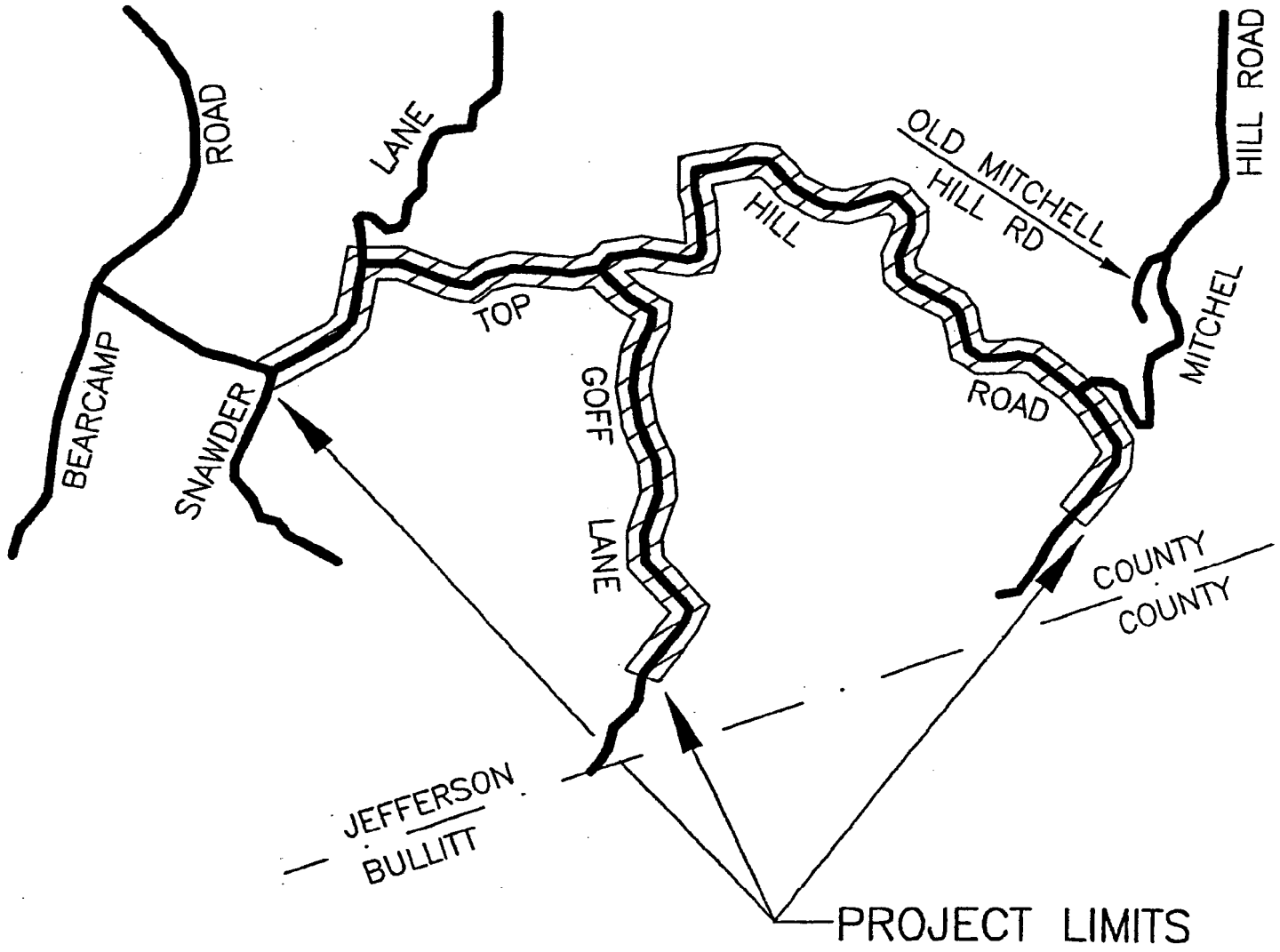
	<u>EXISTING 2002 FEE</u>	<u>PROPOSED 2003 FEE</u>
Certified Fire Flow Test	\$ 250.00	\$ 250.00

APPORTIONMENT WARRANT RESOLUTION

December 10, 2002

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of its **Top Hill Rd: Snawder Ln to Mitchell Hill Rd, Snawder Ln: Top Hill Rd to South 1,600 ft, Goff Ln: Top Hill Rd to South 2,000 ft (end of public portion), Mitchell Hill Rd: Top Hill Rd to South 1,100 ft, and Mitchell Hill Rd: County Line to North 2,950 ft** main extension project authorized by Ordinances No. 20, Series 2001 and No. 7, Series 2002 of the Jefferson Fiscal Court, adopted on August 28, 2001 and February 12, 2002, respectively, such warrants to be against 70 benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

00106

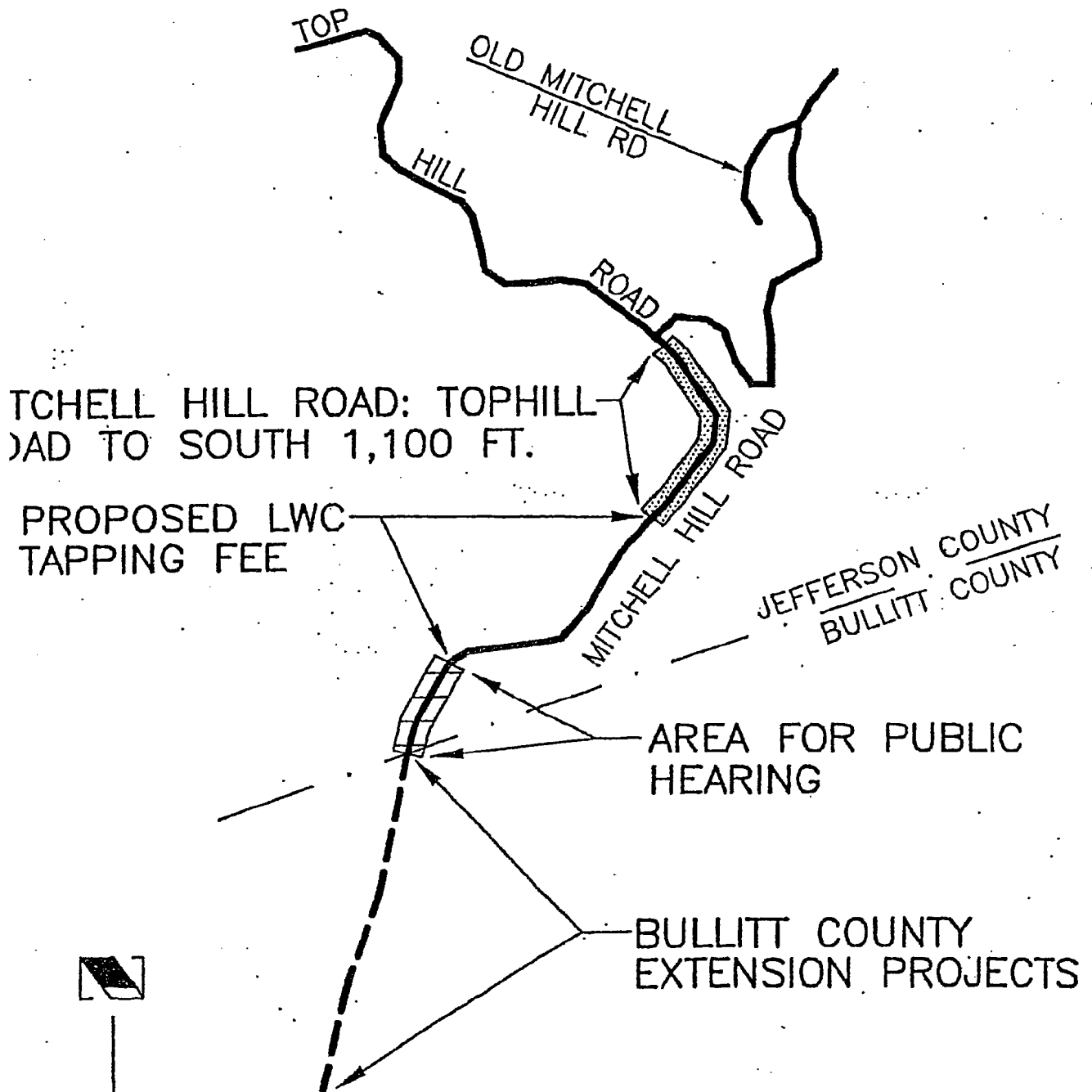



PROJECT AREA



FILE NAME: TOP HILL RD. COMBINED

00110



PUBLIC HEARING AREA 

FILE NAME: MITCHELL HILL

00114

RELEASE OF LIEN

PAID IN FULL

ASSESSMENT

LOCATION

NAME

ACCOUNT

1101 TOP HILL RD 5,450.00

DEED-BK 5537 LIEN-DT
FAIRDALE KY DEED-PG 816 LIEN-PG
40118 TAX-DST
LOT-NO. 104

ANTHONY AUBREY 2205 TOP HILL RD 5,450.00

DEED-BK 6618 LIEN-DT
FAIRDALE KY DEED-PG 856 LIEN-PG
40118 TAX-DST
LOT-NO. 50

RALPH A & PAULA S AXE 2011 TOP HILL RD 5,450.00

DEED-BK 6275 LIEN-DT
FAIRDALE KY DEED-PG 508 LIEN-PG
40118-7046 TAX-DST
LOT-NO. 210

MARCIA E BAKER 11819 SNAIDER LN 5,450.00

DEED-BK 6627 LIEN-DT
FAIRDALE KY DEED-PG 234 LIEN-PG
40118 TAX-DST
LOT-NO. 147

THOS P SR & DEBORAH BEARD 2104 TOP HILL RD 5,450.00

DEED-BK 5424 LIEN-DT
FAIRDALE KY DEED-PG 39 LIEN-PG
40118 TAX-DST
LOT-NO. 335

WM E & LINDA DARL BLEVINS 1701 TOP HILL RD 5,450.00

DEED-BK 7904 LIEN-DT
FAIRDALE KY DEED-PG 184 LIEN-PG
40118 TAX-DST
LOT-NO. 134

ORIN B & NORMA R BOND 2100 TOP HILL RD 5,450.00

DEED-BK 6275 LIEN-DT
FAIRDALE KY DEED-PG 738 LIEN-PG
40023 TAX-DST
LOT-NO. 98

RICHARD R & E M CLARK 7143 KNOB CREEK RD 5,450.00

DEED-BK 3688 LIEN-DT
BROOKS KY DEED-PG 464 LIEN-PG
40109 TAX-DST
LOT-NO. 242

WILLIAM R & ELLA COFFEE 2113 TOP HILL RD 5,450.00

DEED-BK 3353 LIEN-DT
FAIRDALE KY DEED-PG 301 LIEN-PG
40118 TAX-DST
LOT-NO. 147

Exhibit "A"

00115

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
088490	JEFFERSON COUNTY	KNOB CREEK RD		5,450.00	
	401 FISCAL COURT BLDG	DEED-BK 5435	LIEN-DT		
	LOUISVILLE KY	DEED-PG 139	LIEN-BK		
	40202	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	267	
		DEED-BK 7311			
		DEED-PG 534			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	374	
088492	JEFFERSON COUNTY	KNOB CREEK RD		5,450.00	
	517 W JEFFERSON ST	DEED-BK 7311	LIEN-DT		
	LOUISVILLE KY	DEED-PG 534	LIEN-BK		
	40202	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	375	
0884957	JEFFERSON COUNTY	TOP HILL RD		5,450.00	
	517 W JEFFERSON ST	DEED-BK 7598	LIEN-DT		
	LOUISVILLE KY	DEED-PG 14	LIEN-BK		
	40202	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	380	
		TOP HILL RD			
		DEED-BK 7598			
		DEED-PG 14			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	336	
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 1055	LOT-NO.	19	
		DEED-BK 7598			
		DEED-PG 14			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	381	
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	8	
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	9	

00116

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0884957	JEFFERSON COUNTY (CONTINUED)				
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	148	
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	49	
		DEED-BK 5489			
		DEED-PG 562			
		TAX-DST			
		TAX-BLK 1055	LOT-NO.	19	
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	232	
0884966	JEFFERSON COUNTY	TOP HILL RD		5,450.00	
	517 W JEFFERSON ST	DEED-BK	LIEN-DT		
	LOUISVILLE KY	DEED-PG	LIEN-BK		
	40202	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	377	
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	49	
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	49	
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	232	
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	262	

60117

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0884920	DAVID A & SHEILA D COWDEN 3802 HILLCROSS DR LOUISVILLE KY 40229	1704 TOP HILL RD DEED-BK 7245 DEED-PG 656 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0884928	CARLTON M CRUGER 2211 TOP HILL RD FAIRDALE KY 40118	2211 TOP HILL RD DEED-BK 5784 DEED-PG 549 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0884932	JEFFERY M & COLLEEN DONOHUE 2101 TOP HILL RD FAIRDALE KY 40118	2101 TOP HILL RD DEED-BK 5899 DEED-PG 708 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0884936	HARRY S DOWNEY 12008 SNAWDER LN FAIRDALE KY 40118-9432	12008 SNAWDER LN DEED-BK 6927 DEED-PG 756 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0884934	ROBERT V & TERRI L DOYLE 1700 TOP HILL RD FAIRDALE KY 40118	1700 TOP HILL RD DEED-BK 7618 DEED-PG 860 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0884938	STEPHEN R DUNN 2121 TOP HILL RD FAIRDALE KY 40118	2121 TOP HILL RD DEED-BK 5023 DEED-PG 224 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0884941	C L & THELMA L FERGUSON 8208 NATIONAL TURNPIKE LOUISVILLE KY 40214	2110 TOP HILL RD DEED-BK 3112 DEED-PG 236 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
		2114 TOP HILL RD DEED-BK 3112 DEED-PG 236 TAX-DST TAX-BLK 1056	LOT-NO.	144	
		2112 TOP HILL RD DEED-BK 3112 DEED-PG 236 TAX-DST TAX-BLK 1056	LOT-NO.	140	

00118

60119

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0886251	GREG FULTZ	12101 GOFF LN		5,450.00	
	12008 GOFF LN	DEED-BK 6387	LIEN-DT		
	FAIRDALE KY	DEED-PG 89	LIEN-BK		
	40118	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	248	
0886248	GREGORY & JUANITA FULTZ	12008 GOFF LN		5,450.00	
	12008 GOFF LN	DEED-BK 6241	LIEN-DT		
	FAIRDALE KY	DEED-PG 837	LIEN-BK		
	40118	TAX-DST	LIEN-PG		
		TAX-BLK 1055	LOT-NO.	112	
0884944	DONALD R & JEAN GILBERT	1801 TOP HILL RD		5,450.00	
	9913 SILVERWOOD LN	DEED-BK 4509	LIEN-DT		
	LOUISVILLE KY	DEED-PG 165	LIEN-BK		
	40272	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	301	
0884948	JILL JOHNSTON & TODD GILBERT	TOP HILL RD		5,450.00	
	1302 TOP HILL RD	DEED-BK 7893	LIEN-DT		
	FAIRDALE KY	DEED-PG 934	LIEN-BK		
	40118	TAX-DST	LIEN-PG		
		TAX-BLK 1055	LOT-NO.	255	
0884949	TINA GILLENWATER	1600 TOP HILL RD		5,450.00	
	1600 TOP HILL RD	DEED-BK 6230	LIEN-DT		
	FAIRDALE KY	DEED-PG 136	LIEN-BK		
	40118	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	170	
0884877	MORBIA & JOHN GOATLEY	12014 SNAWDER LN		5,450.00	
	12014 SNAWDER LN	DEED-BK 7354	LIEN-DT		
	FAIRDALE KY	DEED-PG 215	LIEN-BK		
	40118	TAX-DST	LIEN-PG		
		TAX-BLK 1055	LOT-NO.	157	
0884821	STEPHEN D GRAHAM	13008 MITCHELL HILL RD		5,450.00	
	13008 MITCHELL HILL RD	DEED-BK 6877	LIEN-DT		
	FAIRDALE KY	DEED-PG 224	LIEN-BK		
	40118	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	235	
		13006 MITCHELL HILL RD			
		DEED-BK 7604			
		DEED-PG 481			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	68	
0884844	WALTER WILLIAM JR & GRAHAM	13015 MITCHELL HILL RD		5,450.00	
	13015 MITCHELL HILL RD	DEED-BK 6645	LIEN-DT		
	FAIRDALE KY	DEED-PG 106	LIEN-BK		
	40118	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	67	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0884886	JAS W & SYLVIA D GRIFFIN 7181 KNOB CREEK RD BROOKS KY 40309	7181 KNOB CREEK RD DEED-BK 3986 DEED-PG 515 TAX-DST TAX-BLK 1056	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0884951	BRIGIT H HALL 2209 TOP HILL RD FAIRDALE KY 40118	2209 TOP HILL RD DEED-BK 7450 DEED-PG 539 TAX-DST TAX-BLK 1056	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0884887	PATRICIA S HALL 7236 KNOB CREEK RD BROOKS KY 40309	7236 KNOB CREEK RD DEED-BK 7479 DEED-PG 582 TAX-DST TAX-BLK 1056	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0884888	SIMON J SR HARRIS 7091 KNOB CREEK RD BROOKS KY 40309	7091 KNOB CREEK RD DEED-BK 6985 DEED-PG 542 TAX-DST TAX-BLK 1056	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0886232	OWEN & FORREST HUDGINS C/O C/O PAMELA MEYERS 484 SPRING HOUSE LN LOUISVILLE KY 40229	11806 GOFF LN DEED-BK 3699 DEED-PG 439 TAX-DST TAX-BLK 1055	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0884953	KENNETH HUMPHRESS 2115 TOP HILL RD FAIRDALE KY 40118	2115 TOP HILL RD DEED-BK 6349 DEED-PG 943 TAX-DST TAX-BLK 1056	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0884889	ROGER & MONICA HUMPHREY 7231 KNOB CREEK RD BROOKS KY 40309	7231 KNOB CREEK RD DEED-BK 6924 DEED-PG 47 TAX-DST TAX-BLK 1056	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0884898	JOHN WILLIAM & DEBOR JEFFRIES 12010 SNAWDER LN FAIRDALE KY 40118	12010 SNAWDER LN DEED-BK 4750 DEED-PG 958 TAX-DST TAX-BLK 1055	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0884847	CLARENCE & DF MILLER JOHNSON 12011 MITCHELL HILL RD FAIRDALE KY 40118	12011 MITCHELL HILL RD DEED-BK 6276 DEED-PG 309 TAX-DST TAX-BLK 1056	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		

00120

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0885331	CHRISTOPHER W JOHNSTONE	2304 TOP HILL RD	5,450.00		
	2304 TOP HILL RD	DEED-BK 6818			LIEN-DT
	FAIRDALE KY	DEED-PG 610			LIEN-BK
	40118	TAX-DST			LIEN-PG
		TAX-BLK 1056		74	LOT-NO.
0884850	RICHARD N & LINDA JOHNSTONE	13010 MITCHELL HILL RD	5,450.00		
	12010 MITCHELL HILL RD	DEED-BK 5089			LIEN-DT
	FAIRDALE KY	DEED-PG 430			LIEN-BK
	40118	TAX-DST			LIEN-PG
		TAX-BLK 1056		239	LOT-NO.
0885334	STEPHEN J KESLING	11806 1/2 GOFF LN	5,450.00		
	1200 TOP HILL RD	DEED-BK 5106			LIEN-DT
	FAIRDALE KY	DEED-PG 787			LIEN-BK
	40118	TAX-DST			LIEN-PG
		TAX-BLK 1055		101	LOT-NO.
		1200 TOP HILL RD			
		DEED-BK 5106			
		DEED-PG 787			
		TAX-DST			
		TAX-BLK 1055		103	LOT-NO.
		1300 TOP HILL RD			
		DEED-BK 5106			
		DEED-PG 787			
		TAX-DST			
		TAX-BLK 1055		109	LOT-NO.
0885335	MINNIE L RAPP & LELA KINKER	1705 TOP HILL RD	5,450.00		
	1705 TOP HILL RD	DEED-BK 4995			LIEN-DT
	FAIRDALE KY	DEED-PG 127			LIEN-BK
	40118	TAX-DST			LIEN-PG
		TAX-BLK 1056		135	LOT-NO.
0885363	LENA K LONG	1110 TOP HILL RD	5,450.00		
	2436 GILLIGAN ST	DEED-BK 3055			LIEN-DT
	LOUISVILLE KY	DEED-PG 162			LIEN-BK
	40212	TAX-DST			LIEN-PG
		TAX-BLK 1055		108	LOT-NO.
0884901	BILLY MASON	12005 SNAWDER LN	5,450.00		
	12005 SNAWDER LN	DEED-BK 5489			LIEN-DT
	FAIRDALE KY	DEED-PG 562			LIEN-BK
	40118	TAX-DST			LIEN-PG
		TAX-BLK 1055		20	LOT-NO.
0885369	BILLY MASON	12005 SNAWDER LN	5,450.00		
	12005 SNAWDER LN	DEED-BK 5489			LIEN-DT
	FAIRDALE KY	DEED-PG 562			LIEN-BK
	40118	TAX-DST			LIEN-PG
		TAX-BLK 1055		20	LOT-NO.

00121

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0885371	LLOYD & FRONIE MEREDITH	210A TOP HILL RD	5,450.00	00/0000	
(PAID-UP)	210B TOP HILL RD FAIRDALE KY 40118	DEED-BK 3127 DEED-PG 301 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 141		
0885388	VERIZON MESSAGING SERVICE LLC	TOP HILL RD	5,450.00		
	180 WASHINGTON VALLEY RD BEDMINSTER NJ 7921	DEED-BK 7860 DEED-PG 335 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 104		
0885373	WILSON F & LOU ANN MEYER	2300 TOP HILL RD	5,450.00		
	2300 TOP HILL RD FAIRDALE KY 40118	DEED-BK 5245 DEED-PG 596 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 188		
0885375	CAROLYN & JOHN MILLER	1303 TOP HILL RD	5,450.00		
	7917 OLD 3RD STREET RD LOUISVILLE KY 40214	DEED-BK 7575 DEED-PG 643 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 154		
0885387	JOHN H & BRENDA JOY MITCHELL	1304 TOP HILL RD	5,450.00		
	1304 TOP HILL RD FAIRDALE KY 40118-7431	DEED-BK 7192 DEED-PG 91 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 142		
0885380	RONALD W MITCHELL	2117 TOP HILL RD	5,450.00		
	1800 TOP HILL RD FAIRDALE KY 40118	DEED-BK 5803 DEED-PG 105 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 137		
0885384	RONALD W MITCHELL	TOP HILL RD	5,450.00		
	1800 TOP HILL RD FAIRDALE KY 40118	DEED-BK 7598 DEED-PG 14 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 378		
		TOP HILL RD			
		DEED-BK 7598 DEED-PG 14 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 382		
0886235	WILLIAM & JUANITA MONEYPENNY	11901 GOFF LN	5,450.00		
	11901 GOFF LN FAIRDALE KY 40118	DEED-BK 5970 DEED-PG 572 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 347		

00122

ACCOUNT	NAME	LOCATION			
0886252	PATRICK & REBECCA MONKS	12100 GOFF LN			5,450.00
	12100 GOFF LN	DEED-BK 7888	LIEN-DT		
	FAIRDALE KY	DEED-PG 61	LIEN-BK		
	40118	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	288	
0885393	VERNON & BERNICE MORGAN	1100 TOP HILL RD			5,450.00
	1100 TOP HILL RD	DEED-BK 2945	LIEN-DT		
	FAIRDALE KY	DEED-PG 88	LIEN-BK		
	40118	TAX-DST	LIEN-PG		
		TAX-BLK 1055	LOT-NO.	105	
0884854	HARRISON A & VIOLA A MULL	13014 MITCHELL HILL RD			5,450.00
	13014 MITCHELL HILL RD	DEED-BK 7251	LIEN-DT		
	FAIRDALE KY	DEED-PG 255	LIEN-BK		
	40118	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	48	
0885396	BRIAN W NEWTON	11805 SNAWDER LN			5,450.00
	1474 HODGENVILLE RD	DEED-BK 6216	LIEN-DT		
	CAMPBELLSVILLE KY	DEED-PG 980	LIEN-BK		
	42718	TAX-DST	LIEN-PG		
		TAX-BLK 1055	LOT-NO.	155	
0886243	HURCHEL & CATHERINE NOE	12001 GOFF LN			5,450.00
	12001 GOFF LN	DEED-BK 4984	LIEN-DT		
	FAIRDALE KY	DEED-PG 124	LIEN-BK		
	40118	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	196	
		GOFF LN			
		DEED-BK 4984			
		DEED-PG 124			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	195	
		GOFF LN			
		DEED-BK 4984			
		DEED-PG 124			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	195	
0885418	TOP HILL PARTNERSHIP LTD	1302 TOP HILL RD			5,450.00
	3633 WOODSIDE RD	DEED-BK 6940	LIEN-DT		
	LOUISVILLE KY	DEED-PG 852	LIEN-BK		
	40222	TAX-DST	LIEN-PG		
		TAX-BLK 1055	LOT-NO.	106	
0885398	DANA SIEFERT & HOMER PRIOR	1404 TOP HILL RD			5,450.00
	1404 TOP HILL RD	DEED-BK 6851	LIEN-DT		
	FAIRDALE KY	DEED-PG 305	LIEN-BK		
	40118	TAX-DST	LIEN-PG		
		TAX-BLK 1055	LOT-NO.	102	

00123

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL
0885400	THOMAS H RIGGS JR 2016 TOP HILL RD FAIRDALE KY 40118	2016 TOP HILL RD DEED-BK 7195 DEED-PG 60 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 192	5,450.00
		TOP HILL RD DEED-BK 7195 DEED-PG 60 TAX-DST TAX-BLK 1056	LOT-NO. 193	
0885402	SHARON L SCHAUB 2111 TOP HILL RD FAIRDALE KY 40118	2111 TOP HILL RD DEED-BK 6873 DEED-PG 429 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 129	5,450.00
0884855	LYTLE L SMITH 1421 LEXINGTON RD LOUISVILLE KY 40206	13807 MITCHELL HILL RD DEED-BK 7338 DEED-PG 530 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 65	5,450.00
0885408	LYTLE L SMITH 1421 LEXINGTON RD LOUISVILLE KY 40206	1328 TOP HILL RD DEED-BK 7828 DEED-PG 308 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 107	5,450.00
		1400 TOP HILL RD DEED-BK 7338 DEED-PG 528 TAX-DST TAX-BLK 1055	LOT-NO. 174	
0885411	CHARLES E & DORIS STINNETT 3101 WIDGEON AVE LOUISVILLE KY 40213	2006 TOP HILL RD DEED-BK 6044 DEED-PG 299 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 113	5,450.00
0885417	ARLIN R & ESTHER V TUCKER 1408 TOP HILL RD FAIRDALE KY 40118	1408 TOP HILL RD DEED-BK 3592 DEED-PG 356 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 110	5,450.00
0886237	DEBORAH K TURNER 12000 GOFF LN FAIRDALE KY 40118	12000 GOFF LN DEED-BK 5266 DEED-PG 846 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 111	5,450.00

00124

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0886229	JAMES & MILDRED TURNER	11815 GOFF LN			
	11815 GOFF LN	DEED-BK 3519	5,450.00		
	FAIRDALE KY	DEED-PG 333			
	40118	TAX-DST			
		TAX-BLK 1056			
		LOT-NO.		204	
0886254	DEWEY JR K VINCENT	12412 GOFF LN			
	12412 GOFF LN	DEED-BK 5252	5,450.00		
	FAIRDALE KY	DEED-PG 929			
	40118	TAX-DST			
		TAX-BLK 1056			
		LOT-NO.		53	
0886233	FREDERICK C WULF	11817 GOFF LN			
	11817 GOFF LN	DEED-BK 5670	5,450.00		
	FAIRDALE KY	DEED-PG 905			
	40118	TAX-DST			
		TAX-BLK 1056			
		LOT-NO.		169	

00125

1	0857477	JAMES & JUDY ALLEN	6435 ECHO TRL	5,450.00	
2		10302 VENADO DR	DEED-BK 5822	LIEN-DT	
3		LOUISVILLE KY	DEED-PG 511	LIEN-BK	
4		40299	TAX-DST	LIEN-PG	
5			TAX-BLK 53	LOT-NO. 143	
6	0857480	JOHN BELL	6401 ECHO TRL	5,450.00	
7		6401 ECHO TRL	DEED-BK 6103	LIEN-DT	
8		LOUISVILLE KY	DEED-PG 216	LIEN-BK	
9		40299	TAX-DST	LIEN-PG	
10			TAX-BLK 53	LOT-NO. 142	
11	0857483	DAVID & LINDA BLANTON	6914 ECHO TRL	5,450.00	
12		6914 ECHO TRL	DEED-BK 6331	LIEN-DT	
13		LOUISVILLE KY	DEED-PG 337	LIEN-BK	
14		40299	TAX-DST	LIEN-PG	
15			TAX-BLK 58	LOT-NO. 121	
16	0857491	DAVID & VIRGINIA BRIGHT	7100 ECHO TRL	5,450.00	
17		7100 ECHO TRL	DEED-BK 6966	LIEN-DT	
18		LOUISVILLE KY	DEED-PG 445	LIEN-BK	
19			TAX-DST	LIEN-PG	
20			TAX-BLK 58	LOT-NO. 194	
21	0857495	RAYMOND & MAUREEN BROWN	6307 ECHO TRL	5,450.00	
22		6307 ECHO TRL	DEED-BK 6268	LIEN-DT	
23		LOUISVILLE KY	DEED-PG 744	LIEN-BK	
24		40299	TAX-DST	LIEN-PG	
25			TAX-BLK 53	LOT-NO. 123	
26	0857501	WILLIAM G BURK	6703 ECHO TRL	5,450.00	
27		3805 BIGELOW DR	DEED-BK 6989	LIEN-DT	
28		LOUISVILLE KY	DEED-PG 127	LIEN-BK	
29		40299	TAX-DST	LIEN-PG	
30			TAX-BLK 53	LOT-NO. 105	
31	0857505	BONNIE & BETTY CALHOUN	6311 ECHO TRL	5,450.00	00/0000
32		6323 ECHO TRL	DEED-BK 5253	LIEN-DT	
33	(PAID-UP)	LOUISVILLE KY	DEED-PG 953	LIEN-BK	
34		40299	TAX-DST	LIEN-PG	
35			TAX-BLK 53	LOT-NO. 122	
36	0857512	FREDDIE & MARY CARNEY	6910 ECHO TRL	5,450.00	
37		6910 ECHO TRL	DEED-BK 5460	LIEN-DT	
38		LOUISVILLE KY	DEED-PG 39	LIEN-BK	
39		40299	TAX-DST	LIEN-PG	
40			TAX-BLK 58	LOT-NO. 138	
41	0857514	JOSEPH & SHIRLEY CLARK	7006 ECHO TRL	5,450.00	
42		7006 ECHO TRL	DEED-BK 4588	LIEN-DT	
43		LOUISVILLE KY	DEED-PG 36	LIEN-BK	
44		40299	TAX-DST	LIEN-PG	
45			TAX-BLK 58	LOT-NO. 120	

00127

EXHIBIT 'A'

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0857533	TOMMEE M CLARK 6516 ECHO TRL LOUISVILLE KY 40299	6516 ECHO TRL DEED-BK 7570 DEED-PG 472 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 34	
0857534	C.E. COBB IRROV. TRUST 6705 ECHO TRL LOUISVILLE KY 40299	6705 ECHO TRL DEED-BK 6594 DEED-PG 294 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 104	
0857544	MICHAEL COLGAN 7424 ECHO TRL LOUISVILLE KY 40299	7424 ECHO TRL DEED-BK 7448 DEED-PG 81 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 9	
0857536	MICHAEL & BARBARA COLGAN 7413 ECHO TRL LOUISVILLE KY 40299	7413 ECHO TRL DEED-BK 7235 DEED-PG 265 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 55	
0857546	DAVID & KAREN DECKARD 7305 ECHO TRL LOUISVILLE KY 40299	7305 ECHO TRL DEED-BK 6304 DEED-PG 58 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 21	
0857547	JOHN T DONAHUE 7303 ECHO TRL LOUISVILLE KY 40299	7303 ECHO TRL DEED-BK 7508 DEED-PG 331 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 22	
0857549	ROBIN & RAYMOND FARRAR 6405 ECHO TRL LOUISVILLE KY 40299	6405 ECHO TRL DEED-BK 6073 DEED-PG 184 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 101	
0857553	CHARLES FOREMAN 10702 BLACK IRON RD LOUISVILLE KY 40299	6333 ECHO TRL DEED-BK 6838 DEED-PG 715 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 140	
		6333 ECHO TRL DEED-BK 6838 DEED-PG 715 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 139	

60128

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0857558	DANNY & MELISSA GOFF 6802 ECHO TRL LOUISVILLE KY 40299	6802 ECHO TRL DEED-BK 6811 DEED-PG 462 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG	5,450.00	118
0857559	DAVID & MARGARET GOMMANN 6900 ECHO TRL LOUISVILLE KY 40299	6900 ECHO TRL DEED-BK 4899 DEED-PG 489 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG	5,450.00	131
0857560	EDWARD & PATRICIA HAAG 7307 ECHO TRL LOUISVILLE KY 40299	7307 ECHO TRL DEED-BK 5291 DEED-PG 866 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG	5,450.00	74
0857561	MICHAEL & DANA HAAG 9216 FERN CREEK RD LOUISVILLE KY 40291	7317 ECHO TRL DEED-BK 7367 DEED-PG 953 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG	5,450.00	203
0857562	EDWARD & TEENA HALBIG 6505 ECHO TRL LOUISVILLE KY 40299	6505 ECHO TRL DEED-BK 4678 DEED-PG 210 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG	5,450.00	35
0857563	MICHAEL J HARRIS 10102 NATALIE WAY LOUISVILLE KY 40299	6317 ECHO TRL DEED-BK 6839 DEED-PG 701 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG	5,450.00	16
0857571	SHERMAN C. & DEBORAH HINO 1421 ROSEWOOD AVE LOUISVILLE KY 40294	6510 ECHO TRL DEED-BK 5564 DEED-PG 745 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG	5,450.00	135
0857572	RICK & MARILYN HUBER 6903 HALEWOOD CT LOUISVILLE KY 40291	14005 ECHO HILL TRL DEED-BK 6777 DEED-PG 672 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG	5,450.00	2
0857580	JUDITH P HUNT 6701 ECHO TRL LOUISVILLE KY 40299	6701 ECHO TRL DEED-BK 6678 DEED-PG 333 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG	5,450.00	107

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APPORTIONMENT WARRANT CONTRACT EHOBW REGISTER

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0857643	PINNACLE TOWERS INC 301 N CATTLEMEN RD SARASOTA FL 34232	6321 ECHO TRL DEED-BK 7638 DEED-PG 422 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	324
0857678	THE FUTURE FUND INC P.O. BOX 5635 LOUISVILLE KY 40255	6500 ECHO TRL DEED-BK 7151 DEED-PG 160 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	153
0857582	BRAINARD & BETTY JACKSON 5113 FERRER WAY LOUISVILLE KY 40291	6315 ECHO TRL DEED-BK 5030 DEED-PG 646 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	127
0857583	JAY & JOYCE ANN JOLL 6906 ECHO TRL LOUISVILLE KY 40299	6906 ECHO TRL DEED-BK 4995 DEED-PG 823 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	122
0857597	KENNETH & LINDA KINSER 7401 ECHO TRL LOUISVILLE KY 40299	7401R ECHO TRL DEED-BK 5125 DEED-PG 437 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	141
		7401 ECHO TRL DEED-BK 5125 DEED-PG 437 TAX-DST TAX-BLK 58			75
		7405 ECHO TRL DEED-BK 5195 DEED-PG 702 TAX-DST TAX-BLK 58			158
0857608	NICHOLAS D KNOTH 6500 ECHO TRL LOUISVILLE KY 40299	6500 ECHO TRL DEED-BK 7300 DEED-PG 384 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	134
0857613	KATHY & EUGENE KOONS 6911 ECHO TRL LOUISVILLE KY 40299	6911 ECHO TRL DEED-BK 6081 DEED-PG 752 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	1

00730

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0857615	SHERON LEAR P.O. BOX 91041 LOUISVILLE KY 40291	ECHO TRL DEED-BK 6579 DEED-PG 904 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 8	5,450.00	
0857617	ROBERT & SHARON LUCAS 2103 SOUTH PARK RD LOUISVILLE KY 40221	7008 ECHO TRL DEED-BK 6869 DEED-PG 235 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 196	5,450.00	
0857620	ALLAN & VIRGINIA MARKS 6301 ECHO TRL LOUISVILLE KY 40299	6301 ECHO TRL DEED-BK 5182 DEED-PG 611 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 120	5,450.00	
0857618	RICHARD & MARGARET MARKS 7101 ECHO TRL LOUISVILLE KY 40299	7101 ECHO TRL DEED-BK 6298 DEED-PG 245 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 23	5,450.00	
0857622	JAMES & KATHLEEN MCCAULEY 6004 RIDGE CREEK CT LOUISVILLE KY 40291	6507 ECHO TRL DEED-BK 7321 DEED-PG 155 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 108	5,450.00	
0857624	DENNIS & CATHY MILAN 7107 ECHO TRL LOUISVILLE KY 40299	7107 ECHO TRL DEED-BK 6712 DEED-PG 510 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 20	5,450.00	
0857626	PATRICIA L NILES LIVING TRUST 6001 OLD HEADY RD LOUISVILLE KY 40299	6711 ECHO TRL DEED-BK 7492 DEED-PG 322 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 125	5,450.00	
0857628	RONALD & CINDY MORAN 6329 ECHO TRL LOUISVILLE KY 40299	6329 ECHO TRL DEED-BK 6346 DEED-PG 912 TAX-DST TAX-BLK 53	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 141	5,450.00	
0857631	JOSEPH & LILLIE & TH MORSEY 13911 BRUSH RUN RD LOUISVILLE KY 40299	7424 R ECHO TRL DEED-BK 5072 DEED-PG 272 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 132	5,450.00	

COPIES

			ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
1	0857651	FRANCIS & SUSAN RUMAN	6327 ECHO TRL		5,450.00
2		6327 ECHO TRL	DEED-BK 5828	LIEN-DT	
3		LOUISVILLE KY	DEED-PG 281	LIEN-BK	
4		40299	TAX-DST	LIEN-PG	
5			TAX-BLK 53	LOT-NO.	138
6	0857672	RAYMOND & ELIZABETH SCHAEFER	6501 ECHO TRL		5,450.00
7		6501 ECHO TRL	DEED-BK 5693	LIEN-DT	
8		LOUISVILLE KY	DEED-PG 508	LIEN-BK	
9		40299	TAX-DST	LIEN-PG	
10			TAX-BLK 53	LOT-NO.	137
11	0857674	PHILIP & CINDY SPRAWL	6308 ECHO TRL		5,450.00
12		6310 ECHO TRL	DEED-BK 6816	LIEN-DT	
13		LOUISVILLE KY	DEED-PG 74	LIEN-BK	
14		40299	TAX-DST	LIEN-PG	
15			TAX-BLK 53	LOT-NO.	121
16			6310 ECHO TRL		
17			DEED-BK 6617		
18			DEED-PG 583		
19			TAX-DST		
20			TAX-BLK 53	LOT-NO.	125
21	0857677	WAYNE TABOR	7009 ECH TRL		5,450.00
22		7009 ECHO TRL	DEED-BK 7416	LIEN-DT	
23		LOUISVILLE KY	DEED-PG 186	LIEN-BK	
24		40299	TAX-DST	LIEN-PG	
25			TAX-BLK 58	LOT-NO.	104
26	0857681	RALP TRAMBLE REVOCABLE TRUST	6907 ECHO TRL		5,450.00
27		6907 ECHO TRL	DEED-BK 7602	LIEN-DT	
28		LOUISVILLE KY	DEED-PG 283	LIEN-BK	
29		40299	TAX-DST	LIEN-PG	
30			TAX-BLK 58	LOT-NO.	144
31			6903 ECHO TRL		
32			DEED-BK 7602		
33			DEED-PG 283		
34			TAX-DST		
35			TAX-BLK 58	LOT-NO.	163
36	0857694	TERRY & THERESA WRIGHT	6804 ECHO TRL		5,450.00
37		6804 ECHO TRL	DEED-BK 6055	LIEN-DT	
38		LOUISVILLE KY	DEED-PG 929	LIEN-BK	
39		40299	TAX-DST	LIEN-PG	
40			TAX-BLK 53	LOT-NO.	33

00132

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

APPROPRIATEMENT WARRANT CONTACT ETROR WEDSTEN

BY NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 288,850.00

00133

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**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

December 20, 2002

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on March 12, 2002, directing the issuance of Apportionment Warrants and liens against properties located on Echo Trail: Seatonville Road to Thurman Road to add the following property listed in the name of Deborah and Michael Creagh, Steven Cline, and Howard Frank Cline, Jr. for Tax Block 58 Lot 130:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
430512	Deborah and Michael Creagh, Steven Cline and Howard Frank Cline, Jr.	Echo Trail Deed Book 7471 Pg. 336 Tax Block 58 Lot 130	\$5,450

00134

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0879817	WAYNE & SHIRLEY AUBREY	8607 WILLIAMS RD	5,450.00		
	8607 WILLIAMS RD	DEED-BK 4034	LIEN-DT		
	JEFFERSONTOWN KY	DEED-PG 38	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	62	
0879862	RICK & PATRICIA BAECHLER	8511 WILLIAMS RD	5,450.00		
	8511 WILLIAMS RD	DEED-BK 7744	LIEN-DT		
	JEFFERSONTOWN KY	DEED-PG 633	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	53	
		WILLIAMS RD			
		DEED-BK 7744			
		DEED-PG 633			
		TAX-DST			
		TAX-BLK 60	LOT-NO.	38	
0879865	KATHLEEN P BLANTON	8601 WILLIAMS RD	5,450.00		
	8601 WILLIAMS RD	DEED-BK 5029	LIEN-DT		
	JEFFERSONTOWN KY	DEED-PG 340	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	50	
0879869	WILLIAM A FRENCH	8600 WILLIAMS RD	5,450.00		
	6602 AMIGO CT	DEED-BK 6303	LIEN-DT		
	LOUISVILLE KY	DEED-PG 263	LIEN-BK		
	40291	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	116	
0879870	LISA & CRAIG ANTHONY PYLES	8611 WILLIAMS RD	5,450.00		
	8611 WILLIAMS RD	DEED-BK 7908	LIEN-DT		
	LOUISVILLE KY	DEED-PG 810	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	130	
0879873	LISA & CRAIG ANTHONY PYLES	WILLIAMS RD	5,450.00		
	8611 WILLIAMS RD	DEED-BK 7908	LIEN-DT		
	LOUISVILLE KY	DEED-PG 810	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 60	LOT-NO.	131	

Schmitt "A"

**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

December 20, 2002

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on October 8, 2002, directing the issuance of Apportionment Warrants against properties located on Williams Rd: Dry Ridge Road to County Line, to remove the following account and release the associated lien:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
879869	William A French	8600 Williams Rd Deed Book <u>6303</u> , Pg. <u>263</u> Tax Block <u>60</u> , Lot <u>116</u>	\$5,450

**BOARD OF WATER WORKS MEETING
JANUARY 14, 2003 MINUTES**

Board Members Present

Mr. Stephen Gault
Mr. Owen Hammons
Mr. Phillip Bond
Ms. Wendy Welsh

Board Members Absent

Hon. Jerry E. Abramson
Mr. Jack Segell
Mr. Stewart Conner

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Mr. Rick Johnston, Deputy Mayor
Mr. Steve Greseph, Black & Veatch
Ms. Barbara Crow
Mr. Anthony Gregory
Mr. Steve Tucker

Mr. Huber called the meeting to order at 12:40 p.m. He stated that Mr. Conner called with his apologies. He was in a meeting at his office and could not attend. Mr. Huber also announced that Mr. Segell is ill and will not attend.

Mr. Huber stated:

As you are aware, we did not have a quorum at the December 20, 2002 meeting. Based upon my recommendation, the Board members who were present, Mr. Bond, Mr. Conner and Mr. Gault, voted on all items presented anticipating that their actions would be ratified by the Board of Water Works at the January, 2003 meeting.

In addition, based upon my recommendation and immediately upon adjournment of the December 2002 meeting, staff circulated a Statement of Unanimous Consent to obtain the written agreement of all BOWW members to ratify action taken at the December meeting on three critical items whose implementation prior to the January 2003 Board meeting was required. The three items whose immediate implementation was addressed by the Statement of Unanimous Consent were:

- 1) Declaration and payment of the Fourth Quarter 2002 Dividend
- 2) Adoption and implementation of the 2003 Water Rate Schedule
- 3) Adoption and implementation of the 2003 Installation, Temporary Meter and Fire Flow Test Fees.

After proper motion and second, the Board of Water Works voted to ratify all action taken at the December 20, 2002 meeting not addressed by the Statement of Unanimous Consent.

Prior to taking the vote on this matter, Mr. Huber asked Mr. Heitzman to review staff's December 20, 2002 recommendation regarding award of the B.E. Payne Plant bid. Mr. Heitzman provided an explanation by referencing information contained in the December 20, 2002 minutes (see page 17 of the January 14, 2002 Board Book). Mr. Bond encouraged staff to review the evaluated bid program to insure it is consistent with the law. Mr. Huber responded that staff would do so.

CONSENT AGENDA APPROVED

- *Minutes of previous meetings*
- *Claims paid during the previous month*
- *Petitions and applications for water main extensions*
- *Authorization for design and bid of projects under \$200,000*
- *Bid tabulations for contracts under \$500,000*
- *Listing for award of contracts less than \$100,000*

ITEM A: MINUTES OF REGULAR MEETING HELD DECEMBER 20, 2002
REQUEST: APPROVE MINUTES

ITEM B: CLAIMS PAID DURING DECEMBER 2002
REQUEST: FILE CLAIMS FOR FUTURE AUDIT.

ITEM C: PETITIONS AND APPLICATIONS FOR WATER MAIN EXTENSIONS AND RELOCATIONS
(WHEN IN FULL COMPLIANCE / SR&R)

DEVELOPER INSTALLED REFUNDING MAIN EXTENSION PROJECTS

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
02-039	G048M	Panera Bread & Cheddars Restaurants	\$40,870.00	6,050.00
02-081	G044M	Tanyard Springs Section 8	\$27,550.00	
02-103	G041M	Village of Wildwood Phase I	\$121,740.00	22,800.00
02-109	G053M	Apple Patch Phase I	\$17,000.00	

DEVELOPER FINANCED RELOCATION PROJECTS

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
02-105	G049M	Glenmary Commercial	\$32,680.00	

SURCHARGE/LWC TAPPING FEE MAIN EXTENSION PROJECTS

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
02-209	G050C/ G052T	Glenbrook Avenue	\$15,988.00	\$11,020.00

BULLITT COUNTY EXTENSION PROJECTS

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
02-348		Chester Lane	\$140,000.00	

ITEM D: AUTHORIZATION FOR DESIGN AND BID OF PROJECTS (ESTIMATED TO COST LESS THAN \$200,000)

ITEM E: BID TABULATIONS (AWARD OF CONTRACTS LESS THAN \$500,000 HAVING AT LEAST 3 BIDDERS AND NOT MORE THAN 5% OVER BUDGET IF THERE ARE NO BID INFORMALITIES AND THE LOWEST PRICE RECEIVED IS FROM A QUALIFIED BIDDER AND THAT THE SECOND BIDDER IS WITHIN 10% OF THE LOW BID).

ITEM F: AWARD OF CONTRACTS LESS THAN \$100,000.00

	<u>CAPITAL PROGRAM</u>	Total Project Cost	Net Cost To LWC
02-516	Intramural Place - Main Replacement Program Southern Pipeline Construction Co.	\$79,000	
L-02 Contingency Contract	Bells Lane Joint Leak Repair - Phase I Southern Pipeline Construction Co. (CWBE)	\$25,700	

PROCUREMENT OF MATERIALS AND SERVICES

02-57	Collections Commercial Services Group	\$30,400	
20-J01-B	General Office Cleaning and Housekeeping Adams Cleaning, Inc. (CMBE)	\$70,003	

<u>PROCUREMENT OF PROFESSIONAL SERVICES</u>		Total Project Cost	Net Cost To LWC
Professional Service	Hydraulic Modeling and Area Flow Test QK4	\$24,000	
<u>PROCUREMENT OF SOLE SOURCE MATERIALS AND SERVICES</u>			
Sole Source	E-CIS Enhancements for AMR Implementations Orcom	\$79,532	

REPORT OF OFFICERS

Administrative Report

Mr. Huber informed the Board that the Shepherdsville closing occurred in late December. He also reported that water sales are down. Mr. Huber again assured the Board that staff will review the evaluated bid process. He also said that we will come forward at a later date with a review of our bid irregularity document. Finally, Mr. Huber thanked the Board for executing the Statement of Unanimous Consent in December.

Financial Report

Mr. Miller presented the financial report for December 2002 and year end.

Complete financial reports for December 2002 are not available at this time. Accounts have been held open in order that all revenues and expenses through December may be reflected completely on the year-end financial statements, including entries related to the acquisition of the Goshen and Shepherdsville water systems. Revenues and expenses have been estimated based on the dividend estimate prepared in December.

Projected total operating revenue of \$98,266,415 is \$1,838,915 or 1.9% more than budgeted and \$5,497,215 or 5.9% more than 2001.

Projected operating deductions of \$66,649,803 are \$269,803 or 0.4% more than budgeted and \$3,835,403 or 6.1% more than 2001.

Projected total non-operating income of \$2,940,041 is \$1,059,959 or 26.5% less than budgeted. Projected interest expense and other non-operating expense of \$7,316,212 is \$619,512 or 9.3% more than budgeted.

Projected total net income of \$27,240,441 is \$110,359 or 0.4% less than budgeted and \$1,284,859 or 4.5% less than 2001.

Complete financial reports for 2002 will be available shortly and presented at the January 2003 Audit Committee meeting and the February 2003 Board of Water Works meeting. Auditors from Crowe Chizek will be here on February 3, 2003.

Operations Report for December 2002

Mr. Heitzman presented the Operations Report for 2002.

Production - The water production in December of 116.8 MGD was 4.6% higher than the December 2001 production of 111.6 MGD, and was slightly (0.9%) higher than the 5-year average December production of 115.7 MGD. For the year of 2002, production was 2.4% more than 2001 and 2.1% more than the 5-year average, respectively. The weather patterns for the year were unusual. Although there were drought conditions from July to September, 2002 rainfall was 8.58 inches above normal.

Water Quality – In December, there were 319 regular distribution samples collected, one of which was tested to be total coliform positive. All recheck samples were total coliform negative, and no violations occurred.

For the year, the distribution water quality goals were achieved at 99.5%, 99.7%, and 99.4% for turbidity, chlorine residual and total coliform, respectively. In addition, the Partnership for Safe Water goal of 0.10 NTU turbidity goal for finished water was also achieved at both BEP Water Treatment Plant and Crescent Hill Filtration Plant.

Distribution System – Due to the unseasonably cold weather in November and early December, finished water temperatures were on a sharp decline as reported at the December Board meeting. Fortunately, much milder weather has prevailed in recent weeks and finished water temperatures rose to 45 degrees in mid-December. Staff will continue to monitor weather conditions in an effort to predict the volume of distribution system problems.

Westport Road 24-inch Joint Leak - Leaks on a 24-inch cast iron water main on Westport Road, east of the Watterson Expressway on December 23rd required closure of the road for five days. The repair was significant, requiring the replacement of two 24-inch tees and ancillary work. Staff is compiling the cost of this repair at this time.

Serving Customers Report

Ms. Teasley presented the Serving Customers Report for December 2002.

Performance Measures – The December 2002 abandonment rate was 3.2%. The total abandonment rate for 2002 was 6.3%. This is a reduction from last year's abandonment of 7.1%.

Bad debt for the month of December was \$49,218, about \$20,000 over budget. Bad debt for 2002 was \$508,211 or \$61,185 over the 2001 year end total. Bankruptcies accounted for \$106,703 of the 2002 total. Expected losses associated with Lake in the Woods and South Hill Apartments are not included in these numbers.

City of Shepherdsville – On December 23, LWC closed on the acquisition of the City of Shepherdsville Water system, which serves 1,700 customers in Bullitt County. As part of the agreement, LWC committed to \$1.6 million of water system improvements to upgrade the system to LWC standards for water service and fire protection. The improvements, along with the cost of the assumed debts and liabilities, will be funded by the rate differential. Six Shepherdsville Water system employees have been integrated into the Company's workforce.

Water and Fire Service as Taxes – In accordance with KRS 96.270 LWC provides free water to its owner for use by police, fire, parks, public buildings, etc. If the property is owned by our owner and being used by public employees for public purposes the account is set up as a free water account.

In preparation for the new merged government, staff reviewed Jefferson County Government's and Metro Parks' accounts. In December we rendered final billing and have set these up as free water accounts. There are a total of 125 accounts (68 are for Metro Parks) that were previously paid by the County and will now be included as free water. Based on actual 2002 usage this equates to \$353,209.

Ms. Teasley distributed year end 2002 CSI resells. In the 4th quarter the score dipped from 846 to 825. This comes as a result of a taste and odor issue in the 3rd quarter. The year CSI score is 829. This is level one goal achievement. We achieved level one goal of 777 for serviced accounts.

LITIGATION REPORT

After proper motion and second the Board of Water Works voted to adjourn to closed session for the purpose of discussing litigation and personnel items. Ms. Douglas gave a litigation report in closed session. The Board reconvened in open session without taking any action.

SPECIAL COMMUNICATIONS

Mr. Heitzman presented a Special Communication's report.

Project 02-625 and 03-625

Renovation of Coagulation Units #6 and #7 at Crescent Hill Filter Plant

Bids were received Wednesday, November 27, 2002 for renovation of Coagulation Unit Processes #6 and # 7 at Crescent Hill Filter Plant. The coagulation process is essential to plant operations for removal of sediment and other contaminants from the river water. Several process units of the South Coagulation complex have failed over the past several years. Currently unit #6 is under emergency repair of clarifying equipment, and unit # 5 recently experienced a failed bull gear, placing the unit out of service.

During evaluation of the bids a number of issues have been identified and each are outlined as follows:

1. VESCO Engineering has raised an issue regarding intellectual property rights of the design used by LWC for this project. VESCO did submit a bid of \$\$1,364,263 and would be disqualified for exceeding their prequalification dollar limit and not providing required bid bonds.
2. Coupe Construction submitted a bid price of \$971,947 and a completion time of 340 days. However they did not include one of the unit prices as requested in the bid documents. Coupe submitted a letter to LWC on December 9, 2002 advising their concern over completion time submittals by other bidders; bid document language

regarding MBE utilization percentage and goals; and their desire to receive the contract award.

3. Judy Construction submitted a bid price of \$980,000 and a completion time of 217 days. However, they interpreted the completion time to begin at the time the site is available for construction, rather than the contract signing date. The Company intended for completion time to begin with the award of the contract.
4. Building Crafts submitted a bid price of \$1,011,661 and a completion time of 180 days. They acknowledge they also interpreted the completion days beginning at the time of site availability; however they have advised in writing they will honor their original completion commitment beginning at the time the contract is awarded.

Upon thorough review of the alternatives, staff recommends that none of the bids be accepted, the project scope modified and re-bid at a later date.

An additional failure in Coagulation Unit #5 in December 2002 has shifted the priority of work from Coagulation Unit # 7 to Unit # 5. With failure of Coagulation Unit #5 while Unit #6 is not in service, the Crescent Hill Plant capacity is reduced to 170 MGD (70%). Therefore it is further recommended to identify the scope of work and proceed with rebuilding of Coagulation Unit #5 in parallel with Unit #6 now under construction. Both a "design-build" approach and a "design-bid-build" approach will be evaluated to expedite the repair of failed Unit #5. Upon completion of Coagulation Units #5 and #6 by year end, the remaining Unit #7 can be advertised for bid for completion of work in 2004.

This matter is presented to the Board for its information. That is, no Board of Water Works action is requested at this time.

BID TABULATIONS

Ms. Teasley presented the following Bid Tabulations:

Project No.: 02-525

3rd Street-Central Business District – Main Replacement Project

Bids were received and opened Wednesday, December 4, 2002 to install 3,445 linear feet of 8 and 12-inch ductile iron water main using traditional trenching techniques along 3rd Street, Muhammad Ali Boulevard, Guthrie Street and Gray Street, in the Central Business District of Louisville.

A total of 5 bids were received and opened from pre-qualified contractors. Tom Brown Construction submitted the lowest responsive bid in the amount of \$524,200 resulting in a total project cost of \$678,550.

The bid is approximately 50% over the Project Manager's Estimate. The resulting total unit cost for this project is \$ 196.97/LF.

This project will be coordinated with the ongoing road widening work on 2nd Street between Broadway and Jefferson and the proposed pavement reconstruction on Muhammad Ali Boulevard between 3rd and 5th Streets.

After proper motion and second, the Board of Water Works voted to authorize the Vice President, Serving Customers and Business Development, to award a contract in the amount of \$524,200 to Tom Brown Construction to install the water facilities associated with this project.

Project No.: 02-530 – Lead Service Renewals – Cedar, Chestnut, Muhammad Ali, Oak
Bids were received and opened Wednesday, December 18, 2002 to renew a total of 326 lead services along Cedar Street, Chestnut Street, Muhammad Ali Boulevard, and Oak Street in Louisville.

A total of 5 bids were received and opened from pre-qualified contractors. Tom Brown Construction submitted the lowest responsive bid in the amount of \$297,840 resulting in a total project cost of \$356,500.

The bid is 5% under the Project Manager's Estimate.

After proper motion and second, the Board of Water Works voted to authorize the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$297,840 to Tom Brown Construction Company to renew the lead services associated with this project.

Mr. Heitzman presented the following Bid Tabulation:

Project No.: 01-323 – Install Martin Hill and Sugar Tree Booster Pump Stations

Bids were received Wednesday, December 18, 2002 for installation of two booster pump stations in northern Bullitt County. These stations will pump to the Martin Hill and Sugar Tree Storage Tanks respectively to provide improved system pressure and fire flow, plus provide capacity for system growth and expansion.

Five responsive bids were received ranging \$423,000 - \$519,330. The source of funding for this project is the Bullitt County Water Reserve.

After proper motion and second, the Board of Water Works voted to authorize the Chief Engineer to award a contract in the amount of \$423,000 to MAC Construction and Excavating, Inc. for Installation of Martin Hill and Sugar Hill Booster Pump Stations.

COMMUNICATIONS

Ms. Teasley and Ms. Tucker provided an update on:

Contract E-572: Clean and Cement Mortar Line Cast Iron Water Main In-Place

The following progress has been made pursuant to agreements with Southern Pipeline Construction Company dated April 4, 2002 and September 19, 2002:

- A total of 30,000 feet of water main was identified for potential re-lining because of inadequate lining thickness. During the past year, 8,000 feet were re-lined. The remaining footage will be re-lined in early 2003.
- The agreements required the installation of 19 monitoring and sampling stations at locations that exhibited minimal lining thickness that was less than specified. After video inspection at the sample locations, three additional areas were identified for re-lining.

- Implementation and adherence to the Quality Control Plan has resulted in better communication between LWC and the contractors, enhanced the understanding of the roles and responsibilities of each party, and assurance that every section of the 2002 cleaning and lining works as well as re-lined pipe has been inspected as meeting contract specifications by LWC and the contractor.
- As agreed, Southern Pipeline supplied LWC with a five-year warranty on the performance of the lining on the water mains in the locations where monitoring stations were installed.

While all settlement terms are not complete, Southern Pipeline continues to work in a professional manner toward resolution of the problems associated with the cleaning and lining operations during 2000 and 2001.

OLD BUSINESS

Ms. Teasley presented the following:

Issuance of Apportionment Warrants per K.R.S. 96.265

Deer Run PL: 4590 Deer Run Place to 4630 Deer Run Place

A public hearing was held November 15, 2001 for the extension of water service along Deer Run Pl: 4590 Deer Run Place to 4630 Deer Run Place. The Board of Water Works adopted a resolution for Deer Run Pl: 4590 Deer Run Place to 4630 Deer Run Place on May 14, 2002 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 19, Series 2002 on June 25, 2002 for the Deer Run Pl: 4590 Deer Run Place to 4630 Deer Run Place project. The construction contract was awarded to Southern Pipeline Construction, Inc. in July 2002.

With the completion of this public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board of Water Works voted to adopt the attached resolution for the issuance of Apportionment Warrants and liens against 4 benefited properties along Deer Run Pl: 4590 Deer Run Place to 4630 Deer Run Place in accordance with KRS. 96.265, as described.

APPORTIONMENT WARRANT RESOLUTION

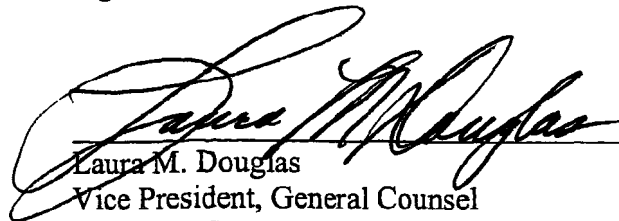
January 14, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Deer Run Pl: 4590 Deer Run Place to 4630 Deer Run Place** main extension project authorized by Ordinance No. 19, Series 2002 of the Jefferson Fiscal Court, adopted on June 25, 2002 such warrants to be against four (4) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$9,202 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

CERTIFICATION

I, the undersigned, hereby certify that the foregoing Resolution for the Issuance of Apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Deer Run Pl: 4590 Deer Run Place to 4630 Deer Run Place** main extension project authorized by Ordinance No. 19, Series 2002 of the Jefferson Fiscal Court and is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville, on January 14, 2003, a quorum being present.

Signed,



Laura M. Douglas
Vice President, General Counsel
Corporate Secretary

Ms. Teasley presented the following:

**Issuance of Apportionment Warrants per KRS 96.265
Johnson Farm Rd: Johnson Road to Johnson Road**

A public hearing was held December 9, 1999 for the extension of water service along Johnson Farm Rd: Johnson Road to Johnson Road. The Board of Water Works adopted a resolution for Johnson Farm Rd: Johnson Road to Johnson Road on January 9, 2000 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 3, Series 2001 on March 13, 2001 for the Johnson Farm Rd: Johnson Road to Johnson Road project.

With the completion of this public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board of Water Works voted to adopt the attached resolution for the issuance of Apportionment Warrants and liens against 10 benefited properties along Johnson Farm Rd: Johnson Road to Johnson Road in accordance with KRS. 96.265, as described.

APPORTIONMENT WARRANT RESOLUTION

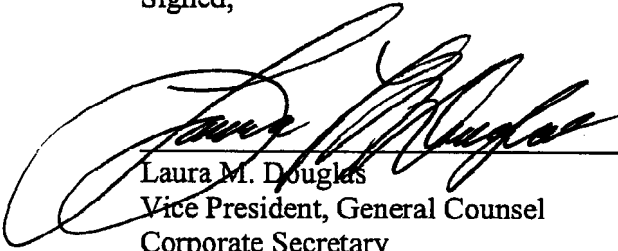
January 14, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Johnson Farm Rd: Johnson Road to Johnson Road** main extension project authorized by Ordinance No. 3, Series 2001 of the Jefferson Fiscal Court, adopted on March 13, 2001 such warrants to be against ten (10) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,489.62 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

CERTIFICATION

I, the undersigned, hereby certify that the foregoing Resolution for the Issuance of Apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Johnson Farm Rd: Johnson Road to Johnson Road** main extension project authorized by Ordinance No. 3, Series 2001 of the Jefferson Fiscal Court of the Jefferson Fiscal Court and is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville, on January 14, 2003, a quorum being present.

Signed,



Laura M. Douglas
Vice President, General Counsel
Corporate Secretary

Ms. Teasley presented the Bullitt County Water Improvement Program – Bullitt County Extension Program – KT #2 Community Development Block Grant (CDBG) Project

Proposed under the Bullitt County Extension Program is the extension of water mains to existing unserved residents of Bullitt County. The Community Development Block Grant (CDBG) program is a Federal grant program that is administered by the State to assist communities in constructing infrastructure improvements affecting low to moderate income areas. In November of 2001 staff requested authorization to prepare an application for \$1 million in CDBG funding, which was granted. In December 2001, we received conditional commitment letters from the Kentucky Infrastructure Authority (KIA) for a total of \$206,500 in grant funding for two of the routes in this project. In November 2002, the Governor's Office announced that Bullitt County would receive \$994,000 in CDBG funding for this project. The Grant Agreement requires that construction be completed by December 2004.

The source funding for this project would be a combination of CDBG, KIA grants, customer contribution and Bullitt County Water Reserve funding. In order to be consistent with the CDBG application, we propose to use the BCWR to provide a tapping fee loan of \$2,636 at 8% simple interest to the benefiting residents along the project routes so that the monthly debt service equals \$22.05 per month for 20 years, which is equivalent to that proposed in the CDBG application. The remaining funding of an estimated \$1,600,331 would be paid from the BCWR. The BCWR will fund any deficit in the benefiting resident's debt service payments until restitution can be recovered.

After proper motion and second, the Board of Water Works authorized staff to:

- 1) proceed with this project with the funding sources listed above;
- 2) to allow the Treasurer to commit to the Bullitt County Fiscal Court that a 20-year tapping fee loan of \$2,636 at 8% simple interest is available to the benefiting residents along the project routes for a monthly debt service of \$22.05 per month;
- 3) to allow the Treasurer to commit to the Bullitt County Fiscal Court that the Company (through the Bullitt County Water Reserve) will bear 100% of costs incurred above the current estimated project cost; and to authorize the staff
- 4) to design, advertise and solicit construction bids for this project, KT#2 CDBG Water Main Extensions, Project #02-346.

**Mr. Heitzman presented Project 00-451:
Facilities Security System Project Change Action**

The August 2002 Board awarded a contract for installation of an access control system at Louisville Water Company production and distribution facilities to United Electric Company in the amount of \$334,525. During installation, the Corporate Security Team requested enhancements to expand system control, monitoring, and operation.

This security system is an expansion of the Simplex Access System installed in the Corporate Headquarters building in 1998. Installation at operating facilities enables the organization to set standard control, accountability, and security protocols at these locations. During execution of the contract, the Security Team requested expanding the contract scope to include the following:

- Parallel video monitoring and camera control to the security guard house at Crescent Hill Water Treatment Plant and the plant operator control center

- Additional interior access point at Allmond Avenue Distribution Center for visitor management
- Use of existing corporate Local Area Network for system communication in lieu of leased phone lines, thereby reducing annual operating costs

The cost for the additional labor and materials is \$37,623, resulting in a revised contract value of \$372,148, an increase of 11 percent.

After proper motion and second, the Board of Water Works voted to authorize the Chief Engineer to increase the value of contract F958 with United Electric Company from \$334,525 to \$372,148, and to establish a project budget of \$465,587.

NEW BUSINESS

Mr. Miller presented the following on **Employee/Dependent Life Insurance**.

Among the benefits provided to LWC employees and made available to their dependents is life / AD&D insurance. Life insurance is provided for employees at no cost with policy limits of \$20,000 for union employees and two times annual salary for exempt and non-exempt employees up to a maximum of \$200,000. Employees may purchase additional amounts of coverage for themselves as well as coverage for dependents.

Our life insurance broker, Cornell Starks & Associates, has done an aggressive search of the market to obtain the coverages at the best possible price. Based upon nine bids submitted to our broker, the lowest cost bid which meets our specifications is from Monumental Aegon, our current underwriter, at an estimated annual net premium of \$153,000 based upon current employee population and compensation forecasts. That amount is 14% under budget.

After proper motion and second, the Board of Water Works authorized staff to renew coverage with Monumental Aegon for the 2003 – 2004 plan year at an estimated net cost to LWC of \$153,000.

Mr. Huber announced that he wanted to take this item out of order because Ms. Welsh must leave the meeting early, based on her travel schedule.

Mr. Miller and Mr. Gregory presented the project to **Expand the Financial Information System project to include Oracle Time and Labor Modules and necessary Solbourne Implementation Services**.

Business process analysis performed during the evaluation of our financial systems indicate that the timekeeping and labor distribution processing better fit under the scope of the Financial Information System due to the current LWC organizational structure, systems alignment, and ownership of the existing processes, business rules, tasks, information flow, and computer systems. Mr. Miller called the Board's attention to the 25 page power point presentation contained in the January 14, 2003 Board Book.

Staff is therefore recommending that the scope of the Financial Information System replacement project be increased to include the necessary Oracle software modules and consulting services to implement the Timekeeping and Labor system. This will replace our current legacy system for timekeeping, labor processing, and attendance. The Oracle Time and Labor system will provide a key interface with our existing Ceridian Human Resource Information System and will provide

the flexibility to move forward with planned upgrade or replacement of this system. The increased scope for the additional Oracle software and Solbourne implementation services will be covered under the existing capital project budget for the Financials which is currently \$3,850,000. The additional Solbourne services will require a change action to the existing contract.

After proper motion and second, the Board of Water Works authorized staff to award the Oracle Time and Labor software and support in an amount of \$52,003 to Oracle Corporation as sole source procurement and the approval of the Implementation Contract Change Action to increase the implementation services provided by Solbourne in an amount of \$449,760. The following table outlines the areas of change.

Area of Change	Current Amount	Change Requested	New Amount	Percent Change
A. LWC Labor Costs (Capital and O/M)	\$1,304,458	\$50,000	\$1,354,458	3.8%
B. Oracle Software Modules (Capital)	\$430,507	\$42,625	\$473,132	9.9%
C. Maintenance and Support (O/M)	\$532,194	\$46,890	\$579,084	7.1%
D. Solbourne Implementation Services (Capital and O/M)	\$1,770,350	\$449,760	\$2,220,110	25.4%
E. Miscellaneous Project Costs (Capital)	\$250,000	\$0	\$250,000	0%
D. Additional IT Hardware/Software (Capital)	\$115,000	\$0	\$115,000	0%
Total Project Change Summary	\$4,393,509	\$589,275	\$4,982,784	13.4%

Mr. Heitzman presented Highway 329 Phase 2: Applepatch Development to Fox Hollow 12" Main Project No.: 02-671

A project is proposed to install 1,270 +/- feet of 16" water main and 3,280 feet of 12" main in Highway 329 between and Applepatch development the Fox Hollow. The project will improve flow availability in the Goshen and North Oldham County area and provide a more hydraulically efficient route to the proposed Apple Patch Tank currently under construction.

A 16" main is extended to Old Zaring Road to accommodate potential future growth east and west along Old Zaring Road and to provide a hydraulically strong feed from the south to the recently acquired Goshen Water System. The increase in size from 12" to 16" for the first portion of the project is a change in scope.

The project budget is currently \$500,000. The Engineering Consultant, Tetra Tech estimates the total project cost to be \$536,520, the Project Manager believes the work can be accomplished within the budget.

After proper motion and second, the Board of Water Works authorized staff to finalize engineering design and advertise this project for bid.

Mr. Heitzman presented Project 20-J01-B, General Office Cleaning & Housekeeping Services at Louisville Water Company

On December 1, 2000, the Louisville Water Company entered into contract with National Janitorial & Building Services Corporation and Adams Cleaning, Inc. for janitorial services. The

initial contract period for both companies began December 1, 2000, with provision to renew the contracts up to two additional years at stated contract values.

National Janitorial provides janitorial services at Allmond Avenue Distribution, B.E. Payne Plant, Middletown Distribution Center, Crescent Hill Water Treatment Plant, Zorn Pumping Station, and Kentucky Turnpike District Office. Adams Cleaning Service provides janitorial services at the Corporate Headquarters only.

After proper motion and second, the Board of Water Works authorized the Chief Engineer to renew two contracts for janitorial services at the Louisville Water Company. One contract would be renewed with National Janitorial & Building Services Corporation for not-to-exceed amount of \$149,682. The second contract would be renewed with Adams Cleaning, Inc. (CMBE) for the not-to-exceed amount of \$70,003.

Ms. Teasley presented the Stonestreet Road – Phase II - Section II Water Facilities Relocation Project : LWC Project No. 02-754

Water facility relocations are necessary to accommodate Jefferson County Public Work's "Stonestreet Road – Phase II - Section II" project in Jefferson County. JCPW intends to widen Stonestreet Road from I-265 to Whitehall Court, near Valley Station Road. As a result, LWC is relocating approximately 1,600 l.f. of 12" DIWM and 415 l.f. of 6" WM along Stonestreet Road and Gaywood Drive. LWC shall be responsible for \$60,000 or 19% of the water facility relocation and installation costs for betterment. The new Metro Government will be responsible for \$265,000 or 81% of the relocation costs.

After proper motion and second, the Board of Water Works authorized staff to design the distribution water facility relocations and to enter into an agreement with Louisville Jefferson County Metro Government for the construction of the distribution water facility relocations as described above.

Ms. Teasley presented the I-65 Transmission Main System Extension Project.

Bids were received Wednesday, December 11, 2002 for the installation of approximately 11,500 feet of 16-inch ductile iron main. The project is necessary to complete the planned Transmission Main System set forth in the Merger Agreement with Kentucky Turnpike Water District.

The former Kentucky Turnpike Water District initiated this project with their pursuit of Congressional Grant funding through the U.S. Congressional Office of Representative Ron Lewis, 2nd U.S. Congressional District, of Kentucky. Grant funding was authorized through a Congressional Budget Line Item for up to \$380,000 in matching funds for this river crossing with a maximum of 45% of the total project cost with the balance of funding being from local sources. LWC funding is from the I-65 Transmission Main System Reserve.

Ten responsive bids were received ranging \$800,000.00 - \$959,000.00 compared to the engineer's estimate of \$731,500. The low bid proposal was submitted by Kelsey Construction, Inc. in the amount of \$800,000.00.

After proper motion and second, the Board of Water Works authorized the Vice President of Serving Customers & Business Development to award a contract in the amount of \$800,000.00 to Kelsey Construction Inc., pending approval to award the contract by the USEPA.

**Ms. Teasley presented the Renewal of 2000 Clean and Cement Mortar Line Contract
Approval of 2003 Clean and Cement Mortar Line Program**

In January 2000, the Louisville Water Company entered into a contract with Southern Pipeline Construction Company for cleaning and cement mortar lining of cast iron water mains in the LWC distribution system. The contract provides for annual extensions of the agreement, with the unit prices adjusted in accordance with the Bureau of Labor Statistics Consumer Price Index - All Urban Areas (CPI-U).

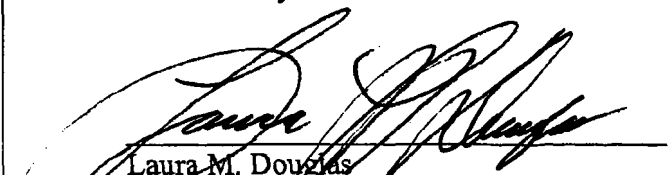
On January 9, 2001, the Board of Water Works (BOWW) approved an initial renewal of the Clean and Line contract for 2001, with a 3.4% increase in unit prices. A second renewal was approved by the BOWW in March 12, 2002. A third renewal is currently requested that will increase unit prices by 2.4% over the 2002 level. The proposed increase matches the increase in the CPI-U over the same period. The attached table provides a summary of the proposed unit prices for the 2003 Clean and Line Program.

An adjustment to the clean and lining unit prices in 2003 is needed to compensate the Contractor for additional work items that were not included in the original scope of work. The Contractor has been directed to install 2-inch meters with back-flow prevention at each tie-in location for the temporary by-pass system and to connect the by-pass system directly to customer's services, thus allowing for better accountability of water used during the cleaning and lining operations. The proposed adjustment will add approximately \$164,000 to the contract amount.

After proper motion and second, the Board of Water Works authorized the renewal of the Clean and Line contract with Southern Pipeline Construction Company for the 2003 Annual Clean and Line project scope, at an estimated contract cost of \$5,032,419 for one year. Additionally, the Board of Water Works authorized staff to pursue a three year warranty on all work performed pursuant to this renewal.

The meeting adjourned at 2:45 p.m.

Submitted by:



Laura M. Douglas
Vice President, Corporate Counsel and
Corporate Secretary

APPORTIONMENT WARRANT CONTRACT PB/SD REGISTER

PAGE 1

RUN TIME 13:45:17

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0874142	CARLA L COLLINS	4600 DEER RUN PLACE	9,202.00		
	4600 DEER RUN PLACE	DEED-BK 7479	LIEN-DT		
	LOUISVILLE KY	DEED-PG 812	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 48	LOT-NO.	212	
0874144	HENRY R BETTY LOU SCHOOLING	4620 DEER RUN PLACE	9,202.00		
	10603 AVENEL COURT	DEED-BK 7381	LIEN-DT		
	LOUISVILLE KY	DEED-PG 523	LIEN-BK		
	40291	TAX-DST	LIEN-PG		
		TAX-BLK 3257	LOT-NO.	3	
0874144	RUDOLPH SCHOOLING	4570 DEER RUN PLACE	9,202.00		
	4802 THURMAN ROAD	DEED-BK 5729	LIEN-DT		
	JEFFERSONTOWN KY	DEED-PG 339	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 48	LOT-NO.	213	
0874139	BEN. TEXAS MICHAEL K SHUGART	4630 DEER RUN PLACE	9,202.00		
	4630 DEER RUN PLACE	DEED-BK 7345	LIEN-DT		
	LOUISVILLE KY	DEED-PG 943	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 48	LOT-NO.	198	

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EXHIBIT 4

RELEASE OF LIEN

PAID IN FULL

ASSESSMENT

LOCATION

NAME

ACCOUNT

4 NUMBER OF CUSTOMERS LISTED
TOTAL PRINCIPAL REMAINING 36,808.00

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0887020	MARK S BARTLETT 1111 JOHNSON FARM RD LOUISVILLE KY 40245	1111 JOHNSON FARM RD DEED-BK 5088 DEED-PG 673 TAX-DST TAX-BLK 1707	5,489.62		
				22	
0887994	STUART & PAMELA BRINLEY 1007 JOHNSON FARM RD LOUISVILLE KY 40245	1007 JOHNSON FARM RD DEED-BK 6562 DEED-PG 845 TAX-DST TAX-BLK 1707	5,489.62		
				32	
0887012	GARY & SHERRIAN DEWITT 12104 EDENWOOD DR LOUISVILLE KY 40243	1013 JOHNSON FARM RD DEED-BK 7582 DEED-PG 983 TAX-DST TAX-BLK 1707	5,489.62		
				33	
0887036	RYAN T HENNESSY 1115 JOHNSON FARM RD LOUISVILLE KY 40245	1115 JOHNSON FARM RD DEED-BK 5756 DEED-PG 233 TAX-DST TAX-BLK 1707	5,489.62		
				21	
0887038	LARRY & MEGAN MARTIN 1119 JOHNSON FARM RD LOUISVILLE KY 40245	1119 JOHNSON FARM RD DEED-BK 5956 DEED-PG 181 TAX-DST TAX-BLK 1707	5,489.62		
				20	
0887018	NORMAN & JOAN MERRICK 1109 JOHNSON FARM RD LOUISVILLE KY 40245	1109 JOHNSON FARM RD DEED-BK 6100 DEED-PG 503 TAX-DST TAX-BLK 1707	5,489.62		
				23	
0887013	NORMAN MERRICK DBA AMERRICKN 1105 JOHNSON FARM RD LOUISVILLE KY 40245	1105 JOHNSON FARM RD DEED-BK 6100 DEED-PG 509 TAX-DST TAX-BLK 1707	5,489.62		
				25	
0887041	MARY STRUECKER & STE METZGER 1127 JOHNSON FARM RD LOUISVILLE KY 40245	1127 JOHNSON FARM RD DEED-BK 6843 DEED-PG 224 TAX-DST TAX-BLK 1707	5,489.62		
				18	
0887039	DENNIS & MARILYN RAIF 1123 JOHNSON FARM RD LOUISVILLE KY 40245	1123 JOHNSON FARM RD DEED-BK 6217 DEED-PG 358 TAX-DST TAX-BLK 1707	5,489.62		
				19	

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EXHIBIT "A"

RELEASE OF LIEN

PAID IN FULL

ASSESSMENT

5,489.62

LOCATION

1107 JOHNSON FARM RD
DEED-BK 6100
DEED-PG 506
TAX-DST
TAX-BLK 1707

NAME

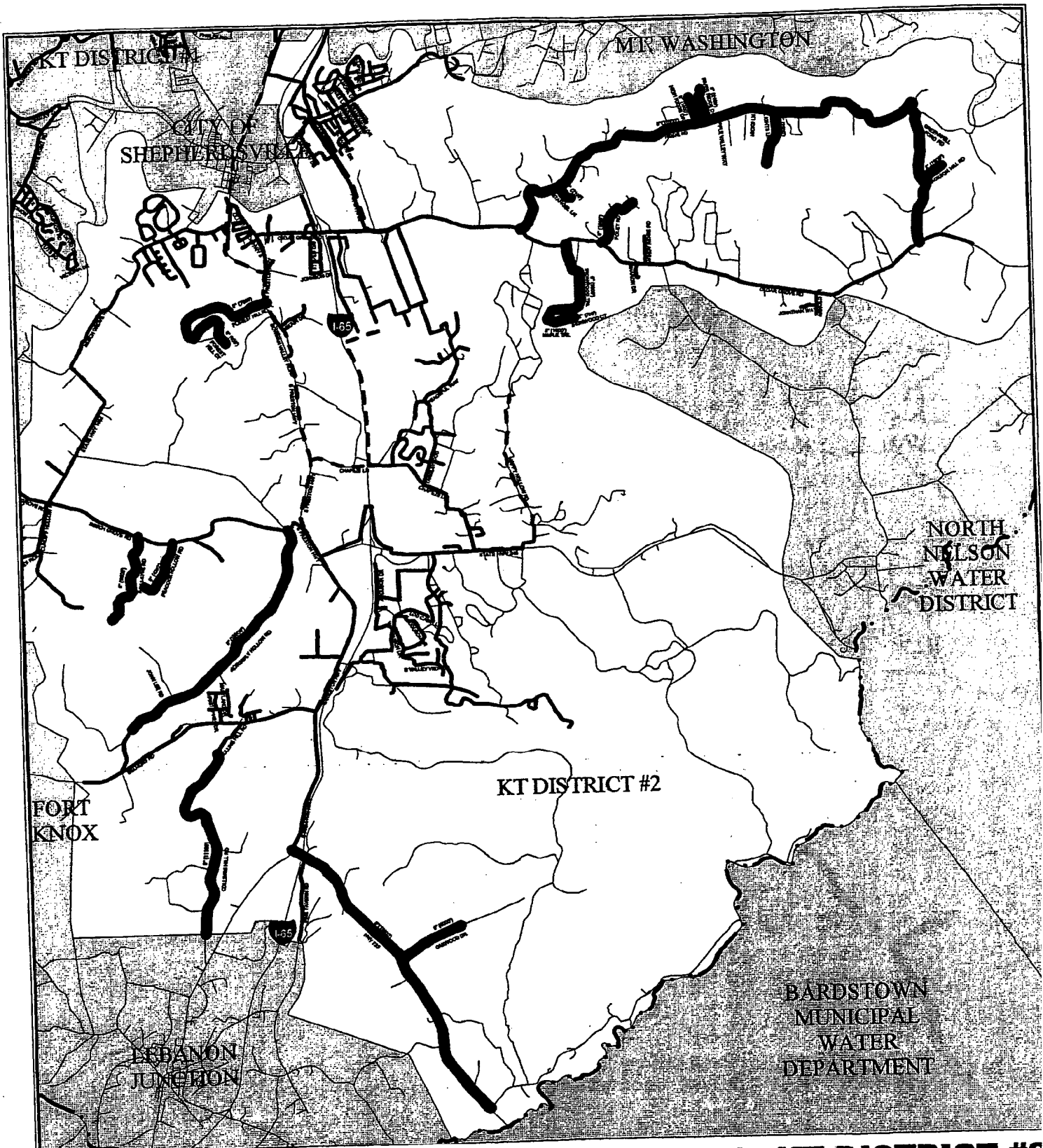
ROBERT & JOYCE SCHMITT
1107 JOHNSON FARM RD
LOUISVILLE KY
40245

ACCOUNT

0887016

LIEN-DT
LIEN-BK
LIEN-PG
LOT-NO.

24



BULLITT COUNTY EXTENSION PROGRAM - KT DISTRICT #2
FIGURE 1 - PROPOSED CDBG PROJECT



4000 0 4000 8000 Feet

LEGEND	
	Proposed CDBG Project Route
	Water Mains in Development
	Existing Water Mains
	Roads
	County Boundary

3/22/02

**BOARD OF WATER WORKS
MARCH 11, 2003 MINUTES**

Board Members Present

Mr. Jack Segell
Mr. Stephen Gault
Mr. Owen Hammons
Ms. Wendy Welsh

Board Members Absent

Hon. Jerry Abramson
Mr. Stewart Conner
Mr. Phillip Bond

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Steve Greseth, Black and Veatch
Barbara Crow
Nora Freeman
Steve Hubbs
Kay Ball
Vince Guentner

Mr. Huber called the meeting to order at 12:35 p.m. Mr. Huber reminded the board that the agenda is large because the Board did not have a February 2003 meeting.

CONSENT AGENDA APPROVED

- Minutes of previous meetings
- Claims paid during the previous month
- Petitions and applications for water main extensions
- Authorization for design and bid of projects under \$200,000
- Bid tabulations for contracts under \$500,000
- Listing for award of contracts less than \$100,000

Item A: MINUTES OF REGULAR MEETING HELD JANUARY 14, 2003
MINUTES APPROVED

Item B: CLAIMS PAID DURING JANUARY 2003
 CLAIMS PAID DURING FEBRUARY 2003
 REQUEST: FILE CLAIMS FOR FUTURE AUDIT.

Item C: PETITIONS AND APPLICATIONS FOR WATER MAIN EXTENSIONS AND RELOCATIONS
 (WHEN IN FULL COMPLIANCE / SR&R)

DEVELOPER INSTALLED REFUNDING MAIN EXTENSION PROJECTS MARCH 2003

Project No.	Contract No	Project Name	otal Project Cost	Net LWC Cost
02-025	G124M	Mud Lane Condominiums	\$99,950.00	
02-052	G118M	Maxcy Station Subdivision	\$127,890.00	\$53,600.00
02-065	G117M	Apple Valley Section 6	\$42,350.00	\$5,800.00
02-100	G055M	Adams Run Section 7	\$30,940.00	\$3,900.00
02-104	G120M	Ledgewood Subdivision	\$29,220.00	
02-108	G125M	Reserve Estates	\$142,180.00	\$28,200.00
02-110	G119M	Welchire Falls	\$49,260.00	
02-113	G122M	Arbor Ridge Section 4	\$40,060.00	
02-114	G123M	Brookshire Section1	\$107,360.00	
02-118	G054M	Stonebreaker Road	\$35,680.00	\$9,500.00
03-007	G158M	Forest Springs North Section 4B	\$103,740.00	\$5,000.00
03-013	G159M	Cliffwood Avenue	\$15,080.00	\$1,400.00
03-014	G161M	Cinderella Commons Section 2	\$13,630.00	
03-015	G162M	The Villas of Forest Springs	\$30,280.00	\$11,800.00

DEVELOPER INSTALLED TAPPING FEE MAIN EXTENSION PROJECTS

02-095	G121T	Tanager Landing Apartments	\$25,560.00	\$2,600.00
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BULLITT COUNTY EXTENSION PROJECTS MARCH 2003

02-328	RIDGEWAY FARM ROAD	\$30,000.00
03-306	CUPIO LANE	\$7,500.00
03-307	KNOB CREEK ROAD	\$196,000.00
03-308	BARRICKS ROAD	\$65,000.00
03-309	QUAIL HOLLOW ROAD	\$75,000.00

Item D: Authorization for design and bid of projects (estimated to cost less than \$200,000)

Item E: Bid tabulations (award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).

Item F: Award of contracts less than \$100,000.00 JANUARY 2003
Award of contracts less than \$100,000.00 FEBRUARY 2003

CAPITAL PROGRAM JANUARY 2003

01-319 & 01-321	ROLLINGTON ROAD & ASH AVENUE DEBBIE SUTHERLAND EXCAVATING	\$76,000
02-317	COUNTRY LANE WATER MAIN EXTENSION THREE T CONSTRUCTION	\$29,900

PROCUREMENT OF EMERGENCY MATERIALS AND SERVICES JANUARY 2003

CERTIFICATE OF EMERGENCY	CORPORATE HEADQUARTERS BUILDING AIR COMPRESSOR ACCO, INC.	\$27,342
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PROCUREMENT OF MATERIALS AND SERVICES JANUARY 2003

02-66	COMPUTER TRAINING ACCENT TRAINING	\$39,420
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PROCUREMENT OF PROFESSIONAL SERVICES JANUARY 2003

PROFESSIONAL SERVICE	CUSTOMER SATISFACTION SURVEY ANALYSIS ROBERT HURD AND ASSOCIATES, INC.	\$28,000
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PROCUREMENT OF SOLE SOURCE MATERIALS AND SERVICES JANUARY 2003

99-402	RIVERBANK INFILTRATION PHASE II - GROUNDWATER MONITORING NETWORK AND HEAD LOSS SURVEY U.S. GEOLOGICAL SURVEY	\$45,000
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SOLE SOURCE	ORCOM SOFTWARE LEASE / CONVERSION SERVICES - SHEPHERDSVILLE ACQUISITION	
	ORCOM SOLUTIONS, INC.	\$31,250

PROCUREMENT OF MATERIALS AND SERVICES FEBRUARY 2003

02-61	SAFETY BARRICADES, LIGHTS, CONES AND CAUTION TAPE	\$37,977.00
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02-61	CEMENT CEMEX/KOSMOS CEMENT	\$66,960.00
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03-09	WATER BILL FORMS	\$37,173.00
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PROCUREMENT OF SOLE SOURCE MATERIALS AND SERVICES FEBRUARY 2003

SOLE SOURCE PURCHASE	IBM HARDWARE SERVICE SUITE MAINTENANCE RENEWAL ORCOM SOLUTIONS	\$22,000.00
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REPORT OF OFFICERS

ADMINISTRATIVE REPORT:

Mr. Huber reviewed actions taken regarding the agenda for the February 11, 2003 Board meeting.

Since we did not have a quorum, the February 11, 2003 Board meeting was cancelled. There were several items on the February 2003 agenda which required timely action. Mr. Huber authorized award of two contracts and approved a large change action to a contract. The Board was asked to ratify these items today. These items are:

1. Contract 00-84: Flowable Backfill
2. Contract 02-62: Copper Tubing
3. Change Action Order to Contract F958 – Emergency Failure of Coagulation Unite #5 at Crescent Hill Filter Plant

Mr. Huber announced that he is pleased to have Mr. Segell back after his illness. He also announced that he is pleased that Ms. Douglas has taken on an additional role as Chair of the Citizens Commission on Police Accountability.

FINANCIAL REPORT:

Mr. Miller mentioned that Louisville Water Company is required to do an EPA Vulnerability Assessment.

A security report must be provided to the United States Environmental Protection Agency (EPA) on or before March 31, 2003. By September 30, 2003, we must also certify to EPA

that our Emergency Response Plan has been modified to provide for vulnerabilities identified in the assessment.

A chartered team of six persons from critical Louisville Water Company operating areas is conducting the assessment using a methodology developed by Sandia National Laboratories and prescribed by EPA.

Louisville Water Company management uses a Cost of Risk measurement to assess performance on cost control in this key area. This is included in the President and Vice Presidents shared goals and is measured against the annual budget for the year. The components of the Cost of Risk measurement are:

- Administrative Costs
- Excess Liability Insurance
- Property Insurance
- Crime Insurance
- Workers Compensations Stop Loss Premium, Third Party Administrator
- Auto Liability Total Incurred
- General Liability Total Incurred
- Workers Compensation Medical / Indemnity
- Outside Legal Expenses

The Cost of Risk for 2002 was \$1,950,281 compared to a budget of \$1,603,796, resulting in a variance of \$364,485 or 21.6% over budget. The score has dropped from a Level IV at the end of the third quarter to a Level I at year-end 2002. Key drivers for this increased cost since the previous reported amounts were:

- Increased Workers Compensation Previous Year Reserves
- Increased General Liability Current Year Reserves

Continued focus on the Cost of Risk will be included in the 2003 President and Vice Presidents shared goals.

Mr. Miller presented the Income and Expense Summary for February 2003:

Total operating revenue of \$15,535,400 is \$757,600 or 5.13% more than budgeted and \$895,800 or 6.12% more than the same period in 2002. We sold 3.61% more water in 2003 than the same period in 2002. Water delivered to the mains was 8.29% more than 2002.

Operation and maintenance expense of \$6,950,300 is \$261,800 or 3.92% more than budgeted and \$706,000 or 11.31% more than 2002.

Total non-operating income of \$374,600 is \$210,000 or 35.93% less than budgeted. Total non-operating expense of \$1,108,000 is \$12,700 or 1.16% more than budgeted.

Net income of \$3,722,500 is \$82,900 or 2.28% more than budgeted and \$100,600 or 2.86% less than 2002.

OPERATIONS REPORT:

Mr. Heitzman presented the Operations report for January 2003:

Fluoride Feed System in BEP Plant - On December 20, 2002, the inspectors from the State Health Department inspected the BEP plant fluoride feed system and cited the concern of over-feeding fluoride to the finished water supply. On January 21, 2003, staff met with the inspectors and discussed the details of the inspection and their recommendation to install an intermediate fluoride "day tank" by July 21, 2003. The "day tank" will minimize the risk of chemical overfeed. LWC engineers are currently working on the design and we expect the installation to be completed by June 30, 2003.

Crescent Hill Reservoir Security - Staff met with Mayor Abramson and Deputy Mayor Johnstone on January 21 to discuss the plans to improve site security at the Crescent Hill Reservoir. The plan includes perimeter fencing around the entire treatment works north of Frankfort Avenue that will provide the ability to close Frankfort Avenue during emergency situations. Reservoir Avenue will be opened to the public for normal operations. In addition, a second fence is planned for the perimeter of the Reservoir that will control access during daylight hours.

Crescent Hill Reservoir Rehabilitation Status - The South basin of the reservoir was placed in service this past December, however upon filling the reservoir, water was discovered in the monitoring wells and beneath the liner. The reservoir has been drained for inspection. Initial findings, indicate potential leakage in the by-pass access vault that would allow by-pass water to seep through the concrete structure under the liner.

Mr. Heitzman presented the Operations report for February 2003:

Production - The water production in February of 124.2 MGD was 9.8 percent higher than the February 2002 production of 113.1 MGD, and was 7.7 percent higher than the 5-year average production of 115.3 MGD.

Water Quality - Staff collected 321 regular distribution samples in February. All samples exceeded our internal turbidity, chlorine, and bacteria goals that are more stringent than regulatory requirements. Due to sampling error, one sample collected in February showed low chlorine residual of 0.5 mg/L. Follow up samples indicated adequate chlorine residuals were maintained in the system. As a result, there was no water quality monitoring and reporting violation in February.

Mr. Heitzman provided an update on Winter Operations:

Extremely cold temperatures and general inclement weather in late January triggered a dramatic increase in main break and other emergency activity in the distribution system. Treated water from the plant fell below thirty-eight degrees on January 19th and continued to fall. This change resulted in high break activity over the week-end of January 24th - 26th ultimately requiring the company to mobilize all available distribution system employees for emergency repair activities.

After considering the weather and other key indicators, the company declared a "Level II Winter Emergency" on January 28th in an effort to provide more efficient and timely response to emergency activities. "Level II" reorganized employees in Managing Distribution Operations

Business System into a two-shift, twenty-four hour per day operation in an effort to level the availability of resources and to minimize employee fatigue.

The declared emergency remained in effect through February 2nd and overall experience year-to-date has been one of increased work activity when compared to recent years.

Karla Teasley presented the Serving Customers and Business Development Report:

Performance Measures – The February 2003 abandonment rate was 4.5%, compared to 3.7% in January 2003, and 9.6% in February 2002.

Bad debt for the month of February was \$43,552. This is \$8,135 over budget and includes \$10,484 in commercial bad debt.

Winter Operations – For the month, the Company estimated 6,881 meters, compared to 1,464 in February 2002. In order to keep the estimated readings to a minimum the group worked 73 hours on an extended day basis and 184 hours on weekends, for a total of 257 overtime hours. Additionally it should be noted that February was the first “reading” month for the Shepherdsville accounts. The Shepherdsville acquisition resulted in approximately 1,721 new accounts being added to the read cycle.

The inclement weather did provide an opportunity to evaluate the performance of the Bullitt County AMR pilot program. Data indicates that the radio read program was not adversely impacted by the snow and ice conditions. Of the 2,900 accounts in KT, 2,875 were read without any problems. A total of 25 could not be read as a result of vaults (and read antennas) being totally submerged under water. The 2,875 accounts were read in a one day period.

Salt River Crossing I-65 Transmission System Project in Bullitt County – This project was initiated by the former Kentucky Turnpike Water District with their pursuit of Congressional Grant funding through the U.S. Congressional Office of Representative Ron Lewis, 2nd U.S. Congressional District, of Kentucky. Grant funding was authorized through a Congressional Budget Line Item for up to \$380,000 in matching funds for this river crossing with a maximum of 45% of the total project cost, and the balance of funding coming from local sources.

The Kentucky Division of Water has declined to approve the bidding process because a second advertisement to bidders was not run in a local newspaper of wide circulation. Though the error was on the part of the local newspaper, and the newspaper has formally apologized in writing, the Kentucky Division of Water will not grant a variance or exception to this advertising requirement. Staff is re-bidding this project at this time.

LITIGATION REPORT

Given the press of business, Ms. Douglas announced that she would give an open session litigation report, focusing on the Lake in the Woods and South Hill Apartment litigation, which is a matter of public record and litigation costs. She reported that year-to-date litigation costs are \$9,337.00 or 55.2% under budget.

REPORT OF COMMITTEES

AUDIT COMMITTEE:

Ms. Welsh presented the Audit Committee report for January 28, 2003 and March 10, 2003.
Ms. Welsh presented the Audit Committee Charter to the full Board. This Charter was adopted by the committee at its March 10, 2003 meeting (copy attached for the record).

Ms. Welsh reported on the annual inventory performed in October 2002. The amount of inventory variance increased by 12.19% or \$516,000.00 at the October inventory. This is being followed. After proper motion and second, the Board of Water Works voted to adopt the Audit Charter.

COMPENSATION COMMITTEE:

The Board of Water Works upon proper motion, second and vote, went into closed session to consider certain personnel matters. The Board returned to open session after taking no action.

Ms. Welsh moved for approval of payment of a Corporate Performance Award based upon achievement of 70.83% of the related 2002 goals. Ms. Welsh also moved for approval of payment of an Executive Incentive Award to the President and Vice Presidents based upon achievement of 8.17% of 10% of the related 2002 goals and to the Business System Owners based upon achievement of 6.075% out of 7.5% of the related 2002 goals. Upon second and vote, the motion carried.

SPECIAL ISSUES

Ms. Ball presented the Louisville Water Company Comments Draft Environmental Impact Statement for the Ohio River Bridges Project:

The Louisville Water Company has been communicating with the Federal Highway Administration (FHA) and Community Transportation Solutions, Inc (CTS) to insure our concerns regarding the impact of constructing an Eastern Jefferson County bridge may have on the Bank Filtration Program have been addressed. It has been our position that the concerns of LWC can be adequately addressed in the design and construction of the bridge. Any construction within the aquifer must be compatible with protecting the community's water supply and the wellhead protection area.

Louisville Water Company will evaluate the Final Environmental Impact Statement (FEIS), due to be released in April 2003. At that time, an additional 60 day review period will be granted to federal agencies as well as the general public.

Ms. Ball also advised the Board that in the next few weeks, Louisville Water Company will be approaching seventeen (17) property owners on Transylvania Beach in order to purchase the property or acquire easements. More will be shared with the Board as this develops.

DECLARATION TO CITY OF LOUISVILLE:

The annual audit has been completed. Net income of \$27,832,748 requires a total 2002 dividend to the City of \$12,379,623. This will result in an additional amount of \$357,847 to be added to the regular quarterly 2003 dividend payments.

After proper motion and second, the Board of Water Works adopted a resolution adjusting the 2002 dividend and declaring the first quarterly 2003 dividend in the amount of \$3,079,708 is attached for your consideration. This resolution provides for a total first quarterly dividend payment of \$3,169,170.

BID TABULATIONS

Mr. Huber presented Bid 00-84 / Flowable Backfill:

Louisville Water Company utilizes flowable backfill for compaction material. LWC must have timely, efficient deliveries as well as product performance.

After proper motion and second, the Board of Water Works ratified the award of the the remainder of the contact to the second low bidder, Pearce Brothers. Pearce Brothers has submitted a letter agreeing to take over the contract for the remainder of the contract term at their original bid pricing in the amount of \$240,425.

Mr. Miller presented Bid 02-67 / Detector Check Valves:

On January 8, 2003, bids were opened to award a one-year contract, renewable for up to two additional one-year terms at the sole discretion of the company. All renewals would utilize the Producer's Price Index as a cost adjuster.

Detector Check Valves are installed in fire services eliminating water backflow and assisting LWC in assuring water quality.

Three bids were received.

After proper motion and second the Board of Water Works voted to award a one-year contract, renewable for up to two additional one-year terms, to Hersey Meter Company for an estimated one-year amount of \$134,598. This bid represents a 16% increase in unit prices from the previous bid in 1999.

Mr. Huber presented Bid 02-62 / Copper Tubing:

On January 22, 2003, bids were opened to award a contract for a six-month supply of copper tubing. Copper tubing is used throughout the distribution system in the installation, renewal and repair of domestic service lines.

After proper motion and second, the Board of Water Works voted to ratify staff's purchase of a six-month supply of copper tubing totaling \$165,232 from Hughes Supply Co. This bid represents a 8% decrease in unit prices from the previous bid.

Mr. Heitzman presented Project No. 02-671

Highway 329 16" and 12" Water Main Replacement - Apple Patch to Fox Hollow:

Bids were received Wednesday, February 5, 2003, to Furnish and Install approximately 1,250 feet of 16-inch water main and 3,300 feet of 12" water main in Highway 329 between Apple Patch Development and the Fox Hollow 12" water main.

A total of 9 bids were received from qualified contracting firms.

After proper motion and second, the Board of Water Works voted to authorize the Chief Engineer to award a contract in the amount of \$417,000.00 to Southern Pipeline Construction Company to install water facilities associated with this project.

Mr. Heitzman presented Project No.: 03-LW01-B

Lawn Maintenance of Louisville Water Company Grounds:

Bids were received and opened Wednesday, February 19, 2003 for lawn maintenance of Louisville Water Company grounds for the following six sites:

- Site 1 B.E. Payne Water Treatment Plant
- Site 2 Crescent Hill Filter Plant
- Site 3 Zorn Pumping Station
- Site 4 Fourteen (14) Pressure Systems north of Bardstown Rd.
- Site 5 Twenty one (21) Pressure Systems south of Bardstown Rd.
- Site 6 Eight (8) Pressure System in Bullitt County

A total of 11 bids were received and opened from pre-qualified contractors.

After proper motion and second, the Board of Water Works voted to authorize the Chief Engineer to award three contracts in the amounts of \$40,250.00 to the Creationist Co for Site #1; \$52,500.00 to Quality Lawns for Site # 2; and \$71,455 to Ward Brothers for Sites #3, #4, #5 and #6, for lawn maintenance of Louisville Water Company grounds.

Ms. Teasley presented Project No.: 03-500 – 2nd Street Area Main Replacement Project:

Bids were received and opened Wednesday, February 26, 2003 to install 4,560 linear feet of 8-inch ductile iron water main using traditional trenching techniques, and to supply and install 200 linear feet of 4-inch HDPE pipe using directional drilling techniques in the 2nd Street Area. The project scope includes 2nd Street, Brook Street, Floyd Street, and Ardella Court.

A total of 5 bids were received and opened from pre-qualified contractors.

After proper motion and second, the Board of Water Works voted to authorize the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$ 296,500 to MAC Construction and Excavating to install the water facilities associated with this project.

COMMUNICATIONS

Ms. Crow presented a description of Smile Kentucky!

One of the goals of Louisville Water Company's Pure Tap program is to create strategic partnerships within the service area to promote the health and safety of our water.

We've been working with area dentists for the past several years to promote Children's Dental Health Month. This year we successfully launched something new. Smile Kentucky! is a campaign to educate children and parents about the importance of oral health and provide dental services to underserved children.

The program highlights a national effort by the American Dental Association (ADA), and Louisville was selected as one of 40 sites across the nation to receive free treatment supplies. The ADA calls Smile Kentucky! one of the largest in the country in terms of scope and community involvement.

- In January, children from 22 schools in Jefferson and Bullitt Counties were screened by volunteer dentists and hygienists (3rd – 5th grade).
- Nearly 300 children received follow-up care February 21st at University of Louisville (UofL) School of Dentistry. Metro Mayor Jerry Abramson paid a visit.

The program received both local and national media attention: a one-hour special on WHAS-TV, local TV news and newspaper coverage, as well as articles by both the American Dental Association and the American Water Works Association.

The program is well on its way to a successful second season. The Kentucky Department of Public Health recently awarded Smile Kentucky! a \$40,000 grant to purchase equipment and expand services to more school children.

Vince Guenther presented a 2003 General Assembly Overview:

HB 337: State Government Review of Public Contracts (Rep. Steve Nunn, R-Glasgow) Places certain "quasi" governmental entities including Louisville Water Company under the Model Procurement Code. Would also require LWC to have professional service contracts and memorandums of agreement approved by the State Government Contract Review Committee.

Status: The bill was amended in the House State Government Committee to delete the provision related to LWC. It is currently pending action on the Senate Floor.

SB 150: KY River Authority and Expanded KY River Basin (Sen. Ed Worley, D-Richmond) Expands the KY River Basin to include a number of surrounding area development districts including KIPDA. Requires Water Management Planning Council to submit plans that are consistent with KRA administrative regulations, long-range water resource plans and drought response plans. The bill also would subject water transferred into the KY River Basin to the water use fees that the KRA assesses and collects from utilities in the basin.

Status: The bill has not had a hearing in committee so it does not have enough time to pass.

SB 127: KY Infrastructure Authority Revolving Loan Funds (Sen. Thayer, R-Georgetown) Allows the KIA to use the Waste Water Revolving Loan funds to secure the issuance of bonds. (This is significant because there is more money available from the Clean Water Act than there is from the Drinking Water Act.)

Status: The bill has passed out of the Senate and is pending a House Floor Vote.

OLD BUSINESS

Ms. Teasley presented the Water Extension Project Pursuant to K.R.S. 96.265 – Homestead Trace - Eastwood & Fisherville Road to East 3,600 ft. as an advisory item:

The Board of Water Works approved staff's request to proceed with a public hearing for Homestead Trace: Eastwood & Fisherville Rd to East 3,600 ft at its December 2002 meeting. In accordance with KRS 96.265 a public hearing was held on January 14, 2003 for the property owners along Homestead Trace to consider the extension of a water main along this private roadway.

Property owners had an opportunity to ask questions about the Apportionment Warrant program and decide if they wanted to proceed with the project. The scope of the project as presented at the January 14, 2003 meeting extended a 8-inch and 6-inch water main approximately 3,600 feet. As presented, using the equal assessment method, five (5) eligible property owners on this private roadway were presented with the "equal share" cost per property of \$27,200. The attending property owners did not agree to proceed with the project at the cost presented.

Staff determined that this matter is one which should not be referred to Louisville/Jefferson Metro Council due to lack of property owner support; the proposed main extension does not meet the criteria set forth by the Board to proceed to the ordinance stage.

Ms. Teasley presented the Oldham County Water Improvement Program – Oldham County Extension Program LWC Project No. 01-309, Highway 1694 Water Main Extension Change Action to Contract No. F-946; C Squared, Inc.

This contract was originally presented to the BOWW on September 12, 2002, and approved for the provision of construction services in the amount of \$189,250. The Contractor was required to furnish and install 5,400' of 8" PVC pipe.

Change Action No. 1 was a change in scope which required the Contractor to furnish and install an additional 540 feet of 8" PVC water main to the end of the project.

Change Action No. 2 required the Contractor to furnish and install an additional 300 feet of 8" PVC water main and install one additional fire hydrant.

The change actions are summarized as follows:

Original Contract - Previously Approved Contract F-946	\$ 189,250.00
Additional Work	
Change Action No. 1 Furnish and Install additional 540 feet PVC pipe	\$ 16,200.00
Change Action No. 2 Furnish and Install additional 300 feet PVC pipe; install one fire hydrant	<u>\$ 10,000.00</u>
Revised Total Contract Cost	<u>\$215,480.00</u>
Change Action No. 1 and 2 – Percent Increase from Original Contract	13.8%

After proper motion and second, the Board of Water Works voted to include Change Action Nos. 1 and 2 for a revised total contract amount of \$215,480 and increase the total project budget from \$208,780 to \$234,980.

Mr. Heitzman presented Acceptance of Water Extension Project for Rockycreek Lane (Private Roadway) Referral to Louisville/Jefferson County Metro Council Pursuant to KRS 96.265

An Apportionment Warrant public hearing was held for Rockycreek Lane on October 29, 2002, in response to receipt of a majority petition for this private road. The project proposed an extension of 1,790 feet at an estimated cost of \$106,750, yielding an estimated cost of \$15,250 per property, with 7 property participants.

The majority of property owners in attendance did not desire to proceed with the project as proposed due to the high cost of the extension. Property owners who were not a part of the original petitioned scope (Back Run Rd to North 1,790 ft) also attended the October 29, 2002 meeting and requested that LWC consider extending the project scope to the end of Rockycreek Lane and determine if a more favorable price could be obtained with additional participants. Staff agreed to conduct additional research, pursue cost saving opportunities, bid the project, and report the findings to the property owners of Rockycreek Lane.

A follow up public meeting was held on January 23, 2003 to present the new information. Alternative routes were discussed with the majority of property owners agreeing that the best alternative is to extend water along Rockycreek Lane from Back Run Road north 2,920 feet. Property owners agreed to proceed with the project if the cost per property was within a range of \$11,500 to \$14,000 based upon 9 to 11 property participants.

Staff met with Chief Mike Schmidt of the Fern Creek Fire Department on January 31, 2003 to review the proposed hydrant spacing.

After proper motion and second, the Board of Water Works voted to approve this project and adopt a resolution forwarding this project to the Metro Council for adoption of an Ordinance. LWC will upsize the proposed water main from the required 6-inch pipe to an 8-inch pipe due to the potential for future development. The upsize costs will be financed by LWC as detailed in the attached Project Summary. This project meets guidelines and recommendations outlined in the Task Force Report and Implementation Plan for Jefferson County Water Extension Program. Staff recommends the proposed extension of water service as feasible and beneficial in accordance with KRS 96.265 and recommends the Board of Water Works refer this project to the Louisville Metro Council for its consideration. Upon approval by Metro Council and adoption of the Ordinance, the Company will proceed with construction on this project.

Additionally, Louisville Water Company has received an additional letter from a property owner who did not participate in the public meetings, but now wants to be a part of the project. The Chief Engineer recommends going forward with the project as designed and offering an opportunity for this property owner to hook up at a later date.

Rockycreek Lane – Private Road Water Main Extension

Project Summary

2/5/2003

Petitioned Scope: Rockycreek Ln: Back Run Rd to North 1,790 ft

- Public Hearing – October 29, 2002 – Louisville Free Public Library, Fern Creek Branch
- 1,790 lineal feet of 6 and 4-inch water main
- \$106,750 estimated cost
- 7 eligible properties
- 4 affirmative petitioners
- 57% of eligible properties
- \$15,250 “equal share” per property cost

Revised Scope: Rockycreek Ln: Back Run Rd to North 2,920 ft

- Follow-up Meeting – January 23, 2003 – Louisville Free Public Library, Fern Creek Branch
- 2,920 lineal feet of 6-inch water main (to be upsized to 8-inch by LWC)
- \$139,400 estimated cost
- 10 eligible properties
- \$13,940 estimated cost per property.
- \$14,000 “not-to-exceed” equal share property cost

Estimated Cost to Upsize Main 6” to 8”

- Contract Labor \$840
- Materials \$6873
- Engineering \$6896
- Total Upsize Cost \$14,609

Ms. Teasley discussed Issuance of Apportionment Warrants per KRS 96.265

Broad Run Road: Existing Water Main to Stout Road

A public hearing was held September 13, 2001 for the extension of water service along Broad Run Road: Existing Water Main to Stout Road. The Board of Water Works adopted a resolution for Broad Run Road: Existing Water Main to Stout Road on October 9, 2001 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 30, Series 2001 on November 13, 2001 for the Broad Run Road: Existing Water Main to Stout Road project.

After proper motion and second, the Board of Water Works voted to adopt the attached resolution for the issuance of an Apportionment Warrants and liens against 20 benefited properties along the remaining portion of Broad Run Road: Existing Water Main to Stout Road in accordance with KRS. 96.265, as described.

Mr. Heitzman reported on Project 00-479B: In-ground Vehicle Lift Replacement at Allmond Avenue Garage; Project Change Action

The July 2002 Board awarded a contract for replacement of the in-ground vehicle lifts at Allmond Garage to H.F. McClure, Inc. in the amount of \$102,000. Several construction issues required changes to the work.

The following items, primarily unknown subsurface conditions not shown on facility construction plans, resulted in additions to the scope of work and revisions to the work schedule:

- During excavation of the garage floor, electrical conduits were encountered, requiring relocation, plus excess sub-floor concrete was found, requiring removal to provide enlarged pit space for the new lift equipment.
- The soil surrounding the pits and cylinders has been classified as "special waste" which requires regulated handling and disposal procedures. Disturbance of this soil releases a foul septic odor which permeates throughout the entire facility. Ventilation has been added to eliminate the odor.
- The stationary cylinders for each existing lift were found to be encased in concrete rings. Core holes must be drilled into each ring in order to accommodate safety locking legs on the new equipment.
- Some work elements have been restricted to evening hours due to excessive noise and daily-work interference.

After proper motion and second, the Board of Water Works voted to authorize staff to increase the value of contract F865 with H.F. McClure, Inc. from \$102,000 to \$132,250.

Mr. Heitzman presented Emergency Failure of Coagulation Unit #5 at Crescent Hill Filter Plant Ratification of Contract Change Order

The rotating mechanical equipment in Coagulation Unit # 5 has failed as reported to the Board at the January 14 meeting.

After proper motion and second, the Board of Water Works voted to ratify the President's Change Order to Contract # F958 with Vesco Engineering in the amount of \$401,872 to replace the failed clarified mechanism, remove concrete floor grout, and install access ladder. This change order increases the total contract amount to \$1,046,791. Funding for this scope of work is included in Project 02-625 and 03-625.

NEW BUSINESS

Mr. Miller reported on Purchase of Application Servers, Storage and Oracle Database Processor Licenses

The 2001 – 2003 Information Technology Strategic Plan identifies several key Information Supply Systems that will be replaced through business process re-engineering and design methodologies. Several of the systems re-engineering and replacement projects are underway. They include the Financial Information System, Mobile Dispatch, and Automated Mapping/Facilities Management projects. Future projects include the Human Resources Information System and Risk Management System. There are several Technical and Data

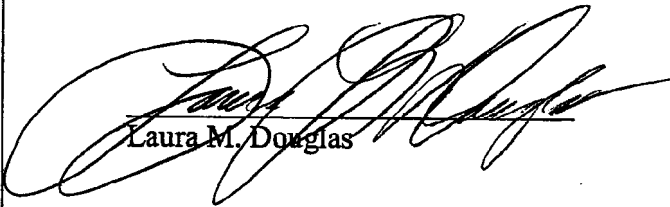
Architecture projects outlined in the IT plan and current Capital Improvement Plan to support these projects. These projects include:

1. Project 03-652: File and Application Server Replacement/Upgrade
2. Project 02-665: Oracle RDBMS

After proper motion and second, the Board of Water Works authorized staff to proceed with final design and request for proposals of these two projects.

The meeting adjourned at 2:37 p.m.

Respectfully Submitted:



Laura M. Douglas

LOUISVILLE WATER COMPANY
AUDIT COMMITTEE CHARTER
MARCH 10, 2003

Committee Role

The committee's role is to act on behalf of the Board of Water Works and oversee all material aspects of the company's reporting, control, and audit functions, except those specifically related to the responsibilities of another standing committee of the board. The audit committee's role includes a particular focus on the qualitative aspects of financial reporting and on company processes for the management of business/financial risk and for compliance with significant applicable legal, ethical, and regulatory requirements as they relate to such business and financial risks.

The role also includes coordination with other board committees and maintenance of strong, positive working relationships with management, external and internal auditors, counsel, and other committee advisors.

Committee Membership

The committee shall consist of at least three independent board members. Committee members shall have (1) a working knowledge of the water industry; (2) a firm understanding of LWC financial statements, including the balance sheet, income statement, statement of cash flow, and key performance indicators; and (3) a sound grasp of key business and financial risks and related controls and control processes. The committee shall have access to its own counsel and other advisors at the committee's sole discretion.

One member, preferably the chairperson, should be literate in business and financial reporting and control, including knowledge of the accounting regulatory requirements, and should have past employment experience in finance or accounting or other comparable experience or background. Committee membership should be considerate of corporate values for diversity. Committee appointments and the committee chairperson shall be approved annually by the full board upon recommendation of the President at the Annual Meeting.

Committee Operating Principles

The committee shall fulfill its responsibilities within the context of the following overriding principles:

- **Communications** – The chairperson and others on the committee shall, to the extent appropriate, have contact throughout the year with senior management, other board members, and other key committee advisors, external and internal auditors, etc., as applicable, to strengthen the committee's knowledge of relevant current and prospective business issues.
- **Committee Education/Orientation** – The committee, with management, shall develop and participate in a process for review of important financial and operating topics that present potential significant risk to the company. Additionally, individual committee members are encouraged to participate in relevant and appropriate self-study education to assure understanding of the business environment in which the company operates.
- **Annual Plan** – The committee, with input from management and other key committee advisors, shall develop an annual plan responsive to the "primary committee responsibilities" detailed herein. The annual plan shall be reviewed and approved by the full board.

- **Meeting Agenda** – Committee meeting agendas shall be the responsibility of the committee chairperson, with input from committee members, management, internal audit, and other committee advisors as appropriate.
- **Committee Expectations and Information Needs** – The committee shall communicate committee expectations and the nature, timing, and extent of committee information needs to management, internal audit, and external parties, including external auditors. Written materials, including audit reports, financial reports, and other appropriate management documentation, shall be received from management, auditors, and others at least one week in advance of meeting dates.
- **External Resources** – The committee shall be authorized to access internal and external resources, as the committee requires, to carry out its responsibilities.
- **Committee Meeting Attendees** – The committee shall request members of management, counsel, internal audit, and external auditors, as applicable, to participate in committee meetings, as necessary, to carry out the committee's responsibilities. Periodically and at least annually, the committee shall meet in private session with only the committee members. It shall be understood that either internal or external auditors, or counsel, may, at any time, request a meeting with the audit committee or committee chairperson with or without management attendance. In any case, the committee shall consider meeting without management attendance separately with internal and external auditors, at least annually.
- **Reporting to the Board of Water Works** – The committee, through the committee chairperson, shall report periodically, as deemed necessary, but at least semi-annually, to the full board. In addition, summarized minutes from committee meetings, separately identifying monitoring activities from approvals, shall be available to each board member prior to the subsequent Board of Water Works meeting.
- **Committee Self Assessment** – The committee shall review, discuss, and assess its own performance as well as the committee role and responsibilities, seeking input from senior management, the full board, and others. Changes in role and/or responsibilities, if any, shall be recommended to the full board for approval.

Meeting Frequency

The committee shall meet at least quarterly. Additional meetings shall be scheduled as considered necessary by the committee or chairperson.

Committee's Relationship with External and Internal Auditors

- The external auditors, in their capacity as independent public accountants, shall report to the board of directors and the audit committee as representatives of the shareholder.
- The committee shall be responsible for pre-approving all audit and non-audit services, including the scope of such work performed by the external auditors.
- As the external auditors review financial reports, they will be reporting to the audit committee. They shall report all relevant issues, including any new information, to the committee responsive to agreed-upon committee expectations. They shall immediately notify the committee of any material weakness in internal controls or potential fraud identified during an audit engagement. In

executing its oversight role, the board or committee should review the methods, audit techniques, and the basis for any findings of external auditors.

- The committee shall annually review the performance (effectiveness, objectivity, and independence) of the external and internal auditors. The external auditors shall conduct their audit engagement under the independence rules of the AICPA. The committee shall ensure receipt of a formal written statement from the external auditors consistent with standards set by the Independence Standards Board. Additionally, the committee shall discuss with the auditor relationships or services that may affect auditor objectivity or independence. If the committee is not satisfied with the auditors' assurances of independence, it shall take or recommend to the full board appropriate action to ensure the independence of the external auditor.
- If the committee decides to retain an audit firm following review, the committee shall, at a minimum, rotate the lead audit partner and audit review partner every five years.
- The committee shall review annually the external auditor's policies and certifications regarding workpaper retention and destruction.
- If either the internal or the external auditors identify significant issues relative to the overall board responsibility that have been communicated to management but, in their judgement, have not been adequately addressed, they should communicate these issues to the committee chairperson.
- Changes in the director of internal audit shall be subject to committee approval.

Primary Committee Responsibilities

The committee should review and assess:

- *Risk Management* – The company's business risk management process, including the adequacy of the company's overall control environment and controls in selected areas representing significant financial and business risk.
- *Annual Reports and Other Major Regulatory Filings* – All major financial reports in advance of filing or distribution.
- *Internal Controls and Regulatory Compliance* – Management's assessment of the system of internal controls for detecting accounting and reporting financial errors, fraud and defalcations, legal violations, and noncompliance with the corporate code of conduct.
- *Internal Audit Responsibilities* – The annual audit plan and the process used to develop the plan. Status of activities, significant findings, recommendations, and management's response.
- *Regulatory Examinations* – The results of examinations by regulatory authorities in terms of important findings, recommendations, and management's response.
- *External Audit Responsibilities* – Auditor independence and the overall scope and focus of the annual/interim audit, including the scope and level of involvement with unaudited interim-period information.

- *Financial Reporting and Controls* – Key financial statement issues and risks, their impact or potential effect on reported financial information, the processes used by management to address such matters, related auditor views, and the basis for audit conclusions. Important conclusions on interim and/or year-end audit work in advance of the public release of financials.
- *Auditor Recommendations* – Important internal and external auditor recommendations on financial reporting, controls, other matters, and management’s response. The views of management and auditors on the overall quality of annual and interim financial reporting.

The committee should review, assess, and approve:

- The code of ethical conduct.
- The internal audit charter.
- Changes in important accounting principles and the application thereof in both interim and annual financial reports.
- Significant conflicts of interest and related-party transactions.
- External auditor performance and changes in external audit firm (subject to ratification by the full board).
- Internal auditor performance and changes in internal audit leadership and/or key financial management.

Phillip D. Bond
Chair, Board of Water Works Audit Committee

Date

Laura M. Douglas
Vice President, General Counsel

Date

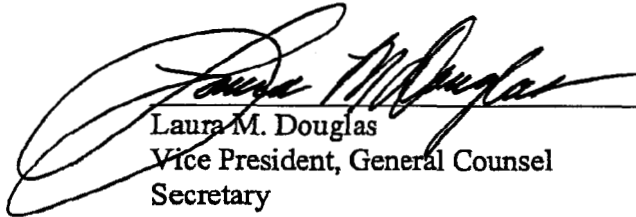
John L. Huber
President, Board of Water Works

Date

CERTIFICATION

This is to certify that the following Resolution to Declare the First Quarter Dividend to the City of Louisville is a true copy of the Resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville, on March 11, 2003, a quorum being present.

Signed,



Laura M. Douglas
Vice President, General Counsel
Secretary

**RESOLUTION TO DECLARE FIRST QUARTER DIVIDEND
TO THE CITY OF LOUISVILLE**

WHEREAS, it has been the long established policy of the 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 1992 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 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 \$12,021,776 for 2002 was paid in 2002 based on estimated annual net income, and the annual audit for 2002 has now been completed which establishes the full dividend for 2002 as \$12,379,623 based on actual annual net income of \$27,832,748, it would be in order at this time to amend the Board resolution of December 20, 2002 to increase the 2002 annual dividend by \$357,847, from \$12,021,776 to \$12,379,623 the difference to be added in installments to the quarterly 2003 dividend payments, and

WHEREAS, the 1992 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 2003 Louisville Water Company Budget contemplates the 2003 annual dividend to be \$12,318,831 it would be in order at this time to declare a regular first quarter dividend of \$3,079,708.

RESOLVED, the 2002 annual dividend is increased from \$12,021,776 to \$12,379,623 and the difference of \$357,847 will be added in quarterly installments to the regular 2003 quarterly dividend installments, and

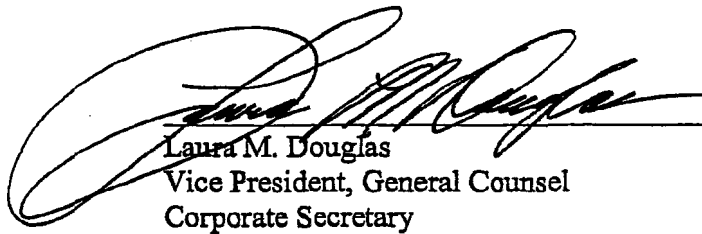
RESOLVED, the regular first quarter 2003 dividend of \$3,079,708 is hereby declared, and further

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,169,170 to the Louisville / Jefferson County Revenue Commission on March 31, 2003, this being the first quarterly dividend for 2003 plus one quarter of the dividend adjustment for 2002, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

CERTIFICATION

I, the undersigned, hereby certify that the foregoing Resolution, dated February 11, 2003, for the extension of water service along Rockycreek Lane: Back Run Road to North approximately 2,920 feet, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville, on March 11, 2003, a quorum being present.

Signed,



Laura M. Douglas
Vice President, General Counsel
Corporate Secretary

**Board of Water Works
Resolution**

February 11, 2003

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting Rockycreek Ln: Back Run Rd to North 2930 ft, a private way in Jefferson County, and acting thereon convened a public hearing on October 29, 2002, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Chief Engineer of the Company has recommended the extension of such water service along Rockycreek Ln: Back Run Rd to North 2,920 ft, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along Rockycreek Ln: Back Run Rd to North approximately 2,920 ft, and, by these presents, does hereby recommend and refer the proposed water service extension to the Louisville/Jefferson County Metro Council, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service

Published in the Sunday, November 24, 2002 edition of

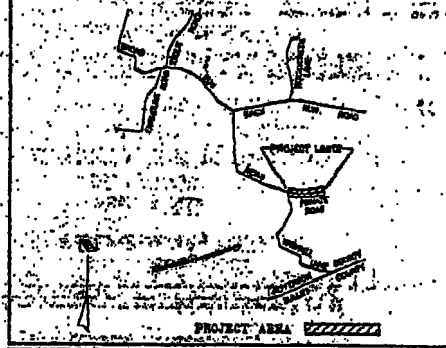
The Courier Journal

ADVERTISEMENT FOR PUBLIC HEARING

Pursuant to KRS 90.765, the Louisville Water Company will hold a public hearing for the property owners along Private Road (Segment 396) Broad Run Road to East 1,750 feet (shown on the map below), to propose the extension of the public water supply system to the property owners along this portion of Private Road (Segment 396) Broad Run Road to East 1,750 feet.

This public hearing will be held on Tuesday, December 3, 2002 at 6:00 p.m. at the Louisville Free Public Library, Fern Creek Branch, 6768 Harlowin Road.

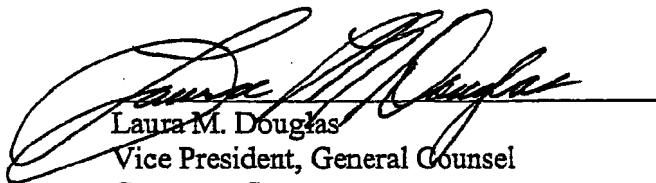
Further information can be obtained by calling the Louisville Water Company Customer Service Department at (502) 569-3600.



CERTIFICATION

I, the undersigned, hereby certify that the foregoing Resolution dated March 11, 2003, for the Issuance of Apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of Broad Run Road: Existing Water Main to Stout Road main extension project, and is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville, on March 11, 2003, a quorum being present.

Signed,


Laura M. Douglas
Vice President, General Counsel
Corporate Secretary

APPORTIONMENT WARRANT RESOLUTION

March 11, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of Broad Run Road: Existing Water Main to Stout Road main extension project authorized by Ordinance No. 30, Series 2001 of the Jefferson Fiscal Court, adopted on November 13, 2002 such warrant to be against twenty (20) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0897386	DORIS & PHILIP P BOHR 9715 BROAD RUN ROAD LOUISVILLE KY 40299	9117 BROAD RUN ROAD DEED-BK 1916 DEED-PG 301 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		167
0897392	KELLY & BONNIE CAUDILL 9101 BROAD RUN ROAD LOUISVILLE KY 40293	9101 BROAD RUN ROAD DEED-BK 5715 DEED-PG 840 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		132
0897398	ANTHONY J & JULIE A COBAUGH 118 BRAMPTON ROAD LOUISVILLE KY 40207	8920 BROAD RUN ROAD DEED-BK 6982 DEED-PG 941 TAX-DST TAX-BLK 2853	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		29
0897451	WILLIAM R & INA E CONDER 9111 BROAD RUN ROAD LOUISVILLE KY 40291	9111 BROAD RUN ROAD DEED-BK 6332 DEED-PG 412 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		133
0897399	NATHAN L & KIMBERLY E DELLING 9125 BROAD RUN ROAD LOUISVILLE KY 40291	9125 BROAD RUN ROAD DEED-BK 7878 DEED-PG 562 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		168
0897405	D. MATTINGLY & HEIKE C GRADY 8201 BROAD RUN ROAD LOUISVILLE KY 40293	8201 BROAD RUN ROAD DEED-BK 7999 DEED-PG 734 TAX-DST TAX-BLK 57	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		253
0897407	JEFFERY HALL 9104 BROAD RUN ROAD LOUISVILLE KY 40291	9104 BROAD RUN ROAD DEED-BK 6000 DEED-PG 860 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		120
0897452	THE LIVING TRUST HARDY 9102 BROAD RUN ROAD LOUISVILLE KY 40291	9102 BROAD RUN ROAD DEED-BK 7876 DEED-PG 622 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		125
0897411	EARL RHEA JR & BUDDY JEAN 8604 BROAD RUN ROAD LOUISVILLE KY 40291	8801 BROAD RUN ROAD DEED-BK 6571 DEED-PG 319 TAX-DST TAX-BLK 57	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		42

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0897432	EARL RHEA JR & BUDDY JEAN 8604 BROAD RUN ROAD LOUISVILLE KY 40291	9050 BROAD RUN ROAD DEED-BK 6571 DEED-PG 319 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	42
0897437	EARL RHEA JR & BUDDY JEAN 8604 BROAD RUN ROAD LOUISVILLE KY 40291	8604 BROAD RUN ROAD DEED-BK 6571 DEED-PG 319 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	42
0897454	CURTIS E & SHIRLEY A JOHNSON 35320 CROSS STREET FRUITLAND PARK FL 34731	9106 BROAD RUN ROAD DEED-BK 5900 DEED-PG 224 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	122
0897438	WM H KAISER & JOHN N KEESAER 204 STILLWOOD COURT LOUISVILLE KY 40223	BROAD RUN ROAD DEED-BK 6999 DEED-PG 640 TAX-DST TAX-BLK 2853	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	30
0897442	GERALD A & WANDA S MOODY 8400 BROAD RUN ROAD LOUISVILLE KY 40291	8400 BROAD RUN ROAD DEED-BK 6013 DEED-PG 520 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	133
0897460	VERLIN & WANDA LEE PERRY 4913 MARGO AVENUE LOUISVILLE KY 40258	8301 BROAD RUN ROAD DEED-BK 6669 DEED-PG 259 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	252
0897444	RALPH E & NANCY PICKERING 8800 BROAD RUN ROAD LOUISVILLE KY 40291	8800 BROAD RUN ROAD DEED-BK 6662 DEED-PG 311 TAX-DST TAX-BLK 2853	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	26
0897445	ESTIL BEVERLY TERR REESER 11103 EASUM ROAD JEFFERSONTOWN KY 40299	9000 BROAD RUN ROAD DEED-BK 5860 DEED-PG 264 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	71
0897446	RUTH CATHERINE ROSSON 8309 BROAD RUN ROAD LOUISVILLE KY 40291	8315 BROAD RUN ROAD DEED-BK 3920 DEED-PG 363 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	56

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0897447	DANNIE C JR & CAROLE D STILES 8818 BROAD RUN ROAD LOUISVILLE KY 40291	8818 BROAD RUN ROAD DEED-BK 7577 DEED-PG 146 TAX-DST TAX-BLK 2853		5,450.00	
			LIEN-DT		
			LIEN-BK		
			LIEN-PG		
			LOT-NO.	27	
0897449	RYAN HALDEN & ANNA M WILFONG 10230 WATERWOOD LANE #4 LOUISVILLE KY 40229	8900 BROAD RUN ROAD DEED-BK 4976 DEED-PG 324 TAX-DST TAX-BLK 2853		5,450.00	
			LIEN-DT		
			LIEN-BK		
			LIEN-PG		
			LOT-NO.	28	

**BOARD OF WATER WORKS ANNUAL MEETING
APRIL 8, 2003 MINUTES**

BOARD MEMBERS PRESENT

Mr. Jack Segell
Mr. Stephen Gault
Mr. Owen Hammons
Ms. Wendy Welsh
Mr. Stewart Conner

BOARD MEMBERS ABSENT

Hon. Jerry C. Abramson, Louisville Metro Mayor
Mr. Phillip Bond

OTHERS PRESENT

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Susan Lehman, Vice President, Human Resources
Mr. Rick Johnstone, Louisville Metro Deputy Mayor
Mr. Rudolph Davidson, Secretary Louisville Metro Public Works & Services
Amber Halloran
Ms. Barbara Crow
Ralph Mccord
Steve Greseth, Black & Veatch
Mr. Howard Abell
Mr. Brian Bunch, Customer

The annual meeting was called to order at 12:35 p.m. The President reminded all it was the annual meeting day. He called the Board's attention to the Annual Report and the Consumer Confidence Report that had been distributed. He then addressed the 2003 Annual Meeting.

The President relinquished the chair to Ms. Douglas, General Counsel.

Ms. Douglas requested nominations for the office of President. A motion was made by Mr. Hammons and Ms. Welsh seconded, to place in nomination the name of Mr. John L.

Huber for the ensuing year. The Board voted to appoint Mr. Huber as President for the coming year. Mr. Huber then resumed the Chair.

A motion was made by Ms. Welsh and Mr. Conner seconded the motion to place in nomination the name of Mr. Phillip D. Bond for the office of Vice President for the ensuing year. The Board voted to appoint Mr. Bond Vice President for the coming year.

The President asked for nominations for the position of Vice President-Chief Engineer. Mr. Gault made a motion and Mr. Segell seconded to nominate Mr. Gregory C. Heitzman to that position for the ensuing year. The Board voted to appoint Mr. Heitzman Vice President Chief Engineer for the coming year.

The President asked for nominations for the office of Vice President-Treasurer. Mr. Conner made a motion and Mr. Segell seconded to nominate Mr. Robert K. Miller for that position for the ensuing year. The Board voted to appoint Mr. Miller Vice President and Treasurer for the coming year.

The President asked for nominations for the office of Corporate Secretary. Ms. Welsh made a motion and Mr. Gault seconded to nominate Ms. Laura M. Douglas for that position for the ensuing year. The Board voted to appoint Ms. Douglas Corporate Secretary for the coming year.

The President asked for nominations for the office of Vice President-General Counsel, whereupon Mr. Segell made a motion and Ms. Welsh seconded to nominate Ms. Laura M. Douglas for the position for the ensuing year. The Board voted to appoint Ms. Douglas Vice President-General Counsel for the coming year.

The President asked for nominations for the office of Vice President—Serving Customers and Business Development, whereupon Mr. Gault made a motion and Ms. Welsh seconded to nominate Ms. Karla O. Teasley for the position for the ensuing year. The Board voted to appoint Ms. Teasley Vice President Serving Customers for the coming year.

The Chair of the Audit Committee will propose an external Audit firm to the full Board on behalf of the Audit Committee at a future meeting.

The President requested nominations for the Audit Committee, consisting of three Board Members. Mr. Conner made a motion and Mr. Gault seconded to nominate Mr. Phillip D. Bond, Chairperson, Mr. Owen C. Hammons, and Ms. Wendy C. Welsh for the ensuing year. The Board so voted.

The President requested nominations for the Compensation Committee, consisting of three Board members. Mr. Gault made a motion and Mr. Segell seconded to nominate Mr. Stewart E. Conner, Chairperson, Mr. Phillip D. Bond, and Ms. Wendy C. Welsh for the ensuing year. The Board so voted.

The President requested nominations for the Public Information and Customer Satisfaction Committee, consisting of three Board members. Ms. Welsh made a motion and Mr. Hammons seconded to nominate Mr. Jack H. Segell, Chairperson, Mr. Stewart E. Conner, and Mr. Stephen C. Gault for the ensuing year. The Board so voted.

There being no further business the Annual Meeting adjourned at 12:50.

**BOARD OF WATER WORKS REGULAR MEETING
APRIL 8, 2003 MINUTES**

BOARD MEMBERS PRESENT

MR. JACK SEGELL
MR. STEPHEN GAULT
MR. OWEN HAMMONS
MS. WENDY WELSH
MR. STEWART CONNER

BOARD MEMBERS ABSENT

HON. JERRY C. ABRAMSON, LOUISVILLE METRO MAYOR
MR. PHILLIP BOND

OTHERS PRESENT

MR. JOHN HUBER, PRESIDENT
MS. LAURA DOUGLAS, VICE PRESIDENT, GENERAL COUNSEL, CORPORATE SECRETARY
MR. GREG HEITZMAN, VICE PRESIDENT, CHIEF ENGINEER
MR. ROBERT MILLER, VICE PRESIDENT, TREASURER
MS. KARLA TEASLEY, VICE PRESIDENT, SERVING CUSTOMERS & BUSINESS DEVELOPMENT
MS. SUSAN LEHMAN, VICE PRESIDENT, HUMAN RESOURCES
MR. RICK JOHNSTONE, LOUISVILLE METRO DEPUTY MAYOR
MR. RUDOLPH DAVIDSON, SECRETARY LOUISVILLE METRO PUBLIC WORKS & SERVICES
AMBER HALLORAN
MS. BARBARA CROW
RALPH MCCORD
STEVE GRESETH, BLACK & VEATCH
MR. HOWARD ABELL
MR. BRIAN BUNCH, CUSTOMER

CONSENT AGENDA APPROVED

- Item A:** MINUTES OF REGULAR MEETING HELD MARCH 11, 2003
REQUEST: APPROVE MINUTES
- Item B:** CLAIMS PAID DURING MARCH 2003
REQUEST: FILE CLAIMS FOR FUTURE AUDIT.
- Item C:** PETITIONS AND APPLICATIONS FOR WATER MAIN EXTENSIONS AND RELOCATIONS
(WHEN IN FULL COMPLIANCE / SR&R)

DEVELOPER INSTALLED REFUNDING MAIN EXTENSION PROJECTS

Project No.	Contract No	Project Name	Total Project Cost	Net LWC Cost
DEVELOPER INSTALLED REFUNDING MAIN EXTENSION PROJECTS				
01-096	G189M	Landis Lakes Town Center	\$226,355.00	\$123,230.00
01-113	G164M	Academy Ridge at Landis Lakes Sec. 2 Ph. 2	\$56,190.00	
02-098	G166M	Arlington Meadows Section 1A	\$40,410.00	\$9,100.00
03-004	G165M	Adams Run Section 8	\$72,750.00	
03-021	G191M	Southern Farms Section 2	\$73,690.00	\$600.00

BULLITT COUNTY MAIN EXTENSION PROJECTS

		Keith Hollow Road	\$220,000.00	
03-310		Long Lick Farm Road	\$55,000.00	

APPORTIONMENT WARRANT KRS 96.265 PETITION

Private Road (Segment 396) Broad Run Road to East			\$59,500.00	
1,750 ft				

- Item D:** Authorization for design and bid of projects (estimated to cost less than \$200,000)
- Item E:** Bid tabulations (award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).
- Item F:** Award of contracts less than \$100,000.00

CAPITAL PROGRAM

02-323		North Williams Lane Water Main Extension C Squared, Inc.	\$28,374	
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PROCUREMENT OF MATERIALS AND SERVICES

00-03	Cellular Phones & Service Contract Renewal – 3rd T-Mobile USA	\$80,000
03-01	Small Hand Tools Various	\$83,528
03-08	GC/MS Equipment Shimadzu	\$53,086
03-10	Cisco Maintenance Upgrade Netgain Technologies	\$66,265
03-21	Aluminum Hatches Cierra / Babcock – Davis	\$83,400

PROCUREMENT OF PROFESSIONAL SERVICES

03-05	Audit Services / Financial Services Implementation Value Technology	\$23,875
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PROCUREMENT OF SOLE SOURCE MATERIALS AND SERVICES

Sole Source Purchase	Esri Software Annual Maintenance Agreement Environmental Systems Research Institute (ESRI)	\$22,100
Sole Source Purchase	IBM Hardware Service Suite Maintenance Renewal Orcom Solutions	\$74,651

REPORT OF OFFICERS

ADMINISTRATIVE REPORT:

Mr. Huber then introduced Susan Lehman, Vice President of Assuring Human Resource and Organizational Effectiveness. Mr. Huber mentioned that the company filed its Vulnerability Assessment and would discuss it with the Board at the May 2003 meeting. Mr. Huber announced that the staff will be recommending adoption of the Louisville Metro Government MBE/WBE Program. Staff will come forward with a complete recommendation at the May 2003 meeting.

Mr. Huber announced that the Lab has a new piece of equipment to assist in the detection of containments.

FINANCIAL REPORT:

Mr. Miller gave the Income and Expense Summary for March 2003:

Total operating revenue of \$23,063,300 is \$902,900 or 4.07% more than budgeted and \$999,200 or 4.53%

more than the same period in 2002.

Operation and maintenance expense of \$10,830,400 is \$723,400 or 7.16% more than budgeted and \$1,310,300 or 13.76% more than 2002.

Net operating income of \$6,229,700 is \$104,600 or 1.71% more than budgeted.

Net income of \$5,102,700 is \$264,900 or 4.94% less than budgeted and \$588,300 or 10.34% less than 2002.

OPERATIONS REPORT:

Mr. Heitzman gave the Operations Report for March 2003:

Production: The water production in March of 121.1 MGD was 8.8 percent higher than the March 2002 production of 111.3 MGD, and was 8.5 percent higher than the 5-year average February production of 114.3 MGD.

Distribution Water Quality: Staff collected 367 regular distribution samples in March. There were no water quality monitoring and reporting violation in March.

Water Sample Testing: To deal with the potential water contamination in the distribution system, we have purchased a Delta Tox toxicity instrument. The portable instrument uses a simple and rapid method for toxicity screening and monitoring of water samples.

Water Treatment Improvement at BEP: Staff in Water Quality and Production made an improvement in treating the water at BEP plant during the month. Due to the physical layout of the treatment plant and chemical feeding locations, the pH value of the finished water at BEP plant has always been lower than Crescent Hill Plant. Typical pH values of the finished water from BEP plant ranged from 7.3 to 7.7, which is a concern for corrosion control in the distribution system. Staff in Water Quality and Production addressed the problem through improving the lime-feeding method. The lime feed application was chosen as the most cost effective alternative, with annual operations cost of approximately \$40,000.

Inspections on Bottle Water Operations: In February, an inspector from the Food Safety Department of Kentucky inspected our bottling operations. The inspectors cited four items for us to correct immediately.

Unregulated Contaminants Monitoring Rule: As required by US EPA, water utilities are required to monitor a list of 11 unregulated contaminants for 4 consecutive quarters during the period of 2001 to 2003. These contaminants include man-made synthetic organic chemicals such as MTBE - a gasoline additive, perchlorate - a rocket propellant, and acetochlor - a corn herbicide. The results of the monitoring period were submitted to EPA on April 8, 2002. Under the revised Tier 3 Public Notification Rule, LWC needs to notify its customers of the UCMR monitoring results within 12 months of the report submitted to EPA. To meet this requirement, the Company has posted results in local newspapers, on the Company's website at www.louky.com, and in the 2002 Consumer Confidence Report being mailed the first week of April, 2003.

Distribution System: Following a challenging winter, Managing Distribution Operations is now conducting business under “normal” operations. Crews whose primary job is to perform capital improvements in the distribution system, such as lead service renewals, large meter renovations, valve/hydrant replacements, are now fully engaged in that work after a long period of emergency operations.

Vulnerability Assessments: As a result of the terrorist attacks on September 11, 2001, Congress established new regulations, administered by EPA, for the development of Vulnerability Assessments for all water utilities with at least 100,000 customers. Staff is now evaluating the results of the assessment, and we have six months to incorporate any needed changes into the Company’s Emergency Response Plan.

SERVING CUSTOMERS REPORT FOR MARCH 2003:

Ms. Teasley provided the Serving Customer’s Report for March 2003:

Performance Measures: The March 2003 abandonment rate was 4.3%, compared to 4.5% in February 2003, and 7.8% in March 2002.

First Quarter 2003 Customer Satisfaction Results: Customer satisfaction substantially increased in the first quarter of 2003 from a year end 2002 Total CSI of 825 to a Total CSI of 853. This marks a new all-time high quarterly score for the Total Customer Satisfaction Index. Customer satisfaction fully recovered from the effects of the taste and odor event last fall which negatively impacted fourth quarter results. The 853 first quarter score exceeds the corporate Level II goal for the Total CSI of 845.

Customer satisfaction for residential serviced accounts is also up for all factors; the service total is at a new record high of 798. This exceeds the previous high of 794 set in the second quarter of 2001. It also exceeds the Level III goal for customer satisfaction for the Corporate Performance Award of 789.

Shepherdsville: Several hundred customers along Highway 44 West in Bullitt County have experienced more than a dozen water outages over the past three months. Communication with these very frustrated customers is almost as important as keeping the main in service.

LWC capital crews are installing a grid tie on Raymond Road to interconnect the LWC and Shepherdsville water systems, providing redundancy and minimizing the number of customers impacted with outages.

Dental Partnership: State Public Health Officials awarded LWC a Certificate of Appreciation during March for providing 50 years of fluoridated tap water. The company recently co-launched a program with the Dental Community reaching thousands of children in Jefferson and Bullitt County with free dental care and dental education. The program recently received \$20,000 in grant money to continue and expand the program next year.

Alternative Refunding Methods for Developer Contracts: Staff in Distribution Extensions has developed some new alternative refunding methods to be considered for future developer refunding contracts. This effort was conducted under an empowerment pilot project which specifically garnered developer customer comments and feedback.

LITIGATION REPORT:

After proper motion and second the Board adjourned into closed session for the purpose of discussing litigation and personnel items. The Board reconvened into open session without taking any action.

BID TABULATIONS

Mr. Huber asked the Board to take one item out of order since Mr. Howard Abell, a bidder was present and interested in the item. The item was Bid No. 03-15 Fleet Vehicles, page 99 of the Board Book. Mr. Miller presented this item.

Bid No.: 03-15 Fleet Vehicles

On March 19, 2003, bids were opened to award a one-year contract for the purchase of fleet vehicles. These vehicles are used to support company operations and perform construction, maintenance and repair of infrastructure in the field.

Mr. Huber asked Mr. Abell to make his comments. Mr. Abell stated that he was interested in the backhoe bid. Mr. Abell briefly described his equipment background and his company. He reported that he was not certain how the information was gathered to determine his company's equipment did not meet the specs. He also challenged whether some of the items that resulted in his disqualification were accurately stated. In his view the only item his backhoe did not meet was bucket rotation. Finally, Mr. Abell cautioned that not awarding the bid to him would result in a 10% increase in the price the Company would ultimately pay. After proper motion and second, the Board voted to approve the staff recommendation regarding award of Bid No.: 03-15 with the exception of backhoe equipment line item 11. Mr. Huber stated that staff would review Mr. Abell's concerns and make a presentation to the Board next month regarding the mini backhoe bid.

A total of thirteen (13) bids were submitted with the lowest, most responsive bids from:

Uebelhor and Sons	\$490,768
Americon	\$248,177
Peterson GMC	\$163,497
Countryside Ford	\$51,404
Freedom Dodge	\$38,742
Byerly Ford	\$19,435
Pearce Motors	<u>\$18,540</u>
TOTAL	\$1,030,563

After proper motion and second, the Board of Water Works authorized staff to award a one-year contract totaling an estimated **\$1,030,563** to the above cited vendors.

The award of mini-backhoe is placed on hold for further discussion and review.

REPORT OF COMMITTEES

Compensation Committee

After proper motion and second the Board approved the Compensation Committee Report. The report will be provided to the Board Secretary.

The Committee voted to authorize a 5% increase for the President and all Vice Presidents with the exception of Steve Hubbs who will receive a 4% increase.

BID TABULATIONS

Mr. Miller presented the following Bid Information:

Bid No.: 03-03 Mail Service

On March 12, 2003, proposals were opened to award a two-year contract for mail services. The mail service contract is for water bill statements and outgoing mail.

A total of three proposals were submitted with the lowest, most responsive proposal from **United Mail Sorting, Inc** for an estimated two-year total of **\$1,241,413**.

After proper motion and second, the Board of Water Works voted to authorize staff to award a two-year contract totaling an estimated **\$1,241,413** to **United Mail Sorting, Inc**.

Bid No.: 03-02 Water Bottles

On March 9, 2003, bids were opened to award a one-year contract for LWC Pure Tap 16 oz. water bottles. These bottles are used to promote the Pure Tap Program and LWC water.

A total of four bids were submitted with the lowest, most responsive bids from:

United Graphics	Bottle A	\$97,000
Presence	Bottle B	\$93,800
Louisville Container	Bottle C	<u>\$62,460</u>
Total for Awards		\$253,260

After proper motion and second, the Board of Water Works voted to authorize staff to award a one-year contract totaling an estimated **\$227,460** to the bidders listed above.

Bid No.: 03-06 Brass Valves and Fittings

On March 12, 2003, bids were opened to award a two-year contract for brass valves and fittings used in service installations, renewals and repairs.

A total of six (6) bids were submitted with the lowest, most responsive bids from:

Water Works Supply	\$272,170
Mueller Co.	\$406,062
A. Y. McDonald	\$68,637
Hughes Supply	\$2,263
Cambridge Brass	<u>\$89,708</u>
TOTAL	\$838,840

After proper motion and second, the Board of Water Works voted to authorize staff to award a two-year contract totaling an estimated **\$838,840** to the bidders listed above.

Mr. Teasley reported on the following Bids:

Bid No.: 02-305 Bullitt County Extension Program – Walls Hollow Road and Walls Hollow Road, North Water Main Extension Project

Bids were received and opened Wednesday, March 26, 2003 to install 5,727 linear feet of 8-inch water line along Walls Hollow Road and Walls Hollow Road, North in Bullitt County. Included with the project is the installation of 7 fire hydrants.

A total of 8 bids were received and opened from pre-qualified contractors. Three T Construction submitted the lowest responsive bid in the amount of \$108,500 resulting in a total project cost of \$164,500.

After proper motion and second, the Board voted to award a contract in the amount of \$108,500 to Three T Construction to install the water facilities associated with this project.

COMMUNICATIONS

Mr. Miller reported on Oracle 11i Financial System Implementation Project Status Review.

The Oracle 11i Financial System implementation Project is successfully underway. The project, which began December 5, 2002, is on time and on budget as it approaches the end of the second of a six-phase implementation strategy.

Overview of Project Phases

- I. Readiness Phase – Completed: February 18, 2003
- II. Process Design Phase – Target Completion: April 11, 2003
- III. Validation Phase – Target Completion: June 27, 2003
- IV. Integration Phase – Target Completion: August 22, 2003
- V. Go Live Phase – Target Completion: September 29, 2003
- VI. Post Go Live – Target Completion: January 2004

Critical Success Factors

Employee involvement and commitment and the Company's change management component of the project are the critical factors that attribute to its success thus far.

From an employee standpoint, the project team's ability to commit their time and energies to the project are a direct result of employees, not directly assigned to the project, maintaining the day-to-day business operations.

Focus group members have made valuable contributions, initially by assisting in the selection of the software and implementation services, and most recently by giving feedback on process design issues.

Significant Process Changes

The business processes associated with the Financial System Implementation Project are being redesigned and reengineering in combination with the software implementation. These changes will result in significant improvements to internal and external customer satisfaction.

One of the changes underway will impact the way LWC works with developers on the cost of new water main installations. Currently, LWC refunds developers one dollar a month for each new customer that connects to a main funded or installed by that developer. The Company is working on a methodology that satisfies the developers, does not add new costs to LWC, and streamlines the administration associated with the process.

This and other changes involving policy matters for Board of Water Works consideration will be presented at upcoming meetings.

Ms. Teasley reported on the Bullitt County Water Improvement Program – Bullitt County Extension Program Kentucky Infrastructure Authority 2020 Fund B Grant Awards

The Louisville Water Company committed to pursue grant opportunities to assist in the funding of the Bullitt County Water Improvement Program as a condition of the Merger Agreement with the former Kentucky Turnpike Water District. To that end, the Louisville Water Company proposed 207 water main extension projects in May 2001 to the Kentucky Infrastructure Authority (KIA).

The recent budget passed by the 2003 General Assembly and signed by the Governor includes Bond Funds in the amount of \$59,000,000 which are authorized for projects within the Water and Sewer Resources Development Fund for Coal Producing Counties. It also includes Bond Funds in the amount of \$54,765,000 are authorized for projects within the Water and Sewer Resources Development Fund for Tobacco Counties. The Water and Sewer Resources Development Fund for Tobacco Counties budget lists water projects in Bullitt County in the amount of \$979,000 dollars in what is essentially matching grant funding. All of the water projects in Bullitt County identify the Louisville Water Company as the recipient of partial funding for three distribution main extension projects, a transmission main extension project and an elevated storage tank project.

The letter is to provide initial information regarding the identification of KIA grant funding. As more information is made available, staff will advise the Board of Water Works.

OLD BUSINESS

Ms. Ball reported on Project 99-402 Riverbank Filtration, Phase II.

On November 12, 2002 the Board of Water Works authorized staff to increase the budget reservation for professional design services to \$2, 310,500 and authorized Jordan Jones & Goulding, Inc. (JJ&G) to proceed with final design.

Staff requested JJ&G to re-assess the pumphouse design from an operational and maintenance perspective.

The new pump station design would be in lieu of the one currently designed for this project. The pumphouse would be built adjacent to the existing low-lift station above the 100 year flood plain. This option will require a complete re-design of the pumphouse, additional subsurface investigations and an additional 2000 feet of tunnel. The new design would result in cost savings from having a much shorter length of transmission main and a much less costly pump station design. Consultant design costs shall increase \$304,000.

In addition, a Phase I environmental site assessment (ESA) of each of the eighteen properties for acquisition has been included. The cost for the Phase I ESA is \$29,000. The changes bring a proposed design services in the amount of \$2,643,500 as summarized below.

Revised Budget Reservation (11/12/2002)	\$2,310,500
Requested Increase	\$ 333,000
Proposed Budget Reservation for Consultant Services	\$2,643,500

After proper motion and second, the Board of Water Works voted to establish a new budget reservation for design services for JJ&G in the amount of \$2,643,500. The project Budget will remain \$32.8 Million as established in the November 2002 BOWW.

Ms. Teasley reported on Issuance of Apportionment Warrants per KRS 96.265

Stout Road: Broad Run Rd to North 7,800 ft

A public hearing was held July 12, 2001 for the extension of water service along Stout Road: Broad Run Rd to North 7,800 ft. The Board of Water Works adopted a resolution for Stout Road: Broad Run Rd to North 7,800 ft on August 14, 2001 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 24, Series 2001 on September 25, 2001 (a copy of which is attached) for the Stout Road: Broad Run Rd to North 7,800 ft project. Southern Pipeline Construction Company constructed this water main.

With the completion of the public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board of Water Works voted to adopt the attached resolution for the issuance of an Apportionment Warrants and liens against 19 benefited properties along Stout Road: Broad Run Rd to North 7,800 ft in accordance with KRS. 96.265, as described.

Ms. Teasley reported on the Issuance of Apportionment Warrants per KRS 96.265

Mint Spring Branch Rd: Chamberlain Ln to Northwest 3,950 ft

A public hearing was held May 20, 1999 for the extension of water service along Mint Spring Branch Rd: Chamberlain Ln to Northwest 3,950 ft. The Board of Water Works adopted a resolution for Mint Spring Branch Rd: Chamberlain Ln to Northwest 3,950 ft on January 9, 2000 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 28, Series 1999 on September 14, 1999 (a copy of which is attached) for the Mint Spring Branch Rd: Chamberlain Ln to Northwest 3,950 ft project. The construction contract was awarded to M & A Construction.

With the completion of this private road water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265. The cost of the extension will be by the equal assessment method for the not-to-exceed cost of \$9,443.83 for each lot or tract abutting this extension and currently not served.

After proper motion and second, the Board of Water Works voted to adopt the attached resolution for the issuance of Apportionment Warrants and liens against 11 benefited properties along Mint Spring Branch Rd: Chamberlain Lane to Northwest 3,950 ft in accordance with KRS. 96.265, as described.

Ms. Teasley reported on the Bullitt County Water Improvement Program – Bullitt County Extension Program KT #2 Community Development Block Grant (CDBG) Project

The Board of Water Works approved various authorizations and commitments for staff to proceed with the design and advertise to bid the extension of water mains to certain unserved residents of Bullitt County which

will be provided partial funding by a Community Development Block Grant (CDBG) in the amount of \$994,000 awarded to Bullitt County Fiscal Court. On February 13, 2003, the Department of Local Government entered into the CDBG Agreement with Bullitt County Fiscal Court.

After proper motion and second, the Board of Water Works voted to adopt Resolution 03-04 (copy attached) as a joint resolution between Bullitt County Fiscal Court and the Louisville Water Company and authorize Karla O. Teasley, Vice President of Serving Customers and Business Development, to execute the Cooperation Agreement between Bullitt Fiscal Court and the Louisville Water Company.

NEW BUSINESS

Mr. Heitzman reported on the Tucker Station Elevated Water Tank

Proposed under the 2003 Capital Budget are future-years funds for construction of a new storage facility required to support system operations in eastern Jefferson County. Based on unforeseen availability of property, it is desired to accelerate construction of this facility.

The elevated water tank will consist of a 1,000,000-gallon pedestal-style elevated storage tank operating within an enlarged 900 pressure zone, located on Taylorsville Road at Tucker Station Road. The tank will provide improved system pressure and fire flow, and provide capacity and redundancy for system operation and maintenance.

The budget for the proposed project is \$1,300,000.

After proper motion and second, the Board of Water Works voted to reallocate funding as described and proceed with engineering design and advertisement for bid for the subject project after Louisville Water Company acquires the contemplated property.

Mr. Heitzman reported on Project 02-648: Ventilation Improvements at Zorn Pump Station and Project 03-641: Ventilation Improvements at Crescent Hill Pump Station

Proposed under the 2002 and 2003 Capital Budgets are funds for installation of ventilation equipment at the Crescent Hill and Zorn Pump Stations.

The proposed installations will provide improved, re-directed fresh air ventilation to each pump station. These pump stations house pumping equipment ranging 1250 to 2750 horsepower, providing source river water and treated city water supplies. As a result of heightened building security policies and procedures which require perimeter entries be closed, ventilation must be reconfigured to assure proper summer operating conditions for the pumping equipment.

After proper motion and second, the Board of Water Works voted to proceed with engineering design and advertisement for bid for the subject projects. Any significant change in project scope or budget identified during bidding will be presented to the Board for review and re-authorization to proceed.

Mr. Heitzman reported on Project 02-618: Crescent Hill Reservoir Improvements Phase III – Site Improvements; Project 03-616: Install Reservoir Overflow and Auxiliary Drain Facilities; and Project 03-642: Install Fence at Crescent Hill North Property

Proposed under the 2002 and 2003 Capital Budgets are funds to execute a third phase of improvements to the Crescent Hill Reservoir and adjacent property.

Three additional projects, budgeted at a total of \$1,050,000, address comprehensive site improvements to maintain, upgrade, secure, and extend the life of the facility.

After proper motion and second the Board of Water Works voted to authorize staff to proceed with engineering design and advertisement for bid for the remaining site improvements at the Crescent Hill Reservoir.

Mr. Heitzman reported on Project 03-455: Crescent Hill Water Treatment Plant Roof Replacement Program

Proposed under the 2003 Capital Budget are funds for replacement of roofs at Crescent Hill Treatment Plant.

A roof condition survey was conducted in 2001 on production facilities roofs by consultant Roof Resources, Inc.

Based on results from the condition survey, the Crescent Hill Pump Station Annex and Crescent Hill Filter Plant Chlorine Building facilities are proposed for roof replacements in 2003.

After proper motion and second, the Board of Water Works voted to authorize staff to proceed with engineering design and advertisement for bid for Project 03-455: Crescent Hill Water Treatment Plant Roof Replacement Program. Any change in project scope or budget identified during final design will be presented to the Board for review.

Ms. Teasley reported on GIS Products and Services Fee Schedule

In December, 2002 LWC completed development of digital base mapping covering all of Bullitt County, Kentucky, excluding Fort Knox Military Reserve.

The Louisville and Jefferson County Information Consortium (LOJIC), in conjunction with the Metropolitan Sewer District (MSD), implemented a cost recovery policy and fee schedule upon completion of initial digital data in the late 1980's.

In order to broaden the opportunity for data cost recovery, staff has worked jointly with LOJIC to investigate the advantages of allowing LOJIC to provide approved LWC data to commercial entities upon request, at costs determined by the LWC fee schedule.

After proper motion and second, the Board of Water Works voted to adopt the GIS Products and Services Fee Schedules attached and authorize the President to negotiate and execute a Memorandum of Understanding with MSD/LOJIC to allow LOJIC to distribute LWC GIS data in accordance with the established fee schedules.

THE MEETING ADJOURNED AT 3:15 P.M.

RESPECTFULLY SUBMITTED:


LAURA M. DOUGLAS

APPORTIONMENT WARRANT RESOLUTION

April 8, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Stout Road: Broad Run Rd to North 7,800 ft** main extension project authorized by Ordinance No. 24, Series 2001 of the Jefferson Fiscal Court, adopted on September 25, 2001 such warrant to be against nineteen (19) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0899625	SUSAN DAILY & JU BLANKENBAKER 3509 BARCLAY LOUISVILLE KY 40299	7908 STOUT ROAD DEED-BK 7520 DEED-PG 819 TAX-DST TAX-BLK 57	5,450.00		LIEN-DT LIEN-BK LIEN-PG LOT-NO. 164
0899626	DELMA FAYE CLAYBORN 8006 STOUT ROAD LOUISVILLE KY 40291-3766	8006 STOUT ROAD DEED-BK 7283 DEED-PG 585 TAX-DST TAX-BLK 57	5,450.00		LIEN-DT LIEN-BK LIEN-PG LOT-NO. 243
0899627	TROY LEE & DARCY DOWNEY 8200 STOUT ROAD LOUISVILLE KY 40293-3770	8200 STOUT ROAD DEED-BK 7317 DEED-PG 134 TAX-DST TAX-BLK 57	5,450.00		LIEN-DT LIEN-BK LIEN-PG LOT-NO. 246
0899628	WILLIAM JR & DEBORAH R GOODIN 4051 MICHAEL RAY DRIVE LOUISVILLE KY 40219	8220 STOUT ROAD DEED-BK 6608 DEED-PG 243 TAX-DST TAX-BLK 57	5,450.00		LIEN-DT LIEN-BK LIEN-PG LOT-NO. 251
0899630	VIRGIL L HAWTHORNE 7905 STOUT ROAD LOUISVILLE KY 40291	STOUT ROAD DEED-BK 6523 DEED-PG 174 TAX-DST TAX-BLK 57	5,450.00		LIEN-DT LIEN-BK LIEN-PG LOT-NO. 73
0899629	VIRGIL & VICKI HAWTHORNE 7905 STOUT ROAD LOUISVILLE KY 40291	7905 STOUT ROAD DEED-BK 4918 DEED-PG 194 TAX-DST TAX-BLK 57	5,450.00		LIEN-DT LIEN-BK LIEN-PG LOT-NO. 199
		7903 STOUT ROAD DEED-BK 6523 DEED-PG 174 TAX-DST TAX-BLK 57			LIEN-DT LIEN-BK LIEN-PG LOT-NO. 54
0899631	DONALD R & DOLLY INGRAM 8416 PEGGY DRIVE LOUISVILLE KY 40219	8000 STOUT ROAD DEED-BK 5445 DEED-PG 549 TAX-DST TAX-BLK 57	5,450.00		LIEN-DT LIEN-BK LIEN-PG LOT-NO. 237
0899674	DONALD R & DOLLY INGRAM 8416 PEGGY DRIVE LOUISVILLE KY 40219	8101 STOUT ROAD DEED-BK 5445 DEED-PG 549 TAX-DST TAX-BLK 57	5,450.00		LIEN-DT LIEN-BK LIEN-PG LOT-NO. 242

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Exhibit "A"

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0899699	DEBRA JEAN C/O CAROLYN DAVIS & MARY GIDDE 8700 STOUT ROAD LOUISVILLE KY 40291	8700 STOUT ROAD DEED-BK 6418 DEED-PG 278 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 406	
0899701	DEBRA JEAN C/O CAROLYN DAVIS & MARY GIDDE 8700 STOUT ROAD LOUISVILLE KY 40291	8710 STOUT ROAD DEED-BK 6438 DEED-PG 278 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 41	
0899687	DEBRA L JEAN 8700 STOUT ROAD LOUISVILLE KY 40291	8706 STOUT ROAD DEED-BK 4187 DEED-PG 578 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 116	
0899702	KEVIN D KANE 8630 STOUT ROAD LOUISVILLE KY 40291	8630 STOUT ROAD DEED-BK 7301 DEED-PG 710 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 180	
0899703	RICHARD & TERESA LIMKE 9131 STOUT ROAD LOUISVILLE KY 40291	9131 BROAD RUN ROAD DEED-BK 7023 DEED-PG 797 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 169	
0899717	MARK O & MARY S LINDE 8404 ARCHWOOD COURT LOUISVILLE KY 40219	8204 STOUT ROAD DEED-BK 6982 DEED-PG 868 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 241	
0899718	BARRY STEVENS 7902 STOUT ROAD LOUISVILLE KY 40291	7902 STOUT ROAD DEED-BK 6379 DEED-PG 618 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 61	
0899720	ROGER D & VR STEVENS 7903 STOUT ROAD LOUISVILLE KY 40291-3747	7902 STOUT ROAD DEED-BK 4563 DEED-PG 240 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 172	
0899721	DANNY STUMP 9215 BROAD RUN ROAD LOUISVILLE KY 40291	9215 BROAD RUN ROAD DEED-BK 7749 DEED-PG 251 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 170	

APPORTIONMENT WARRANT CONTRACT 6260W REGISTER

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RUN TIME 2437:57

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

089722 JAMES M & PATRICIA THORPE 7904 STOUT ROAD 5,450.00

7904 STOUT ROAD DEED-BK 5583 LIEN-DT
 LOUISVILLE KY DEED-PG 600 LIEN-BK
 40291-3747 TAX-DST LIEN-PG
 TAX-BLK 57 LOT-NO. 389

089723 WILLIAM L & MARIE TUDOR 8300 STOUT ROAD 5,450.00

7600 THE POINTE DEED-BK 6839 LIEN-DT
 RALEIGH NC DEED-PG 555 LIEN-BK
 27635 TAX-DST LIEN-PG
 TAX-BLK 57 LOT-NO. 244

8300 STOUT ROAD

DEED-BK 6839 LIEN-DT
 DEED-PG 555 LIEN-BK
 TAX-DST LIEN-PG
 TAX-BLK 57 LOT-NO. 245

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
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19	NUMBER OF CUSTOMERS LISTED				
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	TOTAL PRINCIPAL REMAINING	103,550.00			
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APPORTIONMENT WARRANT RESOLUTION

April 8, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Mint Spring Branch Rd: Chamberlain Ln to Northwest 3,950 ft** main extension project authorized by Ordinance No. 28, Series 1999 of the Jefferson Fiscal Court, adopted on September 14, 1999 such warrants to be against eleven (11) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$9,443.83 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0900059	MINFREY & KAY BUNTON 6035 MINT SPRING BRANCH ROAD PROSPECT KY 40059	6035 MINT SPRING BRANCH ROAD DEED-BK 5363 LIEN-DT DEED-PG 535 LIEN-BK TAX-DST LIEN-PG TAX-BLK 4 LOT-NO.	9,443.83		
0900078	HENRY & DOROTHY BURNS 6522 MINT SPRING BRANCH ROAD PROSPECT KY 40059	6602 MINT SPRING BRANCH ROAD DEED-BK 5417 LIEN-DT DEED-PG 300 LIEN-BK TAX-DST LIEN-PG TAX-BLK 4 LOT-NO.	9,443.83		
		MINT SPRING BRANCH ROAD DEED-BK 6870 DEED-PG 653 TAX-DST TAX-BLK 4 LOT-NO.			
0900063	TR. THE B.C. CRALLE 7321 LAGRANGER ROAD, #208 LOUISVILLE KY 40222	6604 MINT SPRING BRANCH ROAD DEED-BK 6307 LIEN-DT DEED-PG 567 LIEN-BK TAX-DST LIEN-PG TAX-BLK 4 LOT-NO.	9,443.83		
		6600 MINT SPRING BRANCH ROAD DEED-BK 6307 DEED-PG 567 TAX-DST TAX-BLK 4 LOT-NO.			
		6600 MINT SPRING BRANCH ROAD DEED-BK 7174 DEED-PG 384 TAX-DST TAX-BLK 4 LOT-NO.			
		COMMENT HERBERT C. CRALLE III, TRUSTEE.			
0900063	ROBERT AND JANIS EBENZ 1000 EVERGREEN ROAD ANCHORAGE KY 40223	6113 MINT SPRING BRANCH ROAD DEED-BK 6432 LIEN-DT DEED-PG 885 LIEN-BK TAX-DST LIEN-PG TAX-BLK 4 LOT-NO.	9,443.83		
0900066	CHRIS AND JEAN GAUR 6515 MINT SPRING BRANCH ROAD PROSPECT KY 40059	6515 MINT SPRING BRANCH ROAD DEED-BK 4139 LIEN-DT DEED-PG 309 LIEN-BK TAX-DST LIEN-PG TAX-BLK 4 LOT-NO.	9,443.83		

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Exhibit "A"

APPORTIONMENT WARRANT CONTRACT E469W REGISTER

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RUN TIME 20150840

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0900068	SR MS HUNT	6307 MINT SPRING BRANCH ROAD	7,443.83		
	6307 MINT SPRING BRANCH ROAD	DEED-BK 7843	LIEN-DT		
	PROSPECT KY	DEED-PG 883	LIEN-BK		
	40059	TAX-DST	LIEN-PG		
		TAX-BLK 4	LOT-NO.	14	
0900069	MARTHA & CAROL HYATT	6313 MINT SPRING	7,443.83		
	6313 MINT SPRING BRANCH ROAD	DEED-BK 7874	LIEN-DT		
	LOUISVILLE KY	DEED-PG 233	LIEN-BK		
	40241	TAX-DST	LIEN-PG		
		TAX-BLK 4	LOT-NO.	12	
0900070	ROBERT AND NORMA KRIEGER	6321 MINT SPRING BRANCH ROAD	7,443.83		
	6321 MINT SPRING BRANCH ROAD	DEED-BK 4819	LIEN-DT		
	PROSPECT KY	DEED-PG 289	LIEN-BK		
	40059	TAX-DST	LIEN-PG		
		TAX-BLK 4	LOT-NO.	9	
0900071	GARY AND JANET LEWIS	6610 MINT SPRING BRANCH ROAD	7,443.83		
	6610 MINT SPRING BRANCH ROAD	DEED-BK 4862	LIEN-DT		
	PROSPECT KY	DEED-PG 575	LIEN-BK		
	40059	TAX-DST	LIEN-PG		
		TAX-BLK 4	LOT-NO.	21	
		6610 MINT SPRING BRANCH ROAD			
		DEED-BK 4663			
		DEED-PG 71			
		TAX-DST			
		TAX-BLK 4	LOT-NO.	19	
0900074	ROBERT & GINA WHITE	6606 MINT SPRING	7,443.83		
	6606 MINT SPRING BRANCH ROAD	DEED-BK 7487	LIEN-DT		
	PROSPECT KY	DEED-PG 208	LIEN-BK		
	40059	TAX-DST	LIEN-PG		
		TAX-BLK 4	LOT-NO.	38	
0900076	ROBERT AND JANET ZOLLER	6601 MINT SPRING BRANCH ROAD	7,443.83		
	6601 MINT SPRING BRANCH ROAD	DEED-BK 6860	LIEN-DT		
	PROSPECT KY	DEED-PG 451	LIEN-BK		
	40059	TAX-DST	LIEN-PG		
		TAX-BLK 4	LOT-NO.	1	

APPORTIONMENT WARRANT CONTRACT E467W REGISTER

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RUN TIME 20550440

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
1	33	NUMBER OF CUSTOMERS LISTED			
2		TOTAL PRINCIPAL REMAINING	103,882.13		
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RESOLUTION NO. 03-04

A RESOLUTION APPROVING A COOPERATION AGREEMENT BETWEEN THE BULLITT COUNTY FISCAL COURT AND THE LOUISVILLE WATER COMPANY RELATING TO THE IMPLEMENTATION OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PUBLIC FACILITIES PROGRAM.

WHEREAS, Title I of the Housing and Community Development Act of 1974, as amended, established a program for Rural Discretionary funding of Community Development activities and transfers authority for implementing this Block Grant Program to the Commonwealth of Kentucky, and;

WHEREAS, Bullitt County Fiscal Court has made application for Community Development Block Grant funds under said Title I of the Housing and Community Development Act of 1974, as amended, and received approval by the Commonwealth of Kentucky of said application.

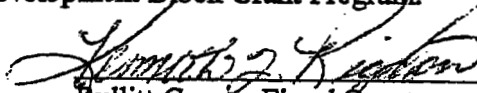
WHEREAS, the Louisville Water Company has been approved to implement and carry out this Community Development Program with Bullitt County Fiscal Court; and,


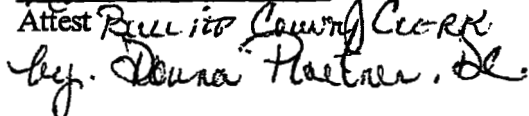
NOW, THEREFORE, BE IT RESOLVED by the Bullitt County Fiscal Court and Louisville Water Company that:

1. All policy decisions relating to types of activities to be included in the application will be approved by the Bullitt County Fiscal Court, Kentucky;
2. The Louisville Water Company, is hereby designated as the unit representing the Bullitt County Fiscal Court in implementing and carrying out this Community Development Program; and,
3. That the Louisville Water Company will review and give preliminary approval to all reports, expenditures and other correspondence or data necessary to implement the program; and reports on said implementation will be made to the Bullitt County Fiscal Court each month; and,
4. The County Judge Executive, or his designated agent, is appointed as the official representative of the Bullitt County Fiscal Court to coordinate the Louisville Water Company activities with overall Community Development Program. Members of the Bullitt County Fiscal Court shall be kept fully informed of all activities relating to the Community Development Block Grant Program.

01/21/03

Date


Bullitt County Fiscal Court


Attest Bullitt County Clerk
by: 

Louisville Water Company

**COOPERATION AGREEMENT BETWEEN
BULLITT COUNTY FISCAL COURT, KENTUCKY AND THE
LOUISVILLE WATER COMPANY**

THIS AGREEMENT entered into the 21st day of January, 2003, by and between the Bullitt County Fiscal Court, Kentucky (hereinafter called "Grantee") and Louisville Water Company, the local water utility, (hereinafter called "LWU");

WITNESSETH:

The Bullitt County Fiscal Court, Kentucky, acting pursuant to on Resolution by the Bullitt County Fiscal Court, has received approval of an application filed with Kentucky Department of Local Government, Division of Community Programs (hereinafter called the "State") for funding of a Fiscal Year 2002 CDBG Program in accordance with provisions of the Kentucky Community Development Block Grant Program. The specific project for which the funding under the Kentucky Community Development Block Grant Program has been obtained is for the construction of water line facilities in scattered areas of Bullitt County.

Title I of the Housing and Community Development Act of 1974, as amended through P.L. 97-35 requires that grant award and administration be initiated by either a City or a County applicant, unless a Cooperation Agreement is prepared between said City or County and a City/County entity established under KRS Chapter 74. In accordance with requirements for a Cooperation Agreement for the Louisville Water Company to administer the proposed Community Development Block Grant Public Facilities Program, Bullitt County Fiscal Court, Kentucky, and the Louisville Water Company agree as follows:

1. That the United States of America and the Secretary of Housing and Urban Development and the Commonwealth of Kentucky be, and hereby are, assured of full compliance by the Bullitt County Fiscal Court and the Louisville Water Company with certifications relating to all regulations and administration of Civil Rights Acts, citizen participation, relocation payments, acquisition policies, accounting procedures, the Hatch Act, minimum wage and minimum hour provisions of the Fair Labor Standards Act and all requirements of the National Environmental Policy Act of 1968;
2. The Louisville Water Company (LWU) is hereby designed as the agent for the Grantee in administering and implementing the Community Development Program;
3. That the Louisville Water Company (LWU) will approve all reports, expenditures and other correspondence and data necessary to implement the program and reports on said implementation will be made to the Grantee each month for their information;

4. That _____, acting as officer for the Louisville Water Company is hereby designed as official representative to coordinate the Community Development activities with Louisville Water Company and the County Judge Executive of Bullitt County Fiscal Court is designated as the official representative to coordinate the Community Development Block Program with County activities. Members of the Bullitt County Fiscal Court shall be kept fully informed of all activities and shall be invited to all meetings relating to the CDBG Program;
5. That this Cooperation Agreement is in effect until the completion of the fiscal year 2002 Community Development Block Grant Program as approved by the Commonwealth of Kentucky;
6. That decisions made relating to any revised or amended activities and/or programs will be made giving consideration to the citizen input and acceptance by the Grantee;
7. That the Bullitt County Fiscal Court has filed said Community Development Block Grant Application on behalf of the County and Louisville Water Company. The County Judge Executive will be authorized to sign the standard forms for execution of the grant to the Kentucky Department of Local Government.

IN WITNESS WHEREOF, the County Judge Executive of Bullitt County, Kentucky, and the officer of the Louisville Water Company have respectively signed this agreement and caused their respective seals to be affixed and attested as of the date and year first written above.

SEAL

ATTEST:

Nora McCawley
Bullitt County Clerk
 by *Donna Hester* *cl*

SEAL

BULLITT COUNTY FISCAL COURT

Samuel B. Lester
 County Judge Executive

ATTEST:

LOUISVILLE WATER COMPANY

 Officer

**BOARD OF WATER WORKS
MAY 13, 2003 MINUTES**

Board Members Present

Mr. Phillip Bond
Mr. Jack Segell
Mr. Stephen Gault
Mr. Owen Hammons
Mr. Stewart Conner

Board Members Absent

Hon. David L. Armstrong
Ms. Wendy Welsh

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Susan Lehmann, Vice President, Human Resources
Ms. Barbara Crow
Mr. Vince Guenther
Mr. Don McKay
Mr. Tony Gregory
Mr. S. (G.S.) Seetharam

Mr. Huber called the meeting to order at 12:35 p.m. He identified four items in the Consent Agenda where the Board of Water Works was asked to ratify action taken by staff prior to the May 13, 2003 meeting.

CONSENT AGENDA APPROVED

- *Minutes of previous meetings*
- *Claims paid during the previous month*
- *Petitions and applications for water main extensions*
- *Authorization for design and bid of projects under \$200,000*
- *Bid tabulations for contracts under \$500,000*
- *Listing for award of contracts less than \$100,000*

Item A: MINUTES OF ANNUAL MEETING HELD APRIL 8, 2003
MINUTES OF THE REGULAR MEETING HELD APRIL 8, 2003

REQUEST: APPROVE MINUTES

Item B: CLAIMS PAID DURING APRIL 2003

REQUEST: FILE CLAIMS FOR FUTURE AUDIT.

**Item C: PETITIONS AND APPLICATIONS FOR WATER MAIN EXTENSIONS AND RELOCATIONS
(WHEN IN FULL COMPLIANCE / SR&R)**

DEVELOPER INSTALLED REFUNDING MAIN EXTENSION PROJECTS

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
01-065	G192M	Polo Fields Sec. 13	\$24,140.00	
02-049	G218M	Hunters Creek Sec. 3	\$74,990.00	
02-097	G221M	Park Wood Patio Homes	\$70,720.00	
02-102	G194M	Vantage Point Sec. 4	\$44,720.00	
02-111	G272M	Timberbend Sec. 4	\$31,270.00	
02-116	G222M	Summitt Ridge	\$141,830.00	\$9,900.00
02-117	G224M	Madison Park	\$81,800.00	\$17,700.00
02-119	G270M	Hillcrest Sec. 6A	\$150,880.00	\$1,600.00
02-121	G271M	Hillcrest Sec. 6B	\$119,660.00	\$1,700.00
03-001	G226M	Arlington Meadows Section 1B	\$81,890.00	\$17,200.00
03-002	G223M	Pine Valley Estates Sec. 3	\$64,500.00	
03-006	G269M	Sunny Slope Crossing Sec. 2	\$36,530.00	
03-010	G267M	Summit Place Apartments	\$83,860.00	
03-019	G217M	Lake Forest Sec. 39D-1	\$26,100.00	
03-020	G195M	Cloverland Farm	\$49,720.00	\$500.00
03-023	G220M	830.5 Fountain Avenue	\$4,100.00	
03-024	G219M	Pleasure Ridge Pointe Sec. 3	\$56,340.00	
03-026	G196M	Jefferson Trace Sec. 7	\$5,500.00	\$500.00
<u>Bullitt County Main Extension Projects</u>				
03-309		Valley Lane	\$71,000.00	

Item D: Authorization for design and bid of projects (estimated to cost less than \$200,000)

Item E: Bid tabulations (award of contracts less than \$500,000 having at least 3 bidders and not more than 5% over budget if there are no bid informalities and the lowest price received is from a qualified Bidder and that the second bidder is within 10% of the low bid).

Item F: Award of contracts less than \$100,000.00

CAPITAL PROGRAM

02-208	Rockycreek Lane Water Main Extension Phillip Brothers Construction, LLC	\$94,900
02-486	LWC Crescent Hill Filter Plant Parking Lot MAC Construction & Excavating, Inc.	\$67,300
02-499	Stone Lakes (Gellhaus Lane) Booster Pump Station Hall Contracting of Kentucky, Inc.	\$95,750
02-754	Stonestreet Road Phase II, Section II - Bid Phase Southern Pipeline Construction Co. (CWBE)	\$25,800
02-755	Bells Lane main Improvement Project Southern Pipeline Construction Co. (CWBE)	\$69,983
03-808	Gap in Knob 16 Inch Grid Tie Basham Construction & Rental Co., Inc.	\$83,523

PROCUREMENT OF MATERIALS AND SERVICES

03-16	Sale of Scrap Metals Freedom Metals	\$51,480
03-28	Sale of Dodge Durango Larry Bond (Part-Time LWC Employee)	\$20,039
State Contract	FINS Production Server Components World Wide Technology, Inc..	\$92,100

PROCUREMENT OF PROFESSIONAL SERVICES

Professional Services Contract	2003 Annual Inspection and Report Black & Veatch	\$31,695
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REPORT OF OFFICERS

Administrative Report

Mr. Huber did not offer an Administrative report.

Financial Report

Income and Expense Summary

Mr. Miller presented the Income and Expense Summary for April 2003.

Total operating revenue of \$30,194,900 is \$849,900 or 2.90% more than budgeted and \$1,562,600 or 5.46% more than the same period in 2002. We sold 1.97% more water in 2003 than the same period in 2002. Water delivered to the mains was 7.62% more than 2002.

Operation and maintenance expense of \$14,776,200 is \$699,000 or 4.97% more than budgeted and \$1,643,200 or 12.51% more than 2002.

Net operating income of \$7,494,700 is \$116,400 or 1.58% more than budgeted.

Net income of \$6,119,800 is \$249,400 or 3.92% less than budgeted and \$1,674,700 or 21.49% less than 2002.

Operations Report for May 2002

Mr. Heitzman presented the Operations Report for April 2003.

Production – The water production in April of 117.4 MGD was 1.6 percent higher than the April 2002 production of 115.5 MGD, and was similar to 5-year average April production of 116.9 MGD.

Distribution Water Quality - Staff collected 328 regular distribution samples in March. All samples exceeded our internal turbidity, chlorine and bacteria goals, which are more stringent than regulatory requirements.

BE Payne Plant Inspection – In March, the Kentucky Division of Water conducted an unplanned inspection at BE Payne Water Treatment Plant. Staff received the inspection report in April. The report shows no deficiencies and requires no corrective actions.

Whipps Mill Road 24-inch Repair – The repair of the 24-inch transmission main in Whipps Mill Road, near U of L's Shelby campus is now complete and the water main is back in service. The contingency contract with Peters Construction was used for the repair of the main. The total cost of the repair was \$98,000.

Cardinal Hill/Iroquois Park Road 60-inch Repair - A 60-inch transmission main leak on Iroquois Park Rd was successfully repaired in April using internal joint seals. Staff is to be commended for the careful planning and execution of this repair with no impact on customer water supply. The estimated cost of repair is \$32,000.

Transmission Valve Repairs - With winter emergency operations behind us, operations has shifted attention to the repair or replacement of critical transmission valves. Staff is working with the manufacturer of the valve to repair damaged gear operators on the valve. A number of other transmission valve problems throughout the system are also in various stages of being addressed.

Churchill Downs Low Pressure - On the evening of Oaks Day, Friday, May 2, 2003, a call was received from Churchill Downs in which they reported low water pressure being experienced in the grandstand area of the facility. Upon investigation the problem was not with the water supply being provided by LWC but, rather, was due to internal pumping controls that feed the new corporate suites. Staff remained on site in a consulting capacity with Churchill Downs maintenance personnel until the matter was resolved in the early morning hours of May 3rd.

Stone Lakes Water Pressure Improvements - The Stone Lakes subdivision area off Taylorsville Road has experienced declining water pressure over the past five years due to the rapid development in the area, low-flow water fixtures, and summer drought conditions. Approval is required from Planning and Zoning Land Development Committee for construction of the water tank. In the interim, the Company will move the Stone Lakes area to the Blankenbaker pressure zone, which will improve water pressure approximately 20 psi. This interim solution requires installation of a booster pump station, check valves and boundary valves. The transition to higher water pressure will begin the week of May 12, and be completed by May 23, 2003. Customers in the area have been notified by letter of the planned change.

Serving Customers Report

Ms. Teasley presented the Serving Customers Report for April 2003.

Performance Measures - The April 2003 abandonment rate was 6.5%, compared to 4.3% in March 2003, and 8.19% in April 2002. The year to date number continues to be acceptable at 4.8%.

The increase was due to two days with high call volume, April 14 (Monday after Spring Break week), and April 21 (Monday after three day Easter holiday weekend).

Oldham County Advisory Board - LWC held a meeting on April 22, 2003 with the Oldham County Advisory Board (OCAB) to discuss issues in connection with the Oldham County Water District #1. The meeting centered on the progress of the Oldham County Water Extension Program (OCEP), the status of the Oldham County reserve funds and the future of the OCAB.

The application deadline for the OCEP was December 31, 2002 and LWC has committed to construct four projects which met that deadline.

LWC expects all capital improvement activity to be completed and closed by summer 2004. At that time the Oldham County reserve fund will be depleted, thus fulfilling the purpose of the Oldham County Advisory Board.

We anticipate the sunset of the existing OCAB by July of 2004, and creation of a new advisory board for Oldham County thereafter.

Shepherdsville – About 20 Bullitt County residents attended a neighborhood meeting last month to discuss reliability issues along Highway 44 West. Since the beginning of the year several hundred customers have been without water dozens of times due to main breaks in the area.

Many customers affected by the breaks have been transferred from an old cast iron main to a more reliable PVC pipe.

Main breaks continue to plague other nearby neighborhoods still being fed by old cast iron water mains. LWC crews are working to transfer additional services to more reliable PVC pipes.

LITIGATION REPORT

After proper motion and second, the Board adjourned to closed session for the purpose of discussing litigation, acquisition of property and personnel issues. Ms. Douglas gave a litigation report in closed session. The Board reconvened in open session without taking any action.

REPORT OF COMMITTEES

Public Information and Customer Satisfaction Committee

Mr. Huber and Mr. Gault presented highlights of the Public Information and Customer Satisfaction Committee report.

LWC has given away 1.5 million empty pure tap bottles as a means of branding our product. Since starting the Pure Tap campaign, LWC's customer satisfaction numbers have gone up. The use of the bottle in the campaign has been a spring board to other items.

Ms. Crow indicated there is a significant finished-goods storage problem at the bottling facility. There are concerns regarding vigilance necessary to maintain a quality finished good. In the future, staff will investigate the possibility of outsourcing the bottling operation.

BID TABULATIONS

Mr. Miller presented a report on the following Bid Tabulations:

03-04: Notification of Delinquent Accounts

On April 2, 2003, sealed bids were opened to award a three-year contract for Notification and Collection of Delinquent Accounts. This contract provides for the collection of LWC delinquent water bills, damage claims and other invoices.

Four proposals were received with the lowest, most responsive proposal from Aargon. Aargon will charge an 18% commission on amounts collected.

After proper motion and second, the Board of Water Works voted to authorize staff to award a three-year contract for Notification and Collection of Delinquent Accounts to Aargon at an estimated three year cost of \$758,237.00.

03-19 / Plastic Water Meter Vaults and Elevator Rings

On April 16, 2003, sealed bids were opened to award a three-year contract for plastic meter vaults and elevator rings.

Four bids were submitted with the lowest, most responsive bid from Mid-States Plastics, Inc. for an estimated three-year total of \$642,842.

After proper motion and second the Board of Water Works voted to authorize staff to award a three-year contract totaling an estimated \$642,842 to Mid-States Plastics, Inc.

03-20 / PVC Pipe

On April 16, 2003, sealed bids were opened to award a one-year contract renewable for up to two additional one-year periods at the sole discretion of the company for the purchase of PVC Pipe. All renewals would utilize the Consumer Price Index as a cost adjustment factor.

A total of five proposals were submitted with the lowest, most responsive proposal from Extrusions Technologies, Inc. for an estimated one-year total of \$1,589,375.

After proper motion and second, the Board of Water Works voted to authorize staff to award a one-year contract totaling an estimated \$1,589,375 to Extrusions Technologies, Inc.

This marks a change in the pressure class of pipe from 200psi to 150 psi that Louisville Water Company will use in its system.

03-15 Fleet Vehicles

On April 8, 2003, the Board of Water Works considered bids received for fleet vehicles including rubber tire tractor backhoe/loaders and mini-backhoes. At that meeting, the Board directed staff to further review the bids for those items. Also, since that meeting, the successful bidder for a full size cargo van has refused to honor their bid.

After proper motion and second, the Board of Water Works authorized staff to award a contract to Americon in the amount of \$186,044.00 for the purchase of four Caterpillar rubber tire tractor backhoe/loaders.

Full Size Cargo Van and Award

Award of a contract to Uebelhor and Sons in the amount of \$18,758 for the purchase of a full size Chevrolet Cargo Van. Staff does not make a recommendation regarding the nine backhoe at this time.

01-45 Locating Services

On March 13, 2002, proposals were opened to award a one-year contract for locating services. This contract is renewable for up to four (4) additional one-year terms at the sole discretion of the Company.

A total of three proposals were received. The bidder submitting the best-evaluated proposal was STS, LLC. at an estimated cost of \$265,138.

After proper motion and second, the Board of Water Works voted to award a one-year CPI renewal for an estimated total of \$270,510 to STS, LLC. The first year renewal increase utilizes the Consumers Price Index as the cost adjustment factor.

03-26 / Contingency Contract for Plumbing Services

On April 30, 2003, sealed bids were opened to award a three-year contract for Contingency Contract for Plumbing Services. The contract is based on estimated usage and firm unit pricing. This contingency contract involves plumbing repairs for customer service lines damaged by LWC. Scope includes potable and waste water systems.

Four bids were submitted with the lowest, most responsive bid from Southern Plumbing and Heating for an estimated three-year total of \$205,500.

After proper motion and second, the Board of Water Works voted to award a three-year contract totaling an estimated \$205,500 to Southern Plumbing and Heating.

Ms. Teasley presented a report on the following Bid Tabulations:

03-501 Central Avenue Grid-Tile ProjectBids were received and opened Wednesday, April 30, 2003 to install 1,280 linear feet of 12-inch ductile iron water main using traditional trenching techniques, and to install 135 linear feet of 20-inch steel casing for a railroad bore. Included with the project in the installation of a new 6-inch domestic service for Papa John's Cardinal Stadium.

A total of 4 bids were received and opened from pre-qualified contractors. Southern Pipeline Construction Company submitted the lowest responsive bid in the amount of \$129,923 resulting in a total project cost of \$184,483.

After proper motion and second, the Board of Water Works voted to authorize the Vice President, Serving Customers & Business Development, to award a contract in the amount of **\$ 129,923 to Southern Pipeline Construction Company** to install the water facilities associated with this project.

With the completion of the public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board of Water Works voted to adopt the attached resolution for the issuance of Apportionment Warrants and liens against 9 benefited properties along Broad Run Rd: Fairmount Rd to Back Run Rd in accordance with KRS. 96.265, as described.

Mr. Heitzman presented the following Old Buisness Report:

Project 01-557 Cardinal Hill Secondary Supply Transmission Main Change Action

On March 22, 2002, the Company entered into a contract in the amount of \$272,900 with Tetra Tech, Inc. for the design and inspection of the Cardinal Hill Secondary Supply. The project is to be designed and built in 2 phases from the Cardinal Hill Reservoir to St. Andrews Church Road (phase 1) and to New Cut Road at Outer Loop (phase 2).

During the development of the profile for the 50% plan submittal the Consultant determined that negative pressures would be experienced in the pipeline if the standard depth of bury was maintained. The alternative offered at the time by the consultant was to install the main at depths up to 20 feet deep. Rather than install the main at excessive depths the consultant was asked to review alternative alignments.

The new alignments will provide for shorter overall project length and allow for minimum depth of bury for the main. Savings of \$250,000 to \$500,000 is expected during construction.

After proper motion and second, the Board of Water Works authorized the Chief Engineer to extend the contract with Tetra Tech, Inc. to \$328,319.00 and proceed to final design and bid.

Watterson Expressway Interchange at Westport Road Property Transfer with the Kentucky Transportation Cabinet

For several years staff has worked with the Kentucky Transportation Cabinet on significant water facility relocations that are necessary to accommodate the Cabinet's long-standing plan to construct an interchange on the Watterson Expressway at Westport Road.

The Cabinet's project also requires that Louisville Water Company-owned property be conveyed to the Cabinet for roadway construction. To offset the Company's loss of property, and to make suitable provisions for re-construction of water facilities, the intentions of both the Cabinet and the Company have been to exchange property between the two entities in a manner that would meet the needs of both. The specific property transfer requires the conveyance of a parcel containing approximately 0.6 acres from LWC to the Cabinet in exchange for the Cabinet's conveyance to LWC of an adjacent parcel containing approximately 1.9 acres.

The property being conveyed by LWC to the Cabinet is not considered to be excess and the property being received in exchange is of equal or greater value.

After proper motion and second, the Board of Water Works voted to authorize the Chief Engineer to execute the necessary contract to effect the property exchange as outlined above.

BID TABULATIONS

Mr. Gregory presented the following Bid Tabulation:

Mobile Dispatch System Software and Implementation Services

The Mobile Dispatch System is identified in the 2001-2003 Information Technology Strategic Plan to provide information to field employees using mobile computing technologies to improve customer service and satisfaction. Improving our field service efficiency directly relates to several strategic and operating objectives as identified below:

- Increase the Overall and Serviced Accounts Customer Satisfaction Index significantly by 2004.
- Automate current manual field procedures for work orders and service orders through implementation of an Automated Dispatch and Mobile Computing System.

Increase in system size through acquisition and growth opportunities will require enhancement of current information system capabilities

The Board of Water Works authorized staff to pursue the procurement of a Mobile Dispatch System through a Request for Competitive Negotiation (RCN) process in September 2002.

After proper motion and second, the Board of Water Works voted to award a contract to Virya Net in the amount of \$906,032 to provide the Mobile Dispatch System application software, implementation services, and system maintenance; to award a sole source contract to Orcom in the amount of \$122,500 for the development of the Mobile Dispatch System and Customer Information System Interface; and to issue a bid in order to obtain mobile computers and wireless connectivity to the Mobile Dispatch System and other LWC information systems. This will require the purchase of server hardware, laptop computers, wireless network equipment, and wireless data services at different times during implementation of the project. The current estimate for this equipment is \$169,000.

Staff distributed an e-mail from Ms. Wendy Welsh expressing her support of the project. The Board instructed staff not to prepay maintenance contract. Discussion thus far contemplated prepaying maintenance.

NEW BUSINESS

Ms. Teasley presented the following New Business Reports.

Bullitt County Water Improvement Program – Bullitt County Extension Program Project 03-317 Walls Hollow Road Booster Pump Station

Proposed under the Bullitt County Extension Program is a project for Walls Hollow Road for which the Board has previously authorized for engineering design and advertisement for bid. During the engineering design, staff further evaluated the elevations of this road and the adjacent roads of Mitchell Way, Routon Way, Fugerson Court, Pike Lane and Payne Lane and have determined that a booster pump station will be required to serve this area.

There are 45 residences that would be served by this booster pump station.

After proper motion and second, the Board of Water Works voted to proceed with engineering design and advertisement for bid for the subject project. The results of the bids will be presented to the Board with recommendation for contract award.

Bullitt County Water Improvement Program – Bullitt County Extension Program
Project No. 03-315 Johnson Hollow Road/Twin Acres Drive Water Main Extension
Project No. 03-313 Johnson Hollow Tank
Project No. 03-314 Johnson Hollow Booster Pump Station

Proposed under the Bullitt County Extension Program is a water main extension on Johnson Hollow Road and Twin Acres Drive. We have received a 2/3 majority petition from residents on Johnson Hollow Road and Twin Acres Drive for a water main extension. Due to the elevation of these roads, a water storage tank and booster pump station will be required to serve this area and the project becomes a backbone main. The proposed Tapping Fee project will provide fire protection and water service to a previously unserved area, provide improved service to an existing underserved area and allow for an existing hydropneumatic booster pump station to be removed.

There are 17 residents along Johnson Hollow Road and Twin Acres Drive.

After proper motion and second, the Board of Water Works voted to authorize staff to proceed with engineering design and advertisement for bid for the subject project. The results of the bids will be presented to the Board with recommendation for contract award.

LWC Tapping Fee Main Extension – Clover Avenue

A request for a main extension along the remaining unserved portion of Clover Avenue was requested by Mr. Mike Stuber, owner of the parcel located at 5411 Clover Avenue. Mr. Stuber was sent a Surcharge Main Extension Petition/Agreement. Mr. Stuber has responded that the Metropolitan Sewer District (MSD) has started a project to add sewers to this geographic area. As such, there is insufficient time to obtain a 50% plus one majority petition along the project route prior to MSD's contractor completing their work. Extension of a water main along Clover Avenue after MSD has completed its project would cause additional construction damage to areas just restored.

MSD staff has agreed to coordinate their work with a main extension along Clover Avenue. Staff recommends proceeding with the project as an LWC Tapping Fee Main Extension in order to coordinate this main extension with the MSD project.

There are five properties that would benefit from the extension of this water main.

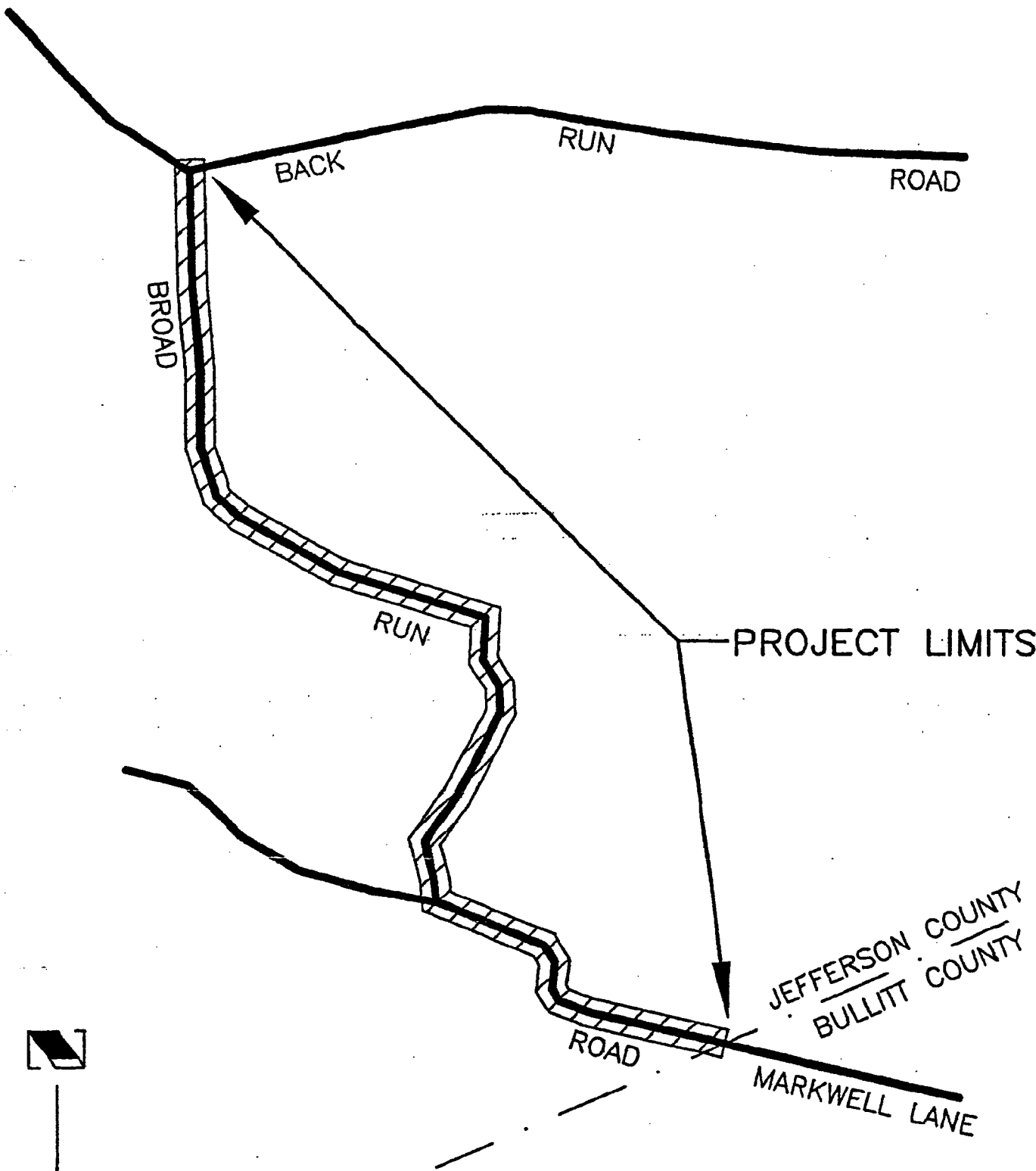
After proper motion and second, the Board of Water Works voted to authorize staff to proceed with engineering design and construction for the subject project with a tapping fee set at the actual cost of the project divided equally by the five properties to be served. The estimated tapping fee is \$2,860 for five potential taps.

The meeting adjourned at 2:35 p.m.

APPORTIONMENT WARRANT RESOLUTION

May 13, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Broad Run Rd: Back Run Rd to County Line** main extension project authorized by Ordinance No. 5, Series 2002 of the Jefferson Fiscal Court, adopted on January 22, 2002 such warrant to be against thirty three (33) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA



FILE NAME: BROAD RUN RD.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0903964	FRED D BLEICHER 10700 BROAD RUN ROAD LOUISVILLE KY 40299	10700 BROAD RUN ROAD DEED-BK 6270 DEED-PG 307 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO:	5,450.00 142	
0903965	KAREN & WILLIAM J BRANDENBURG 10301 BROAD RUN ROAD LOUISVILLE KY 40299	10301 BROAD RUN ROAD DEED-BK 7803 DEED-PG 530 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 90	
0903969	JAMES & MARILYN BROWN 9904 BROAD RUN ROAD LOUISVILLE KY 40299-5408	9904 BROAD RUN ROAD DEED-BK 4996 DEED-PG 825 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 112	
0903966	LW & ANNA MAE BROWN 9900 BROAD RUN ROAD LOUISVILLE KY 40299-5408	BROAD RUN ROAD DEED-BK 4749 DEED-PG 145 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 106	
		BROAD RUN ROAD DEED-BK 3680 DEED-PG 62 TAX-DST TAX-BLK 3301	LOT-NO.	1	
		BROAD RUN ROAD DEED-BK 3680 DEED-PG 62 TAX-DST TAX-BLK 3301	LOT-NO.	2	
0903970	LULA M & JOSEPH J BUTLER C70 DENNIS BUTLER 893 MARKWELL LANE TAYLORSVILLE KY 40071	10403 BROAD RUN ROAD DEED-BK 5357 DEED-PG 810 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 29	
		10403 BROAD RUN ROAD DEED-BK 5357 DEED-PG 810 TAX-DST TAX-BLK 62	LOT-NO.	31	
0903971	ARNOLD EDW & ANNA L CLEMENS 10006 BROAD RUN ROAD LOUISVILLE KY 40299	10006 BROAD RUN ROAD DEED-BK 4446 DEED-PG 337 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 51	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0903973	J COSTELLE & MARY JEAN PAYTON 10950 BROAD RUN ROAD LOUISVILLE KY 40299	10950 R BROAD RUN ROAD DEED-BK 7351 DEED-PG 657 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0903976	DENNIS C DALRYMPLE 9909 BROAD RUN ROAD LOUISVILLE KY 40229	9909 BROAD RUN ROAD DEED-BK 6964 DEED-PG 657 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
		BROAD RUN ROAD DEED-BK 6964 DEED-PG 657 TAX-DST TAX-BLK 62	LOT-NO. 74		
0903981	GREGORY T & KRISTI DALRYMPLE 9905 BROAD RUN ROAD LOUISVILLE KY 40299	9905 BROAD RUN ROAD DEED-BK 5887 DEED-PG 760 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0903982	HERMES G JR & GLENDA FOSTER 10200 BROAD RUN ROAD LOUISVILLE KY 40299	10200 BROAD RUN ROAD DEED-BK 3960 DEED-PG 574 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0903984	PAUL L SR & EVELYN F FOWLER 9908 BROAD RUN ROAD LOUISVILLE KY 40299	9908 BROAD RUN ROAD DEED-BK 6490 DEED-PG 657 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
		BROAD RUN ROAD DEED-BK 6490 DEED-PG 657 TAX-DST TAX-BLK 62	LOT-NO. 98		
0903986	RANELLE C FUNK 10202 BROAD RUN ROAD LOUISVILLE KY 40299	10202 BROAD RUN ROAD DEED-BK 5662 DEED-PG 199 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0903988	DANA GUENTHENER 10605 BROAD RUN ROAD LOUISVILLE KY 40299	10605 BROAD RUN ROAD DEED-BK 7426 DEED-PG 567 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG	5,450.00	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0903988	DANA GUENTHENER (CONTINUED)	BROAD RUN ROAD	DEED-BK 7421 DEED-PG 567 TAX-DST TAX-BLK 62	LOT-NO. 107	
0903989	TYE J & CINDY HARDIN 10512 BROAD RUN ROAD LOUISVILLE KY 40299	10512 BROAD RUN ROAD	DEED-BK 7900 DEED-PG 364 TAX-DST TAX-BLK 62	LOT-NO. 115	5,450.00
0903990	ALMA L HIGGINS 8701 ZABEL WAY LOUISVILLE KY 40291	10804 BROAD RUN ROAD	DEED-BK 7583 DEED-PG 732 TAX-DST TAX-BLK 62	LOT-NO. 88	5,450.00
0903991	THOMAS C HODGE 9907 BROAD RUN ROAD LOUISVILLE KY 40299	9907 BROAD RUN ROAD	DEED-BK 6239 DEED-PG 630 TAX-DST TAX-BLK 62	LOT-NO. 25	5,450.00
0903992	LLOYD & LAURI K HYATT 10204 BROAD RUN ROAD LOUISVILLE KY 40299	10204 BROAD RUN ROAD	DEED-BK 5391 DEED-PG 992 TAX-DST TAX-BLK 62	LOT-NO. 75	5,450.00
0903993	NICOLAUS & CHRISTINE KOCZO 10001 BROAD RUN ROAD LOUISVILLE KY 40299	10001 BROAD RUN ROAD	DEED-BK 6272 DEED-PG 539 TAX-DST TAX-BLK 62	LOT-NO. 66	5,450.00
0903994	GERALD JOSEPH & MARI KUSHNER 10206 BROAD RUN ROAD LOUISVILLE KY 40229	10601 BROAD RUN ROAD	DEED-BK 6307 DEED-PG 360 TAX-DST TAX-BLK 62	LOT-NO. 30	5,450.00
0903995	GERALD JOSEPH & MARI KUSHNER 10206 BROAD RUN ROAD LOUISVILLE KY 40299	10206 BROAD RUN ROAD	DEED-BK 5388 DEED-PG 790 TAX-DST TAX-BLK 62	LOT-NO. 124	5,450.00
0903997	RICHARD C MILLER 11022 BROAD RUN ROAD LOUISVILLE KY 40299	BROAD RUN ROAD	DEED-BK 6358 DEED-PG 812 TAX-DST TAX-BLK 62	LOT-NO. 119	5,450.00

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0903999	FREDERICK J & PAMELA OKEEFE 10201 BROAD RUN ROAD LOUISVILLE KY 40299-5433	10201 BROAD RUN ROAD DEED-BK 5394 DEED-PG 359 TAX-DST TAX-BLK 62	5,450.00		
				LIEN-DT	
				LIEN-BK	
				LIEN-PG	
				LOT-NO: 55	
0904000	KENNETH G & DONNA H PEAVLER 10900 BROAD RUN ROAD LOUISVILLE KY 40299-5422	10806 BROAD RUN ROAD DEED-BK 5619 DEED-PG 205 TAX-DST TAX-BLK 62	5,450.00		
				LIEN-DT	
				LIEN-BK	
				LIEN-PG	
				LOT-NO: 87	
		10900 BROAD RUN ROAD DEED-BK 5434 DEED-PG 708 TAX-DST TAX-BLK 62			
				LOT-NO: 83	
0904001	JOHNN PERKISON & DENISE VOGEL 10203 BROAD RUN ROAD LOUISVILLE KY 40299	10203 BROAD RUN ROAD DEED-BK 7858 DEED-PG 420 TAX-DST TAX-BLK 62	5,450.00		
				LIEN-DT	
				LIEN-BK	
				LIEN-PG	
				LOT-NO: 84	
0904003	CRAIG & LISA I RODGERS 10330 BROAD RUN ROAD LOUISVILLE KY 40299	10330 BROAD RUN ROAD DEED-BK 6456 DEED-PG 552 TAX-DST TAX-BLK 62	5,450.00		
				LIEN-DT	
				LIEN-BK	
				LIEN-PG	
				LOT-NO: 114	
0904005	DENNIS R SERMERSHEIM 10510 BROAD RUN ROAD LOUISVILLE KY 40299	10510 BROAD RUN ROAD DEED-BK 5590 DEED-PG 757 TAX-DST TAX-BLK 62	5,450.00		
				LIEN-DT	
				LIEN-BK	
				LIEN-PG	
				LOT-NO: 11	
0904008	RONALD BRET & CAROLE A SPEER 4634 BELLEVUE AVENUE LOUISVILLE KY 40235	BROAD RUN ROAD DEED-BK 7071 DEED-PG 703 TAX-DST TAX-BLK 62	5,450.00		
				LIEN-DT	
				LIEN-BK	
				LIEN-PG	
				LOT-NO: 141	
0904009	RICHARD & JUANITA TOTTEN 10400 BROAD RUN ROAD LOUISVILLE KY 40299	10400 BROAD RUN ROAD DEED-BK 5061 DEED-PG 463 TAX-DST TAX-BLK 62	5,450.00		
				LIEN-DT	
				LIEN-BK	
				LIEN-PG	
				LOT-NO: 116	
0904010	CLAYTON T & MARY VESSELS 11010 BROAD RUN ROAD LOUISVILLE KY 40299	11010 BROAD RUN ROAD DEED-BK 3478 DEED-PG 569 TAX-DST TAX-BLK 62	5,450.00		
				LIEN-DT	
				LIEN-BK	
				LIEN-PG	
				LOT-NO: 172	

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RELEASE OF LIEN

PAID IN FULL

ASSESSMENT

LOCATION

NAME

ACCOUNT

5,450.00

MARY A WHITE REVOCABLE TRUST 10700 BROAD RUN ROAD

LIEN-DT 7601

DEED-BK 523

LIEN-PG 523

LOT-NO: 113

LIEN-BK 408

5,450.00

RONALD E & KIMBERLY S WOODS 10300 BROAD RUN ROAD

LIEN-DT 448

DEED-BK 408

LIEN-PG 408

LOT-NO: 113

TAX-BLK 52

TAX-DST

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LOUISVILLE KY

10000 BROAD RUN ROAD

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RUN TIME 20:58:00

APPOINTMENT WARRANT CONTRACT 619W REGISTER PAGE 5

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LTRN

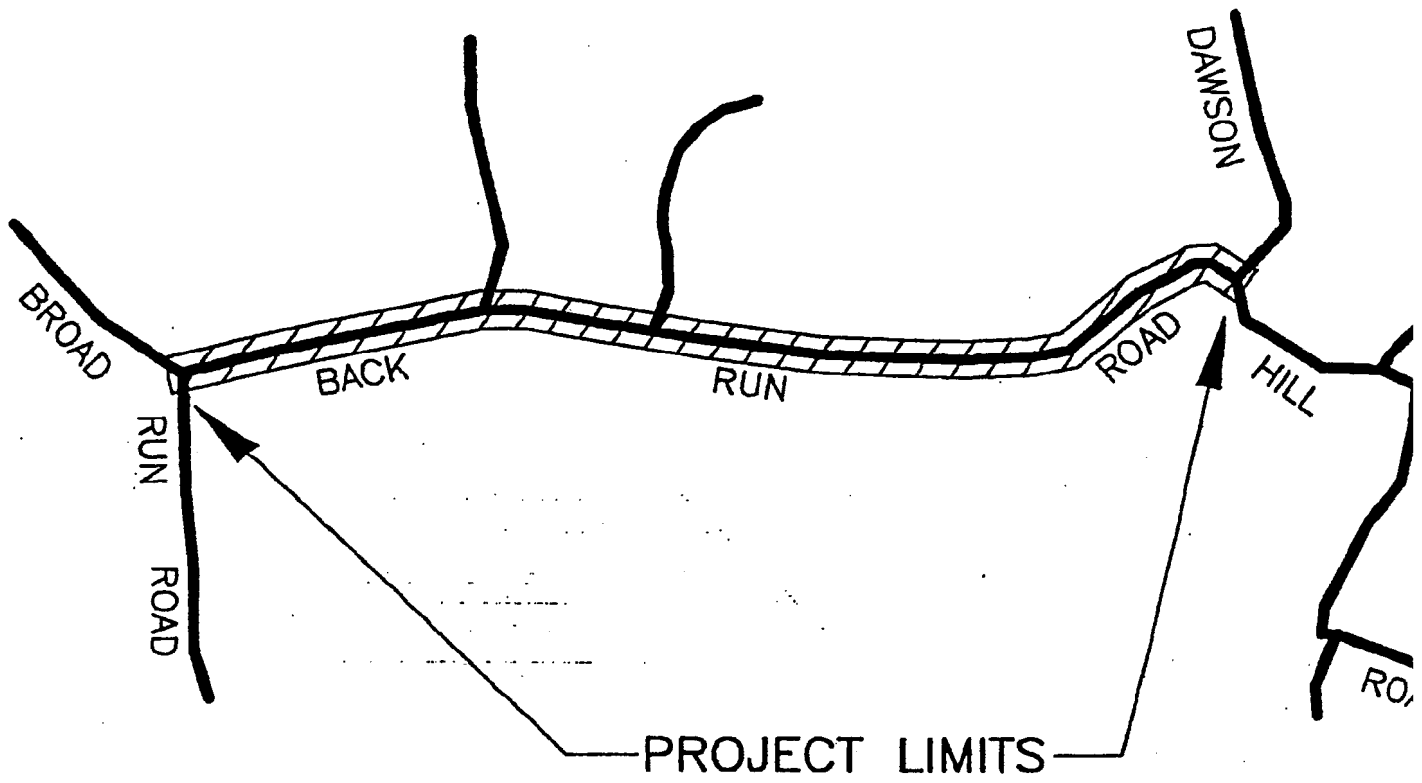
31 NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 158,950.00

APPORTIONMENT WARRANT RESOLUTION

May 13, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Back Run Rd: Broad Run Rd to Dawson Hill Rd** main extension project authorized by Ordinance No. 12, Series 2001 of the Jefferson Fiscal Court, adopted on June 12, 2001 such warrant to be against thirty one (31) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA



FILE NAME: BACK RUN RD.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0902422	KENNETH B. REBECCA BAIZE 10203 BACK RUN ROAD LOUISVILLE KY 40299-5403	10203 BACK RUN ROAD DEED-BK 8083 DEED-PG 609 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902391	PATRICK G. & DANA M BALLINGER 9930 BACK RUN ROAD LOUISVILLE KY 40291	9930 BACK RUN ROAD DEED-BK 6669 DEED-PG 983 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	177	
0902407	CLIFFORD T. JR. BRISTOW 10511 BACK RUN ROAD LOUISVILLE KY 40299	10511 BACK RUN ROAD DEED-BK 6334 DEED-PG 387 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	130	
0902408	ANNA R. & STANLEY BURKHEAD 9909 BACK RUN ROAD LOUISVILLE KY 40299	9909 BACK RUN ROAD DEED-BK 3546 DEED-PG 496 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	45	
0902409	CYNTHIA L. & RICHARD CASH 7036 FONTENDLEAU WAY LOUISVILLE KY 40291	10510 BACK RUN ROAD DEED-BK 7048 DEED-PG 359 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	40	
0902415	DAVID A. & NANCY CLEMENS 10409 BACK RUN ROAD LOUISVILLE KY 40299	10409 BACK RUN ROAD DEED-BK 4496 DEED-PG 374 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	30	
0902476	EDWARD D. JR. & WENDE ELKINS 11005 BACK RUN ROAD LOUISVILLE KY 40299	11005 BACK RUN ROAD DEED-BK 7527 DEED-PG 334 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	43	
0902418	MICHAEL & CHERYL FITTS 10607 BACK RUN ROAD LOUISVILLE KY 40299	10607 BACK RUN ROAD DEED-BK 7990 DEED-PG 59 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	148	
0902474	WALTER FRANCK III 9704 BROAD RUN ROAD LOUISVILLE KY 40299	CORNER OR BROAD RUN & BACK RUN DEED-BK 6117 DEED-PG 416 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	88	
				5	

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Exhibit "A"

APPORTIONMENT WARRANT CONTRACT 6388W REGISTER

PAGE 2

RUN TIME 3305157

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0902459	JOSEPH & MARJORIE GRADY 10300 BACK RUN ROAD LOUISVILLE KY 40299	10300 BACK RUN ROAD DEED-BK 7606 DEED-PG 995 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902420	BILLY S. GREEN 8008 WHITE CEDAR DRIVE LOUISVILLE KY 40219	BACK RUN ROAD DEED-BK 5385 DEED-PG 933 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	146	
0902421	KENNETH JR. & DEBORAH HEAVRIN 10240 BACK RUN ROAD LOUISVILLE KY 40299	10240 BACK RUN ROAD DEED-BK 5486 DEED-PG 893 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	123	
0902423	RICHARD H. & SANDRA J HEMMER 13018 BACK RUN ROAD LOUISVILLE KY 40299	13018 BACK RUN ROAD DEED-BK 6381 DEED-PG 713 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	95	
0902425	RUSSELL J & RUTH HEMMER 6404 SHIBLEY AVENUE LOUISVILLE KY 40291	BACK RUN ROAD DEED-BK 3598 DEED-PG 360 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	138	
0902427	GARY KENNETH HOUSE 10504 BACK RUN ROAD LOUISVILLE KY 40299	10504 BACK RUN ROAD DEED-BK 7203 DEED-PG 638 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	139	
0902430	JOSEPH & CAROL HOUSE 10700 BACK RUN ROAD LOUISVILLE KY 40299	10700 BACK RUN ROAD DEED-BK 4206 DEED-PG 169 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	147	
0902450	VINCENT JR & MARY C HUESER 10707 BACK RUN ROAD LOUISVILLE KY 40299	10707 BACK RUN ROAD DEED-BK 7545 DEED-PG 666 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	70	
0902451	PATRICIA L KENNEDY 13303 SEATONVILLE ROAD LOUISVILLE KY 40299	13003 BACK RUN ROAD DEED-BK 4727 DEED-PG 328 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	152	
				59	

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0902452	PATRICIA L KENNERY 13303 SEATONVILLE ROAD LOUISVILLE KY 40299	10703 BACK RUN ROAD DEED-BK 4688 DEED-PG 469 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902454	DAVID F. & DORIS LEATHERS 10507 BACK RUN ROAD LOUISVILLE KY 40299	10507 BACK RUN ROAD DEED-BK 4365 DEED-PG 353 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
		10433 BACK RUN ROAD DEED-BK 4365 DEED-PG 353 TAX-DST TAX-BLK 62	LOT-NO. 67		
0902456	JAMES C. & DEBORAH MANION 10333 BACK RUN ROAD LOUISVILLE KY 40299	10333 BACK RUN ROAD DEED-BK 5980 DEED-PG 406 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902458	ALLEN G. & BELINDA S. PORTER 13815 BACK RUN ROAD LOUISVILLE KY 40299	13815 BACK RUN ROAD DEED-BK 7233 DEED-PG 333 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902460	DAVID M. RUTLEDGE 10333 BACK RUN ROAD LOUISVILLE KY 40299	10333 BACK RUN ROAD DEED-BK 6537 DEED-PG 633 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902475	DAVID & MARILYN SIMMONS 11007 BACK RUN ROAD LOUISVILLE KY 40299	11005 B. BACK RUN ROAD DEED-BK 7326 DEED-PG 337 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902461	RICHARD B. DEBORAH SOBOL 1308 POLLITT CT LOUISVILLE KY 40223725	10603 BACK RUN ROAD DEED-BK 7545 DEED-PG 774 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902462	CARL V. SPARRON 10237 BACK RUN ROAD LOUISVILLE KY 40299	10207 BACK RUN ROAD DEED-BK 6336 DEED-PG 323 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	00/0000	
(PAID-UP)					

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APPORTIONMENT WARRANT CONTRACT 61888 REGISTER

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0902462	CARL V. SPARROW (CONTINUED)	10203 BACK RUN ROAD DEED-BK 7883 DEED-PG 86 TAX-DST TAX-BLK 62	LOT-NO. 178		
		10239 BACK RUN ROAD DEED-BK 6336 DEED-PG 121 TAX-DST TAX-BLK 62	LOT-NO. 111		
0902466	CARL V. SPARROW 10239 BACK RUN ROAD LOUISVILLE KY 40299	BACK RUN ROAD DEED-BK 6336 DEED-PG 121 TAX-DST TAX-BLK 62	LIEN-DT 5,450.00 LIEN-BK LIEN-PG LOT-NO. 131		
0902468	GERALD J. SYROWSKI 7908 BACK RUN ROAD LOUISVILLE KY 40299	7908 BACK RUN ROAD DEED-BK 7423 DEED-PG 440 TAX-DST TAX-BLK 62	LIEN-DT 5,450.00 LIEN-BK LIEN-PG LOT-NO. 96		
0902469	JOHN A. & CAROL A. THOMAS 7920 BACK RUN ROAD LOUISVILLE KY 40299	7920 BACK RUN ROAD DEED-BK 8050 DEED-PG 778 TAX-DST TAX-BLK 62	LIEN-DT 5,450.00 LIEN-BK LIEN-PG LOT-NO. 129		
0902471	KATHY J. VANDEMARK 7910 BACK RUN ROAD LOUISVILLE KY 40299	7910 BACK RUN ROAD DEED-BK 6859 DEED-PG 175 TAX-DST TAX-BLK 62	LIEN-DT 5,450.00 LIEN-BK LIEN-PG LOT-NO. 128		

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
30	NUMBER OF CUSTOMERS LISTED				
	TOTAL PRINCIPAL REMAINING	350-050.00			
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OLD BUSINESS

Ms. Teasley presented the following Old Business Report:

Issuance of Apportionment Warrants per KRS 96.265

Broad Run Rd: Back Run Rd to County Line

A public hearing was held July 12, 2001 for the extension of water service along Broad Run Rd: Back Run Rd to County Line. The Board of Water Works adopted a resolution for Broad Run Rd: Back Run Rd to County Line on December 11, 2001 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance

With the completion of the public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265. The cost of the extension will be by the equal assessment method for the cost of \$5,450 for each lot or tract abutting this extension and currently not served.

After proper motion and second, the Board of Water Works voted to adopt the attached resolution for the issuance of Apportionment Warrants and liens against 33 benefited properties along Broad Run Rd: Back Run Rd to County Line in accordance with KRS. 96.265, as described.

Issuance of Apportionment Warrants per KRS 96.265

Back Run Rd: Broad Run Rd to Dawson Hill Rd

A public hearing was held April 5, 2001 for the extension of water service along Back Run Rd: Broad Run Rd to Dawson Hill Rd. The Board of Water Works adopted a resolution for Back Run Rd: Broad Run Rd to Dawson Hill Rd on May 8, 2001 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 12, Series 2001 on June 12, 2001 for the Back Run Rd: Broad Run Rd to Dawson Hill Rd project. James Parsons Construction, INC constructed this water main.

With the completion of the public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board of Water Works voted to adopt the attached resolution for the issuance of Apportionment Warrants and liens against 31 benefited properties along Back Run Rd: Broad Run Rd to Dawson Hill Rd in accordance with KRS. 96.265, as described.

Issuance of Apportionment Warrants per KRS 96.265

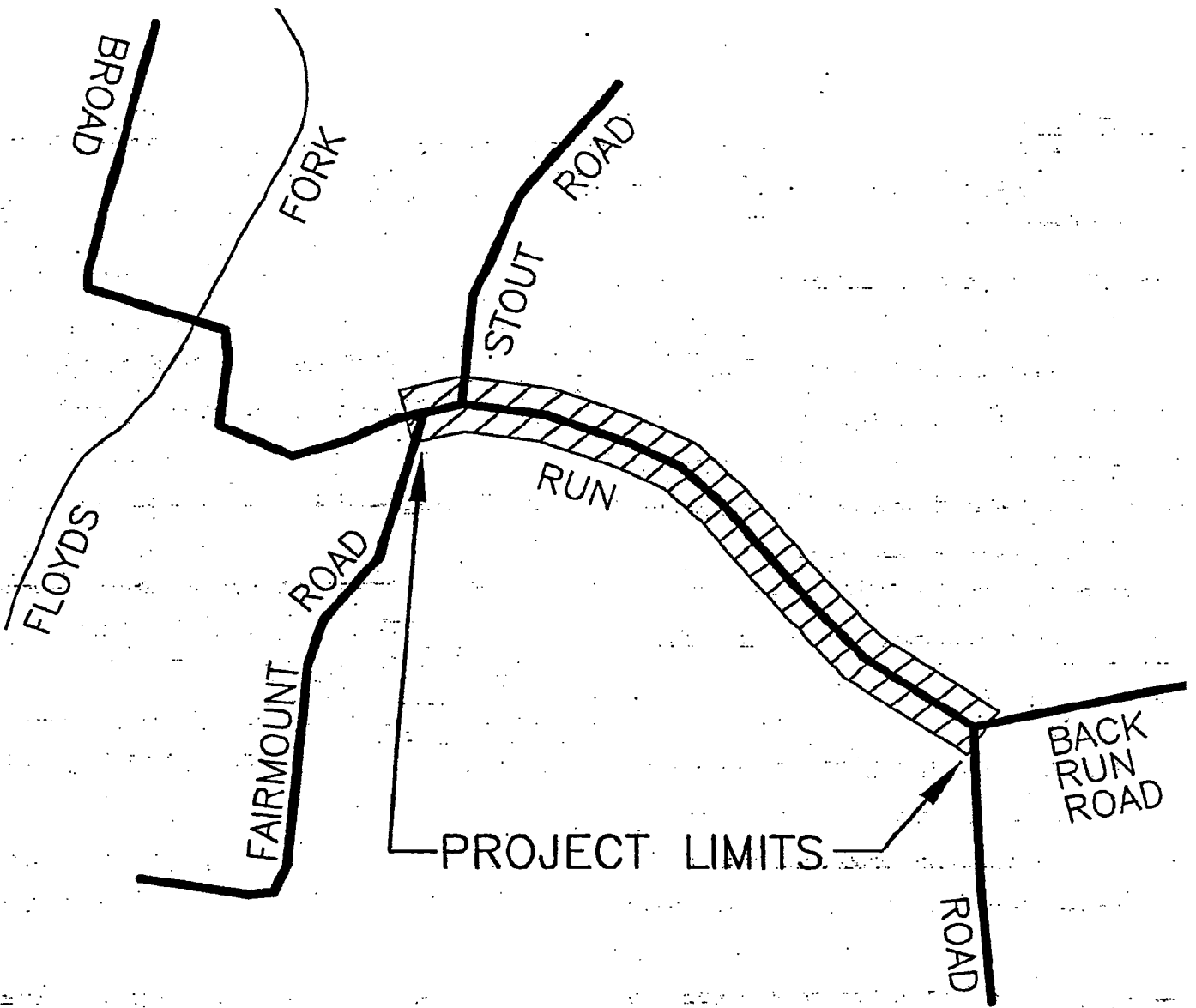
Broad Run Rd: Fairmount Rd to Back Run Rd

A public hearing was held November 1, 2001 for the extension of water service along Broad Run Rd: Fairmount Rd to Back Run Rd. The Board of Water Works adopted a resolution for Broad Run Rd: Fairmount Rd to Back Run Rd on November 13, 2001 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 2, Series 2002 on January 8, 2002 (a copy of which is attached) for the Broad Run Rd: Fairmount Rd to Back Run Rd project. Southern Pipeline Construction Company constructed this water main.

APPORTIONMENT WARRANT RESOLUTION

May 13, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Broad Run Rd: Fairmount Rd to Back Run Rd** main extension project authorized by Ordinance No. 2, Series 2002 of the Jefferson Fiscal Court, adopted on January 8, 2002 such warrant to be against nine (9) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA



FILE NAME: BROAD RUN RD. (FAIRMOUNT TO BACK RUN)

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0902241	PHILIP S BOHR 9715 BROAD RUN RD LOUISVILLE KY 40299-5405	9715 BROAD RUN ROAD DEED-BK 3440 DEED-PG 53 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 52	
0902245	J. DAVID BROWN 9300 BROAD RUN ROAD LOUISVILLE KY 40291	9300 BROAD RUN ROAD DEED-BK 7644 DEED-PG 540 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 344	
0902248	CHARLOTTE BROWN LIVING TRUST 9503 BROAD RUN ROAD LOUISVILLE KY 40291	9503 BROAD RUN ROAD DEED-BK 7526 DEED-PG 387 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 140	
0902250	MICHELLE L JENKINS 9220 BROAD RUN ROAD LOUISVILLE KY 40291	9220 BROAD RUN ROAD DEED-BK 7820 DEED-PG 932 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 349	
0902253	MICHAEL J & EMMA C JUNGA 9307 BROAD RUN ROAD LOUISVILLE KY 40291	9307 BROAD RUN ROAD DEED-BK 6237 DEED-PG 648 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 46	
0902260	JULIAN & TRESSA L MAUPIN 9401 BROAD RUN ROAD LOUISVILLE KY 40291	9401 BROAD RUN ROAD DEED-BK 3975 DEED-PG 465 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 37	
0902262	ERNEST H & JANE SAMPLES 9403 BROAD RUN ROAD LOUISVILLE KY 40291	9403 BROAD RUN ROAD DEED-BK 4157 DEED-PG 597 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 6	
0902263	PAUL & BETTY JEAN STORMES 9301 BROAD RUN ROAD LOUISVILLE KY 40291	9301 BROAD RUN ROAD DEED-BK 3614 DEED-PG 89 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 57	
0902267	PERRY L WEST 8004 JUDGE BLVD LOUISVILLE KY 40219	9400 BROAD RUN ROAD DEED-BK 7486 DEED-PG 168 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 145	

APPORTIONMENT WARRANT CONTRACT 6J87W REGISTER

ACCOUNT	NAME	LOCATION	NUMBER OF CUSTOMERS LISTED	TOTAL PRINCIPAL REMAINING
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**BOARD OF WATER WORKS
JUNE 10, 2003 MINUTES**

BOARD MEMBERS PRESENT

MR. PHILLIP BOND
MR. STEPHEN GAULT
MR. STEWART CONNER
MR. JACK SEGELL
MS. WENDY WELCH

BOARD MEMBERS ABSENT

HON. JERRY ABRAMSON
DR. JOSEPH WISE, III

OTHERS PRESENT

MR. JOHN HUBER, PRESIDENT
MS. LAURA DOUGLAS, VICE PRESIDENT, GENERAL COUNSEL, CORPORATE SECRETARY
MR. GREGORY HEITZMAN, VICE PRESIDENT, CHIEF ENGINEER
MR. ROBERT MILLER, VICE PRESIDENT, TREASURER
MS. KARLA TEASLEY, VICE PRESIDENT, SERVING CUSTOMERS & BUSINESS DEVELOPMENT
MS. SUSAN LEHMAN, VICE PRESIDENT, HUMAN RESOURCES
MR. STEVE HUBBS
MS. KAY BALL
MR. STEVEN R. GRESETH, BLACK & VEATCH
MR. RALPH McCORD
MR. BILL MEEKS, PRESIDENT, LOCAL 1682
MR. RICHARD JOHNSTONE

Mr. Huber called the meeting to order at 12:45 p.m. He announced that Dr. Joseph Wise has been appointed to the Board. However, he was not able to attend today's meeting due to a previously scheduled meeting in Germany. Mr. Huber also welcomed the Board to the Allmond facility. Mr. Huber and Mr. Gault provided a brief history on the area and the Allmond facility.

CONSENT AGENDA APPROVED

- Item A:** MINUTES OF THE REGULAR MEETING HELD MAY 13, 2003
APPROVED WITH CORRECTIONS
- Item B:** CLAIMS PAID DURING MAY 2003
FILE CLAIMS FOR FUTURE AUDIT
- Item C:** Petitions and applications for Water Main Extensions and Relocations
(when in full compliance / SR&R)

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
Developer Installed Refunding Main Extension Projects				
00-017	G314M	The Reserve at Glenmary Section 2	\$23,465.00	
02-022	G313M	Briar Hill Estates Section 8	\$113,425.00	\$25,350.00
02-067	G273M	Bardstown Woods Section 4	\$59,180.00	
02-120	G274M	Jefferson Trace Section 6	\$51,990.00	
03-005	G276M	Wal-Mart Neighborhood Market #5183-00	\$29,500.00	
03-009	G312M	Garden Acres	\$74,860.00	\$7,600.00
03-011	G307M	Glenmary Section 19	\$145,180.00	\$44,000.00
03-022	G268M	Springhurst Village	\$98,700.00	\$4,500.00
03-029	G317M	Spring Villa Condominiums Ph. I	\$40,000.00	
03-034	G310M	Windgate Meadows Section 2	\$15,400.00	
03-035	G275M	Lakeview Station	\$24,170.00	\$6,000.00
03-038	G308M	1010 Bridge Hill Court	\$4,250.00	
03-041	G309M	Village at Wildwood Phase 2	\$39,070.00	
03-043	G311M	Brookhurst Section 1	\$32,550.00	

Developer Installed Tapping Fee Main Extension Projects

02-015	G163T	Mary Jane Drive/Tish Road	\$52,800.00	
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Item D: AUTHORIZATION FOR DESIGN AND BID OF PROJECTS (ESTIMATED TO COST LESS THAN \$200,000)

Item E: BID TABULATIONS (AWARD OF CONTRACTS LESS THAN \$500,00, HAVING AT LEAST 3 BIDDERS AND NOT MORE THAN 5% OVER BUDGET IF THERE ARE NO BID INFORMALITIES AND THE LOWEST PRICE RECEIVED IS FROM A QUALIFIED BIDDER AND THAT THE SECOND BIDDER IS WITHIN 10% OF THE LOW BID).

Item F: AWARD OF CONTRACTS LESS THAN \$100,000 – MAY 2003

CAPITAL PROGRAM

00-307		Dry Ridge Lane Water Main Extension Project C Squared, Inc.		\$28,290
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02-344	Tracy Lynn Lane Water Main Extension WHF, Inc.	\$66,000
02-632 - 2002	Solids Lagoons Improvements / Renovation	
Facilities Engineering Services Proposal	O'Brien & Gere	\$70,641
L-02 Annual Contingency Contract	03-823 Furnishing and Installing Internal-Joint Seals - Iroquois Park Road 50" Concrete Water Miller Pipeline Corporation	\$22,210

PROCUREMENT OF MATERIALS AND SERVICES

01-13	Courier Service and Mail Management Blue Grass Mail Service	\$54,486
03-22	Steel Casing Pipe Hughes Supply Company	\$92,872
03-23	Polywrap & Polytape General Rubber Co. / Polytape	\$20,265
03-23	Polywrap & Polytape Hamilton Plastics/Polywrap	\$55,182
03-34	EMC / Hardware & Software Pomeroy IT Solutions	\$53,400

PROCUREMENT OF PROFESSIONAL SERVICES

01-702	Dry Ridge Road Elevated Water Storage Tank Tank Industry Consultants, Inc.	\$29,680
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PROCUREMENT OF SOLE SOURCE MATERIALS AND SERVICES

Sole Source	Underground Facility Markings Kentucky Underground Protection, Inc.	\$85,698
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REPORT OF OFFICERS

ADMINISTRATIVE REPORT

Mr. Huber reported that Cincinnati would soon have all 235,000 of its water meters changed to automatic read soon. Mr. Huber also reported on EPA's recent study review which concluded that there are no adverse health impacts associated with atrazine in drinking water. This may have some implications regarding the regulation of endocrine disruptors. Mr. Huber then reported that EPA has now said if water utilities increase water rates 3% "in real terms" they will have the funds to address infrastructure renewal. On the national level there are no federal funds to address infrastructure renewal.

FINANCIAL REPORT

Mr. Miller reported that Moody's will soon be coming forward with a recommendation that water utilities review their rates annually.

Mr. Miller presented the Income and Expense Summary for May 2003.

Total operating revenue of \$38,076,300 is \$731,900 or 1.96% more than budgeted and \$1,546,500 or 4.23% more than the same period in 2002. Water delivered to the mains was 6.76% more than 2002.

Operation and maintenance expense of \$18,124,300 is \$496,400 or 2.82% more than budgeted and \$1,655,800 or 10.05% more than 2002.

Net operating income of \$10,107,900 is \$300,600 or 3.07% more than budgeted.

Net income of \$8,390,500 is \$181,100 or 2.11% less than budgeted and \$494,900 or 5.57% less than 2002.

Mr. Miller also reported that the FINS project is on target to meet the September 29, 2003 "go live" date.

OPERATIONS REPORT

Mr. Heitzman presented the Operations Report for June 2003.

Production - The water production in May of 125.9 MGD was 3.6% higher than the May 2002 production of 121.5 MGD, however was 2.9% lower than the 5-year average May production of 129.7 MGD.

Distribution Water Quality - Staff collected 307 regular distribution samples in May. Water quality in the distribution system exceeded our internal turbidity, chlorine and bacteria goals for the month. There was no water quality monitoring and reporting violation in May.

Ohio River Spill – ORSANCO reported a total of two spills for the month of May. One of the spills occurred in Louisville on May 20th. A truck spilled 1,000 gallons of the pesticide Diazinon at the junction of Interstate 71 and the Gene Snyder Freeway in northeastern Jefferson County. Water quality laboratory staff assisted EPA for the spill response. Samples from the spill site, nearby water ponds and creeks, and the Ohio River were collected and analyzed in LWC's water quality laboratory. The results indicated the spill was contained in the ponds near the scene and did not impact the Ohio River.

EPA On-site Evaluation for Cryptosporidium Testing – The EPA's Long-term 2 Enhanced Surface Water Treatment Rule (LT2ESWTR) requires water utilities using surface water or groundwater under the direct influence of surface water to monitor the cryptosporidium level in their source waters in the future. EPA has not set the final date for monitoring compliance. Water utilities may apply for laboratory certification by EPA through collection of historical data generated using EPA approved methods and laboratories. LWC has been testing the cryptosporidium level in the Ohio River at a frequency of every two weeks since 1999 using Method 1623 – an EPA approved method. EPA staff conducted an on-site evaluation on May 20 and 21. The preliminary feedback indicates no major deficiencies in the testing program. The final evaluation report will be available within 60 days and it is expected LWC's cryptosporidium testing program will be approved by EPA.

Distribution System Maintenance Activity – The backlog of work activity has climbed to 935 work units through May, a 25% increase over 2002 work activity. This increased backlog is a result of the winter emergency in February. In an effort to reduce the backlog, management authorized work on two Saturdays in May to reduce the Priority 1 backlog.

Shepherdsville Water Main Breaks – Water main breaks continue in the newly acquired Shepherdsville system. The Shepherdsville system experienced 11 breaks in May, bringing the total to 53 for the year. Repair costs are estimated at \$165,000. These breaks continue to disrupt water supply to the area resulting in significant customer outages. The cause is increased pressure to the Shepherdsville system and the poor condition of the cast iron pipes. Staff is evaluating procurement alternatives to accelerate the capital improvements.

SERVING CUSTOMERS REPORT

Ms. Teasley presented the Serving Customers Report for May 2003.

The May 2003 abandonment rate was 4.0%, which compares favorably to 6.5% in April 2003, and 6.6% in May 2002.

Bullitt County Advisory Board – The Bullitt County Advisory Board met for its rescheduled regular quarterly meeting on May 27, 2003. Staff provided financial information regarding the status of the Bullitt County Water Reserve as well as the status of the capital projects underway in Bullitt County under the Bullitt County Water Improvement Program.

Shepherdsville – In response to the excessive number of water main breaks in the Shepherdsville system, planning staff have identified two high risk main sections on Carpenter Street (1,100 feet of 6" main) and Third Street (1,000 feet of 4" main) requiring immediate replacement to reduce water supply outages in Shepherdsville. This replacement will be funded by the Shepherdsville Reserve. It is recommended LWC proceed with an emergency contract to address both these water main sections.

Bluegrass Consortium – The Bluegrass Water Supply Consortium is a collection of about 16 water utilities and cities addressing water supply needs in the Central Kentucky area, including Lexington, Frankfort, Nicholasville, Winchester and Shelbyville. Working with O'Brien and Gere Engineers the Consortium has identified a current supply deficit of 10–15 MGD for the region and a long term, 20 year deficit of 70 MGD. Currently the Consortium is evaluating near term supply alternatives to provide 10 to 15 MGD to the region within a 3 to 5 year time frame. Results of the evaluation identified eight alternatives for further, detailed study.

All raw water options will require construction of additional treatment capacity.

LITIGATION REPORT

After proper motion and second, the Board of Water Works adjourned to closed session for the purpose of discussing litigation, acquisition of property and personnel items. The Board reconvened into open session without taking any action.

After proper motion and second, the Board of Water Works authorized staff to credit the Bullitt Count Water Reserve in the amount of \$3,000 effective immediately, and finalize new whole sale agreements with North Nelson and Lebanon Junction.

After proper motion and second, the Board of Water Works authorized the President to enter into a standard purchase agreement to purchase certain property owned by James A, Jr. and Bliss M. Brown for an amount consistent with the appraised value for the purchase of constructing an elevated storage tank pursuant to Project 99-407 on Highway 42 in Goshen, Kentucky.

COMMITTEE REPORTS

Mr. Bond stated that he would like to defer the Audit Committee report until the July meeting so that the full Board could have an opportunity to review the Crowe Chizek Audit report prior to the Committee offering its report.

SPECIAL ISSUES

Mr. Miller presented the Declaration of Dividend to Louisville/Jefferson County Metro.

Section 508 of the Series 1992 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 the City.

The dividend is to be paid in quarterly installments, such payments to be based on estimated annual net income and as nearly equal in amount as possible.

After proper motion and second, the Board of Water Works adopted a resolution (certified copy attached to these minutes) declaring the second quarterly 2003 dividend in the amount of \$3,079,708. This resolution provides for a total quarterly payment of \$3,169,170.

BID TABULATIONS

Mr. Miller presented the following Bid Tabulations:

Bid No. 01-11 / Cold Water Meters

On April 25, 2001, sealed bids were opened to award a one-year contract, renewable for up to four additional one-year terms at the sole discretion of the Company for the purchase of Cold Water Meters.

At contract inception, a total of two (2) proposals were received. The first PPI renewal was awarded in March, 2002 reflecting a 1.7% increase and a renewed contract amount of \$1,276,841.

After proper motion and second, the Board of Water Works voted to award a second PPI renewal to Neptune Meter Company reflecting a .9% decrease for an estimated contract total of \$1,263,747.

Bid No. 03-25 / Spoils Recycling

On May 14, 2003, sealed bids were opened to award a two-year contract for the recycling of excavating materials.

Twelve bid packages were solicited and only one proposal was received and evaluated. Our current business partner, "Mother Earth Recycling", failed to return a proposal. Louisville Topsoil submitted the lowest, most-responsive bid for an estimated two-year total of **\$260,250**.

After proper motion and second, the Board of Water Works voted to award a two-year contract totaling an estimated \$260,250 to Louisville Topsoil.

03-32 / Pre-Cast Meter Vaults

On May 14, 2003, sealed bids were opened to award a one-year contract to purchase pre-cast concrete meter vaults.

Two bids were submitted. Sherman-Dixie Concrete submitted the lowest, most-responsive bid for an estimated one-year total of \$101,512. This bid represents a 46% increase from the last bid period.

After proper motion and second, the Board of Water Works voted to award a one-year contract totaling an estimated \$101,512 to Sherman Dixie Concrete Company.

Bid No. 03-36 / Pipe Repair Couplings, Sleeves and Bell Joint Clamps

On May 28, 2003, sealed bids were opened to award a one-year contract, renewable for up to three additional one-year terms at the sole discretion of the Company for the purchase of repair couplings, sleeves and clamps.

Six bids were received.

After proper motion and second, the Board of Water Works voted to award one-year contracts in the estimated values as follows:

Viking Supply Company	\$70,677.22
Water Works Supply	\$22,029.36
Hughes Supply Company	\$18,215.12
Smith Blair Company	\$ 6,319.72
Harco Inc.	\$20,414.08
Mueller Co.	<u>\$ 188.85</u>
Total Estimated Contract Cost	\$ 137,844.35

00-56 / Ductile Iron Pipe and Fittings

On December 6, 2000, sealed bids were opened to award a one-year contract for the purchase of ductile iron pipe and fittings.

Six (6) proposals were received. The bidders submitting the best proposal were U.S. Pipe Inc., Griffin Pipe, Inc., and Hughes Supply Co. at an estimated cost of \$2,077,417.70.

After proper motion and second, the Board of Water Works voted to award a second one-year PPI renewal for an estimated total of \$2,231,769.71. The second PPI renewal represents a 0.1% decrease from last year's unit prices. Total contract price reflects an increase in total cost by 10% as reflected by adjustment of usage estimates.

Ms. Teasley presented the following Bid Tabulations:

03-502 Crittenden Drive- Main Replacement Project

Bids were received and opened Wednesday, May 7, 2003 to install 3,730 linear feet of 16 and 20 inch ductile iron water main using traditional trenching techniques along Crittenden Drive between south of Tug Road (airport postal access road) and south of Maclean Avenue.

A total of 4 bids were received and opened from pre-qualified contractors. Southern Pipeline Construction Company submitted the lowest responsive bid in the amount of \$258,900 resulting in a total project cost of \$477,340.

After proper motion and second, the Board of Water Works voted to award a contract in the amount of \$258,900 to Southern Pipeline Construction Company to install the water facilities associated with this project.

03-506 Schiller Avenue Area - Main Replacement Project

Bids were received and opened Wednesday, May 28, 2003 to install 7,210 linear feet of 4, 6, and 8-inch water main in the Schiller Avenue Area. The project also includes the installation of 11 fire hydrants and the transfer or renewal of 196 customer services.

A total of 4 bids were received and opened from pre-qualified contractors. MAC Construction and Excavating, Inc. submitted the lowest responsive bid in the amount of \$436,675 resulting in a total project cost of \$589,145.

After proper motion and second, the Board of Water Works voted to award a contract in the amount of \$436,675 to MAC Construction and Excavating, Inc. to install the water facilities associated with this project.

01-215-A&B Bearcamp Road Water Main Extension Project

Bids were received Wednesday, May 28, 2003, to install approximately 13,261 lineal feet of 8-inch water main on Bearcamp Road from the end of the existing main located in front of 11411 Bearcamp Road to the Jefferson/Bullitt County line.

A total of seven bids were received from qualified contracting firms. The low responsive base bid in the amount of \$353,388 was submitted by Tom Brown Construction.

After proper motion and second, the Board of Water Works voted to award a contract in the amount of \$353,388 to Tom Brown Construction to install water facilities associated with this project.

COMMUNICATIONS

Mr. Hubbs reported on **Riverbank Infiltration (RBF) Water Quality Update**.

The purpose of the letter was to provide updated information on the first 4 years of water quality data from the demonstration well at the B.E. Payne Water Treatment Plant. Overall water quality from the well continues to be excellent, and greatly improved over river water. Two water quality contaminants were identified as a potential concern because of their prevalence in groundwater: radon and arsenic.

The most significant source of radon in our service area is from the ground, with accumulation in basements through ground seepage. For a water-related source of radon,

the most significant source would be in a shower, where there is a relatively small room volume and a high degree of escape of the radon from the water.

The radon from the well water dissipates rapidly when placed in the open treatment basins, and the resultant radon level leaving the B.E. Payne Water Treatment plant is below the detection limit of 50 pico-curies per liter.

It is reasonable to assume that the naturally occurring levels of radon in the demonstration well are representative of what would be expected in the wellfield proposed in Phase II of the RBF program. If higher levels of radon are encountered, levels can be dramatically reduced through aeration, a relatively low-cost treatment process. It is thus believed that radon does not pose a significant water quality risk for the RBF program.

Ms. Ball reported on Project Project 99-402, Riverbank Filtration, Phase II

On April 8, 2003 the Board of Water Works authorized staff to increase the budget reservation for professional design services to \$2,643,500 and authorized Jordan Jones & Goulding, Inc. (JJ&G) to proceed with final design.

Staff has met with and made an offer to each of the property owners of the eighteen properties needed to construct the project. Offers were based a certified independent appraisal prepared by Lewman-Miller Company. The proposal includes a number of restrictions on the property and an interpretation of the market value of the property. At this time, property negotiations are continuing on schedule.

Staff has reviewed the FEIS and the impact the Eastern Jefferson County Bridge will have on the Riverbank Filtration project and the wellhead protection area. The FEIS acknowledged the concerns of the potential impact to the aquifer both during construction and upon completion of the bridge. To insure the concerns are addressed, LWC has requested to remain advised of the design elements and be allowed to provide comments throughout the final design phase of the Eastern Bridge.

No action is requested from the Board at this time. Staff will continue to provide regular communications to the Board regarding progress, scope of work and easement acquisition.

OLD BUSINESS

Ms. Teasley reported on the following Old Business:

Issuance of Apportionment Warrants per KRS 96.265

Dawson Hill Rd: Brush Run Rd to Back Run Rd

A public hearing was held January 25, 2001 for the extension of water service along Dawson Hill Rd: Brush Run Rd to Back Run Rd. The Board of Water Works adopted a resolution for Dawson Hill Rd: Brush Run Rd to Back Run Rd on February 13, 2001 recommending the proposed water service extension to Jefferson County Fiscal Court for

final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 5, Series 2001 on March 27, 2001.

With the completion of a portion of the public water main extension (Back Run Road north to 8025 Dawson Hill Rd, the Frank and Margaret Pace property) the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board of Water Works voted to adopt the resolution (certified copy attached to these minutes) for the issuance of Apportionment Warrants and liens against 34 benefited properties along a portion of Dawson Hill Rd: Brush Run Rd to Back Run Rd in accordance with KRS. 96.265, as described.

Amendment of Apportionment Warrant Register

Back Run Rd: Broad Run Rd to Dawson Hill Rd

The Board approved a resolution for the issuance of Apportionment Warrants for Back Run Rd: Broad Run Rd to Dawson Hill Rd at the May 13, 2003 meeting in accordance with KRS 96.265. The Apportionment Warrant Register approved at the May 13, 2003 meeting is attached as Exhibit A.

After proper motion and second, the Board of Water Works voted to adopt the amended resolution (certified copy attached to these minutes); thereby, adding the omitted property to the Apportionment Warrant Register adopted by the Board of Water Works on May 13, 2003 in accordance with KRS. 96.265.

Amendment of Apportionment Warrant Register

Broad Run Rd: Back Run Rd to County Line

The Board approved a resolution for the issuance of Apportionment Warrants for Broad Run Rd: Back Run Rd to County Line at the May 13, 2003 meeting in accordance with KRS 96.265.

After proper motion and second, the Board of Water Works voted to adopt the amended resolution (certified copy attached to these minutes); thereby, adding the omitted properties to the Apportionment Warrant Register adopted by the Board of Water Works on May 13, 2003 in accordance with KRS. 96.265.

Amendment of Apportionment Warrant Register

Eastwood-Fisherville Road: Fisherville Woods Drive to Eastwood Cut-Off

The Board approved a resolution for the issuance of Apportionment Warrants for Eastwood-Fisherville Road: Fisherville Woods Drive to Eastwood Cut-Off at the February 13, 2001 meeting in accordance with KRS 96.265.

While researching a proposed water main extension for private road Homestead Trace (perpendicular to Eastwood-Fisherville Road) staff recognized that a property (Tax Block 42 Lot 160) having roadway frontage on both aforementioned roads was not assessed an apportionment warrant along the Eastwood-Fisherville Road water main extension.

After proper motion and second, the Board of Water Works voted to adopt the amended resolution (certified copy attached to these minutes); thereby, adding Tax Block 42 Lot 160 to the Apportionment Warrant Register adopted by the Board of Water Works on February 13, 2001 in accordance with KRS. 96.265.

**Amendment of Apportionment Warrant Register
Snawder Ln.: Top Hill Rd to South 1,600 ft**

The Board approved a resolution for the issuance of Apportionment Warrants for Snawder Ln.: Top Hill Rd to South 1,600 ft at the December 20, 2002 meeting in accordance with KRS 96.265.

While field checking an appeal case along Snawder Ln., staff spoke with property owner Charles Schreiber. After researching the property belonging to Schreiber (Tax Block 1055 Lot 88) staff determined that the Property Valuation Administrator's Office had incorrectly represented his property on the tax maps; the Schreiber property was incorrectly drawn on the tax maps as not having roadway frontage.

After proper motion and second, the Board of Water Works voted to adopt the amended resolution (certified copy attached to these minutes); thereby, adding Tax Block 1055 Lot 88 to the Apportionment Warrant Register adopted by the Board of Water Works on December 20, 2002 in accordance with KRS. 96.265.

Mr. Heitzman reported on the following Old Business:

02-674 Watson Lane 16" Grid-tie/Orell Road 12" Grid-tie Change Action

On April 30, 2003, the Company entered into a professional service contract in the amount of \$83,242 with Gresham Smith and partners for the design and inspection of the Watson Lane 16" Grid-tie and the Orell Road 12" Grid-tie.

During the alignment selection it was determined that easements would be necessary due to a narrow right-of-way along Orell Road. Four easements were included in the original scope, 6 additional easements are required. Three temporary easements are needed to provide sufficient space for boring under Watson lane.

Overall project costs are not expected to increase.

This change exceeds the contract amount by 13.9%.

After proper motion and second, the Board of Water Works voted to extend the contract with Gresham Smith and Partners to \$94,939.50.

02-499 Stone Lakes / Gellhaus Lane Booster Pump Station

This project was initiated to resolve low pressure conditions in the Stone Lakes subdivision off Taylorsville Road near the Gene Snyder Freeway.

Upon further review of development in the area and hydraulic evaluation of the system, an alternative solution is being implemented. The scope includes:

- Identification of property for location of a one million gallon storage tank and extension of the Blankenbaker 900 Pressure Zone to accommodate the rapid growth in the Taylorsville Road corridor.
- Shifting the Stone Lakes area to the Blankenbaker 900 Pressure Zone.
- Installation of a booster pump in the Gellhaus Lane 16-inch water main to transfer water from the English Station 860 Pressure Zone south to the Bardstown Road 840 Pressure Zone. In order to meet the peak summer demand period, a contingency contract was awarded to Hall Contracting to install this pump station at a cost of \$95,750. Engineering, materials, power supply, and pump controls are estimated at \$24,250, bringing the total project cost to \$120,000.

After proper motion and second, the Board of Water Works voted to establish a project budget of \$120,000 for the Gellhaus Booster Pump Station. The \$95,750 contract with Hall Contracting was approved by the President in May.

**02-486 Change Action and Budget Revision
Crescent Hill Filter Plant Parking Lot Expansion**

In April, the Company entered into a contract with MAC Construction & Excavating, Inc. for \$67,800 to expand the parking lot at the Crescent Hill Filter Plant on Frankfort Avenue. During construction of the parking lot, an unstable soil condition was discovered in the area between the existing parking lot and the east filter building.

Expanding the parking lot allows controlled visitor and tour group entry to the treatment plant. The new parking lot will accommodate 35 spaces plus areas for tour buses and deliveries.

During construction, the project engineer authorized excavation and an additional 667 cubic yards of stone for the parking sub-base. The total cost for this additional work, including a change to the security lighting is \$10,080, increasing the construction contract value to \$77,880.

After proper motion and second, the Board of Water Works voted to increase the value of contract G248 with MAC Constructing & Excavating, Inc. from \$67,800 to \$77,880 and to increase the project budget from \$95,300 to \$107,380.

**99-414 Change Action and Budget Revision
Crescent Hill South Reservoir Liner Installation**

The February 1999 Board awarded a professional services contract in the amount of \$198,291 to Fuller, Mossbarger, Scott, and May (FMSM) for engineering design and construction administration on the Crescent Hill South Reservoir Liner Installation. The

contract was increased to \$259,791 by the Board in October 2001 to cover additional design services associated with the project re-bid and change of scope that addressed the failed drain support structure in the South basin. Upon filling the South basin this past winter, it was discovered the basin continues to leak.

The additional engineering costs of \$137,535 for FMSM Engineers includes services for design of the South basin drain structure, inspection services for the South basin construction, and design services for the Gate House foundation and drain structure.

After proper motion and second, the Board of Water Works voted to increase the value of contract #E140 with Fuller, Mossbarger, Scott, and May Engineers from \$198,291 to \$335,826 and establish a revised project budget of \$3,134,582 to complete the project. The remaining Gate House liner work will be bid this summer with installation this fall.

NEW BUSINESS

Ms. Teasley presented the following:

Bullitt County Water Improvement Program – Highway 245 Fill Station.

Proposed under the 2003 Capital Improvement Plan is construction of the Highway 245 Fill Station in Southern Bullitt County. This project is consistent with the intent of the merger agreement between Kentucky Turnpike Water District and Louisville Water Company in providing the opportunity for water to Bullitt County residents.

The proposed project will consist of the installation of a water fill station on Highway 245 just west of I-65 on property leased from Bullitt County Fiscal Court. The project will provide better water service to customers in this part of Bullitt County as well as western Nelson and central Hardin Counties.

The budget for the proposed project is \$115,000.

After proper motion and second, the Board of Water Works voted to proceed with engineering design and advertisement for bid for the subject project. A bid tabulation will be provided to the Board of Water Works by staff when requesting authorization to proceed with construction.

Bashford Manor Lane Water Facilities Relocation Project LWC Project No. 02-466

Water facility relocations are necessary to accommodate Louisville Metro Public Works' (LMPW) "Bashford Manor Lane Road Improvement" project in Jefferson County. LMPW intends to widen Bashford Manor Lane from Newburg Road to Mayo Drive. Therefore, LWC shall relocate and upsize the existing water main from Newburg Road to the newly relocated 12" water main just north of Gladden Drive which was installed in October 2002.

This project consists of relocating and upsizing approximately 1,625 l.f. of 8" water main to 12" water main along Bashford Manor Lane. Two (2) fire hydrants, eleven (11) domestic services and one (1) commercial service shall also be relocated.

The total relocation project cost is estimated to be \$236,000, of which \$30,000 is betterment for upsizing from an 8" water main to a 12" water main. Engineering/supervision is estimated to be \$22,000, materials are estimated to be \$70,000, and contract labor is estimated to be \$144,000.

It is our understanding that this project is currently state funded and as such, LWC shall be pursuing reimbursement for this project from LMPW in the amount of \$206,000.

After proper motion and second, the Board of Water Works voted to authorize the staff to design the distribution water facility relocations and to enter into an agreement with Louisville Metro Public Works for the construction of the distribution water facility relocations as described above.

Mr. Heitzman reported on the following:

00-418 B. E. Payne WTP Improvement Project

Applications Engineering/SCADA Programming Services

The construction bid documents for the B. E. Payne Plant Improvement Project originally included a \$300,000 allowance for Applications Engineering and SCADA Programming Services for operation and control systems of the water treatment plant. At the time of the bid, these elements were not defined, since the company-wide SCADA system implementation was underway under a separate contract.

A scope of work has been prepared and a proposal solicited from CDM Engineers to perform the applications engineering and installation of the SCADA controls systems. CDM was selected from the list of engineering firms retained by the company for facility improvements, based upon review of their price, performance, and experience with the Payne Plant design. A 10 percent contract contingency is recommended for design elements associated with retrofitting the existing plant controls into the new SCADA system. This established the total not-to-exceed contract value of \$247,242.

After proper motion and second, the Board of Water Works voted to authorize the Chief Engineer to enter into a contract with CDM Engineers for these design and installation services for a not-to-exceed amount of \$247,242.

Ms. Teasley presented the following request:

Request for Modification to Project Scope

Shelbyville Road – Main Replacement Project LWC Project 03-507

In the 2002-2003 Main Replacement and Rehabilitation Program (MRRP) book, staff identified two sections of main along Shelbyville Road for replacement. The second section estimated to cost \$1,900,000 includes approximately 14,600 feet of main extending eastwardly from Bellemeade Road to Burnley Avenue.

During preliminary design it became evident that a better division between the two projects would be the pressure reducing station located east of Hurstbourne Lane near Whittington Parkway – approximately 3,500 feet east of Bellemeade Road. The pressure station also forms a well-marked boundary between the 770 pressure plane and the 860 pressure plane, and should minimize problems associated with the operation of valves along this boundary.

For the reasons stated, staff would like to re-define the two projects.

After proper motion and second, the Board of Water Works voted to authorize staff to proceed with the final design and advertisement for bids on the Shelbyville Road project from Whipps Mill Lane to the Pressure Reducing Station.

Mr. Miller reported on the following:

Project 02-665: Purchase of Oracle Database Processor Licenses

The 2001 – 2003 Information Technology Strategic Plan identifies several key Information Supply Systems that will be replaced through business process re-engineering and design methodologies. Several of the systems re-engineering and replacement projects are underway. There are several Technical and Data Architecture projects outlined in the IT plan and current Capital Improvement Plan to support these projects, one of these being additional Oracle database capacity.

After proper motion and second, the Board of Water Works voted to authorize staff to procure five additional Oracle Database Processor Licenses, Enterprise Database Management Tools, and first year support from Oracle off the Commonwealth of Kentucky Contract #C99001136 in an amount of \$187,148. The project is currently budgeted at \$200,000.

Federated Department Stores, Inc. - Stocks

When Federated Department Stores, Inc. filed a reorganization bankruptcy approximately ten years ago, the Louisville Water Company filed a Proof of Claim. Pursuant to Federated's bankruptcy reorganization, LWC received eighty one (81) shares of common stock. We are in the process of requesting replacement stock certificates. When such certificates are received, staff recommends that LWC sell all shares of stock in Federated Department Stores, Inc. through Republic Bank.

After proper motion and second, the Board of Water Works voted to authorize the Controller to sell eighty one (81) shares of common stock in Federated Department Stores, Inc. through Republic Bank.

THE MEETING ADJOURNED AT 3:05 P.M.

**RESOLUTION TO DECLARE SECOND QUARTER DIVIDEND
TO THE CITY OF LOUISVILLE**

WHEREAS, it has been the long established policy of the 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 1992 Water System Revenue Bond Resolution set 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 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, the Board passed a resolution on March 11, 2003 to adjust the 2002 annual dividend by \$357,847 from \$12,021,776 to \$12,379,623, the difference to be added in equal quarterly installments to the quarterly 2003 dividend payments, and

WHEREAS, the 1992 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 2003 Louisville Water Company budget contemplates the 2003 annual dividend to be \$12,318,831 it would be in order at this time to declare a regular second quarter dividend of \$3,079,708.

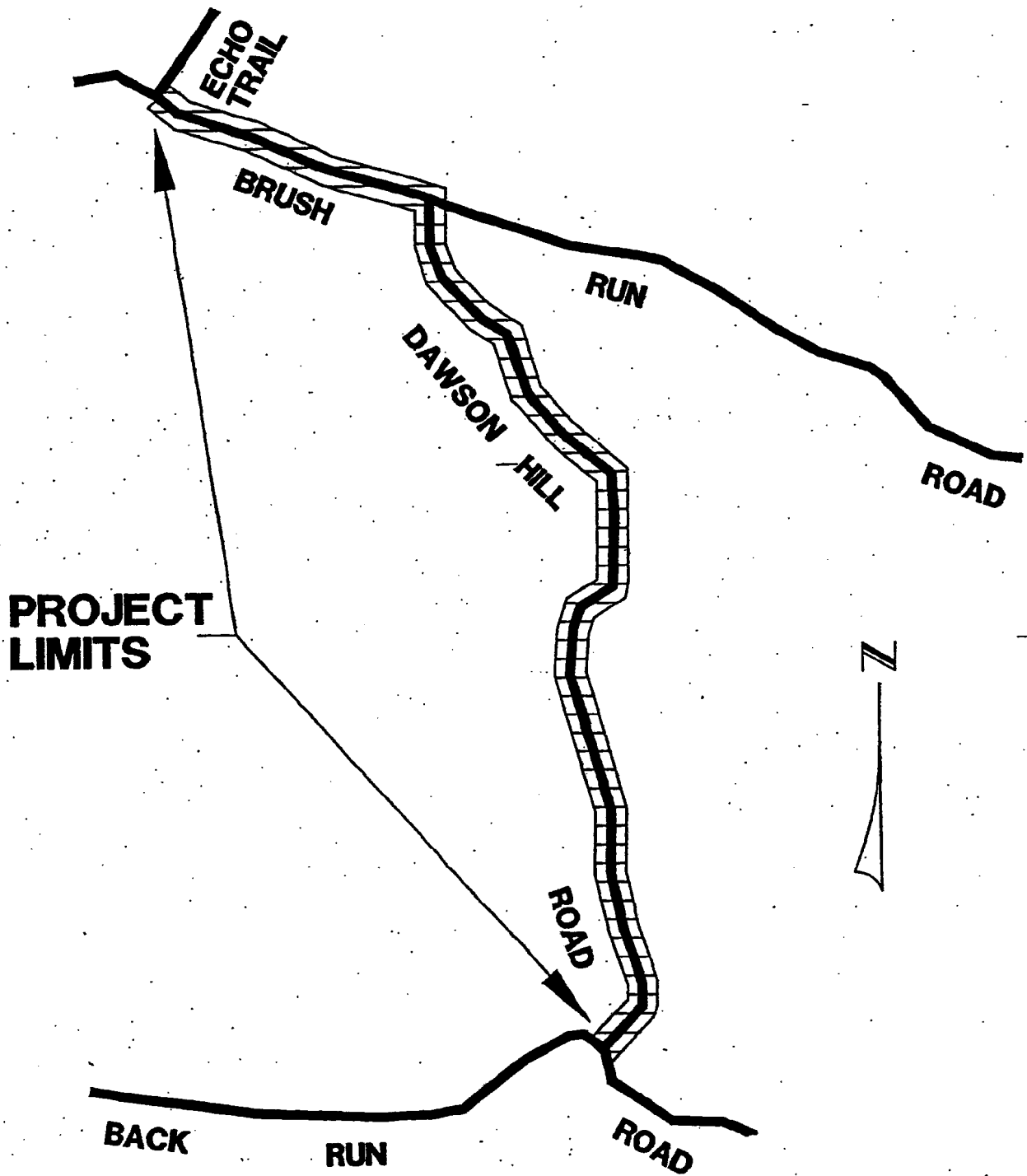
RESOLVED, the regular second quarter 2003 dividend of \$3,079,708 is hereby declared.

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,169,170 to the Louisville/Jefferson County Revenue Commission on June 30, 2003, this being the second quarterly dividend for 2003 plus one quarter of the dividend adjustment for 2002, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

APPORTIONMENT WARRANT RESOLUTION

June 10, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Dawson Hill Rd: Brush Run Rd to Back Run Rd** main extension project authorized by Ordinance No. 5, Series 2001 of the Jefferson Fiscal Court, adopted on March 27, 2001 such warrant to be against thirty four (34) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA



FILE NAME: DAWSON HILL

**Board of Water Works
Resolution**

February 13, 2001

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Brush Run Road: Echo Trail to Dawson Hill Road**, a public way in Jefferson County, and acting thereon convened a public hearing on January 25, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Chief Engineer of the Company has recommended the extension of such water along **Brush Run Road: Echo Trail to Dawson Hill Road**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Brush Run Road: Echo Trail to Dawson Hill Road**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0903165	MICHAEL SCOTT & MARG ABRAMS 912 FENLEY AVENUE LOUISVILLE KY 40222	13930 BRUSH RUN ROAD	5,450.00		
		DEED-BK 7732	LIEN-DT		
		DEED-PG 121	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	73	
0903167	MARTIN F II & BARBA BALLINGER 8405 DAWSON HILL ROAD LOUISVILLE KY 40299	8405 DAWSON HILL ROAD	5,450.00		
		DEED-BK 6454	LIEN-DT		
		DEED-PG 157	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	117	
0903170	TERRY L & VICTORIA S BARRETT 8015 DAWSON HILL ROAD LOUISVILLE KY 40299	8015 DAWSON HILL ROAD	5,450.00		
		DEED-BK 6614	LIEN-DT		
		DEED-PG 440	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	61	
0903171	PAT & GWEN D BISCHOFF 8620 DAWSON HILL ROAD LOUISVILLE KY 40299	8620 DAWSON HILL ROAD	5,450.00		
		DEED-BK 6663	LIEN-DT		
		DEED-PG 37	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	25	
		DAWSON HILL ROAD			
		DEED-BK 6686			
		DEED-PG 813			
		TAX-DST			
		TAX-BLK 58	LOT-NO.	193	
0907408	JAMES T & DORIS BLAIR 9001 DAWSON HILL ROAD LOUISVILLE KY 40299	9001 DAWSON HILL ROAD	5,450.00		
		DEED-BK 4762	LIEN-DT		
		DEED-PG 448	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 63	LOT-NO.	32	
		DAWSON HILL ROAD			
		DEED-BK 5776			
		DEED-PG 133			
		TAX-DST			
		TAX-BLK 63	LOT-NO.	23	
0903173	PETER D III & LIDA S BODNAR 8801 DAWSON HILL ROAD LOUISVILLE KY 40299	8801 DAWSON HILL ROAD	5,450.00		
		DEED-BK 5950	LIEN-DT		
		DEED-PG 721	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	175	
0903174	R. DAUGHERTY & GREG BRYANT 8207 DAWSON HILL ROAD LOUISVILLE KY 40299	8207 DAWSON HILL ROAD	5,450.00		
		DEED-BK 7544	LIEN-DT		
		DEED-PG 574	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	169	

Exhibit "A"

120

5,450.00

8105 DAWSON HILL ROAD

DEED-BK 7927
 DEED-PG 288

LISA CAMERLO

0903279

LIEN-DT
 LIEN-BK
 LIEN-PG

TAX-DST
 TAX-BLK 58

LOUISVILLE KY
 40299

0903140

LIEN-DT
 DEED-BK 7278

8102 DAWSON HILL ROAD

DEED-PG 337

LINDA CROUSE

0903140

LIEN-DT
 LIEN-BK
 LIEN-PG

TAX-DST
 TAX-BLK 58

LOUISVILLE KY
 40299

0903242

LIEN-DT
 DEED-BK 4878

DAWSON HILL DRIVE

DEED-PG 306

EDGAR & BETTY J CULBERTSON

0903242

LIEN-DT
 LIEN-BK
 LIEN-PG

TAX-DST
 TAX-BLK 58

LOUISVILLE KY
 40291

0903242

LIEN-DT
 DEED-BK 6189

DAWSON HILL ROAD

DEED-PG 537

EDGAR & BETTY J CULBERTSON

0903242

LIEN-DT
 DEED-BK 4931

DAWSON HILL ROAD

DEED-PG 439

EDGAR & BETTY J CULBERTSON

0903242

LIEN-DT
 DEED-BK 4931

DAWSON HILL ROAD

DEED-PG 439

EDGAR & BETTY J CULBERTSON

0903242

LIEN-DT
 DEED-BK 4068

DAWSON HILL ROAD

TAX-DST
 TAX-BLK 53

LOUISVILLE KY
 40291

0903242

LIEN-DT
 DEED-BK 4322

DAWSON HILL ROAD

DEED-PG 759

EDGAR U & BETTY J CULBERTSON

0903242

LIEN-DT
 LIEN-BK
 LIEN-PG

TAX-DST
 TAX-BLK 53

LOUISVILLE KY
 40299

0903242

LIEN-DT
 DEED-BK 7403

8601 DAWSON HILL ROAD

DEED-PG 251

KAREN DEMIT

0907412

LIEN-DT
 LIEN-BK
 LIEN-PG

TAX-DST
 TAX-BLK 58

LOUISVILLE KY
 40299

0907412

LIEN-DT
 DEED-BK 7403

8601 DAWSON HILL ROAD

DEED-PG 251

KAREN DEMIT

0907412

LIEN-DT
 LIEN-BK
 LIEN-PG

TAX-DST
 TAX-BLK 58

LOUISVILLE KY
 40299-5223

0907412

PROGRAM ID. AWC8R002 THE LOUISVILLE WATER COMPANY
 APPORTIONMENT WARRANT CONTRACT 6190W. REGISTER

BOOK PAGE 3

RUN TIME 11:13:19

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0903184	JERRY EISENBACK 8500 DAWSON HILL ROAD LOUISVILLE KY 40299	8500 DAWSON HILL ROAD DEED-BK 6592 DEED-PG 382 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	95
0903882	DAVID R ERBE 8512 DAWSON HILL ROAD LOUISVILLE KY 40299	8512 DAWSON HILL ROAD DEED-BK 7323 DEED-PG 297 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	77
0903884	JEFFREY S & LAURA L FRANKLIN 8800 DAWSON HILL ROAD LOUISVILLE KY 40299	8800 DAWSON HILL ROAD DEED-BK 7197 DEED-PG 473 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	103
		8800 DAWSON HILL ROAD DEED-BK 7197 DEED-PG 473 TAX-DST TAX-BLK 58	LOT-NO.		150
0903885	THOMAS J & ERIN C GARBLER 8301 DAWSON HILL ROAD LOUISVILLE KY 40229	8301 DAWSON HILL ROAD DEED-BK 7015 DEED-PG 878 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	171
0903888	CLIFFORD SR & REBEK GOLDSMITH 8963 CHERRY HILL ROAD JACKSONVILLE FL 32221	8310 DAWSON HILL ROAD DEED-BK 6585 DEED-PG 391 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	65
0903891	BRIGHT D & DEBRA HAYNES 8101 DAWSON HILL ROAD LOUISVILLE KY 40299	8101 DAWSON HILL ROAD DEED-BK 6234 DEED-PG 552 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	178
0903912	ANTHONY & TAMMY HERRON 8400 DAWSON HILL ROAD LOUISVILLE KY 40299	8400 DAWSON HILL ROAD DEED-BK 6707 DEED-PG 827 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	99
0903895	DAVID & KIMBERLY KEELING 3223 BOWIE DRIVE LOUISVILLE KY 40219	DAWSON HILL ROAD DEED-BK 7015 DEED-PG 872 TAX-DST TAX-BLK 58	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	202

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APPORTIONMENT WARRANT CONTRACT 6190W. REGISTER

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
090397	PETER & KATHLEEN LAMB 15100 BARBET WAY LOUISVILLE KY 40299	BARBET WAY DEED-BK 6934 DEED-PG 770 TAX-DST TAX-BLK 58	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
090398	FERRELL C III & KATH E LOWREY 6414 BILLTOWN ROAD (PAID-UP) LOUISVILLE KY 40299	8304 DAWSON HILL ROAD DEED-BK 6462 DEED-PG 821 TAX-DST TAX-BLK 58	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	00/0000	
090399	LARRY E & LAURA MCKEEHAN 8716 DAWSON HILL ROAD LOUISVILLE KY 40299-5368	8916 DAWSON HILL ROAD DEED-BK 5513 DEED-PG 84 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0903911	R STEPHEN & PEGGY MOUSER 8802 DAWSON HILL ROAD LOUISVILLE KY 40299-5328	8802 DAWSON HILL ROAD DEED-BK 5781 DEED-PG 112 TAX-DST TAX-BLK 58	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0903913	FRANK H JR & MARGARE J PACE 8025 DAWSON HILL ROAD LOUISVILLE KY 40299-5311	8025 DAWSON HILL ROAD DEED-BK 5654 DEED-PG 742 TAX-DST TAX-BLK 58	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0903915	JAMES E ROBERTSON 14000 BUTTERMILK RIDGE ROAD LOUISVILLE KY 40299	14000 BUTTERMILK RIDGE ROAD DEED-BK 6514 DEED-PG 580 TAX-DST TAX-BLK 58	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0903917	SAMUEL JR & BARBARA ROSS 8015 DAWSON HILL ROAD LOUISVILLE KY 40299	8201 DAWSON HILL ROAD DEED-BK 6567 DEED-PG 694 TAX-DST TAX-BLK 58	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
		8105 DAWSON HILL ROAD DEED-BK 7066 DEED-PG 338 TAX-DST TAX-BLK 58	LOT-NO. 379		
0903919	RALPH & SHEILA STATON 6130 PERMA DRIVE LOUISVILLE KY 40218	8815 DAWSON HILL ROAD DEED-BK 6012 DEED-PG 197 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		

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PROGRAM ID. AUCSR002 THE LOUISVILLE WATER COMPANY
 APPORTIONMENT WARRANT CONTRACT 6390W REGISTER

BOOK PAGE 5

RUN DATE 06/03/03
 RUN TIME 11:13:17

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0903920	TIMOTHY B TOTTON 8309 DAWSON HILL ROAD LOUISVILLE KY 40299	8309 DAWSON HILL ROAD	5,450.00		
		DEED-BK 6320	LIEN-DT		
		DEED-PG 9	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	181	
0903923	CURTIS A & VIRGINIA TYLER 11207 BACK RUN ROAD LOUISVILLE KY 40299	11207 BACK RUN ROAD	5,450.00		
		DEED-BK 3519	LIEN-DT		
		DEED-PG 314	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 63	LOT-NO.	4	
0903924	DENNIS PAUL & TERRY A WEIKEL 8807 DAWSON HILL ROAD LOUISVILLE KY 40299	8807 DAWSON HILL ROAD	5,450.00		
		DEED-BK 6586	LIEN-DT		
		DEED-PG 127	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 63	LOT-NO.	132	
0903925	M WILLIAM LIMITED PARTNERSHIP 6808 SHERRY LANE LOUISVILLE KY 40291	8502 DAWSON HILL ROAD	5,450.00		
		DEED-BK 7361	LIEN-DT		
		DEED-PG 448	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	96	
0903172	FRANK E & CATHERINE B WOLFE 8300 DAWSON HILL ROAD LOUISVILLE KY 40299	8300 DAWSON HILL ROAD	5,450.00		
		DEED-BK 6785	LIEN-DT		
		DEED-PG 432	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	187	
0907413	JERRY L YODER 8701 DAWSON HILL ROAD LOUISVILLE KY 40299	8701 DAWSON HILL ROAD	5,450.00		
		DEED-BK 7256	LIEN-DT		
		DEED-PG 455	LIEN-BK		
		TAX-DST	LIEN-PG		
		TAX-BLK 58	LOT-NO.	110	

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PROGRAM ID. AUCSR002 THE LOUISVILLE WATER COMPANY
 APPORTIONMENT WARRANT CONTRACT 61700. REGISTER

BOOK PAGE 6
 ASSESSMENT

RUN DATE 06/02/03
 RUN TIME 11:33:14
 RELEASE OF LIEN

PAID IN FULL

LOCATION

NAME

34 NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 677,650.00

Exhibit "A"

5-450.00	LIEN-91	DEED-BK	6083
	LIEN-PG	DEED-PG	609
	LIEN-PG	TAX-DST	
	LIEN-PG	TAX-BLK	62
377	LOT-NO.		
5-450.00	LIEN-91	DEED-BK	6559
	LIEN-PG	DEED-PG	983
	LIEN-PG	TAX-DST	
	LIEN-PG	TAX-BLK	62
330	LOT-NO.		
5-450.00	LIEN-91	DEED-BK	6314
	LIEN-PG	DEED-PG	387
	LIEN-PG	TAX-DST	
	LIEN-PG	TAX-BLK	62
45	LOT-NO.		
5-450.00	LIEN-91	DEED-BK	3546
	LIEN-PG	DEED-PG	496
	LIEN-PG	TAX-DST	
	LIEN-PG	TAX-BLK	62
40	LOT-NO.		
5-450.00	LIEN-91	DEED-BK	7048
	LIEN-PG	DEED-PG	351
	LIEN-PG	TAX-DST	
	LIEN-PG	TAX-BLK	62
30	LOT-NO.		
5-450.00	LIEN-91	DEED-BK	4496
	LIEN-PG	DEED-PG	374
	LIEN-PG	TAX-DST	
	LIEN-PG	TAX-BLK	62
43	LOT-NO.		
5-450.00	LIEN-91	DEED-BK	7527
	LIEN-PG	DEED-PG	314
	LIEN-PG	TAX-DST	
	LIEN-PG	TAX-BLK	62
348	LOT-NO.		
5-450.00	LIEN-91	DEED-BK	7170
	LIEN-PG	DEED-PG	59
	LIEN-PG	TAX-DST	
	LIEN-PG	TAX-BLK	62
88	LOT-NO.		
5-450.00	LIEN-91	DEED-BK	6117
	LIEN-PG	DEED-PG	411
	LIEN-PG	TAX-DST	
	LIEN-PG	TAX-BLK	62
5	LOT-NO.		

10201 BACK RUN ROAD
KENNETH & REBECCA BAIZE

1021 BACK RUN ROAD
LOUISVILLE KY
40229-5403

102371
PATRICK C & DANA M BALLINGER
1930 BACK RUN ROAD
LOUISVILLE KY
40291

090297
CLIFFORD T JR BRISTON
10511 BACK RUN ROAD
LOUISVILLE KY
40299

090298
ANNA R & STANLEY BURKHEAD
1909 BACK RUN ROAD
LOUISVILLE KY
40299

090299
CYNTHIA L & RICHARD CASH
7018 FOUNTAINWAY
LOUISVILLE KY
40291

090295
DAVID A & MARGY CLEMENS
10409 BACK RUN ROAD
LOUISVILLE KY
40299

090276
EDWARD D JR & WENDE ELKINS
11005 BACK RUN ROAD
LOUISVILLE KY
40299

090291A
MICHAEL B CHERYL FITTS
10607 BACK RUN ROAD
LOUISVILLE KY
40299

090294
WALTER FRANK III
1708 BROAD RUN ROAD
LOUISVILLE KY
40299

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0902459	JOSEPH E. MARJORIE GRADY. 10300 BACK RUN ROAD LOUISVILLE KY 40299	10300 BACK RUN ROAD DEED-BK 7606 DEED-PG 995 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902420	BILLY S. GREEN 8008 WHITE CEDAR DRIVE LOUISVILLE KY 40219	BACK RUN ROAD DEED-BK 5385 DEED-PG 911 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902421	KENNETH JR. & DEBORAH HEAVRIN 10240 BACK RUN ROAD LOUISVILLE KY 40299	10240 BACK RUN ROAD DEED-BK 5486 DEED-PG 891 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902423	RICHARD M. & SANDRA J HEMMER 11018 BACK RUN ROAD LOUISVILLE KY 40299	11018 BACK RUN ROAD DEED-BK 6181 DEED-PG 713 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902425	RUSSELL J. & RUTH HEMMER 6704 SHIBLEY AVENUE LOUISVILLE KY 40291	BACK RUN ROAD DEED-BK 3598 DEED-PG 160 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902427	GARY KENNETH HOUSE 10504 BACK RUN ROAD LOUISVILLE KY 40299	10504 BACK RUN ROAD DEED-BK 7201 DEED-PG 618 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902430	JOSEPH & CAROL HOUSE 10700 BACK RUN ROAD LOUISVILLE KY 40299	10700 BACK RUN ROAD DEED-BK 4206 DEED-PG 169 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902450	VINCENT JR & MARY C. HUESER 10707 BACK RUN ROAD LOUISVILLE KY 40299	10707 BACK RUN ROAD DEED-BK 7545 DEED-PG 666 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902451	PATRICIA L. KENNEDY 13303 SEATONVILLE ROAD LOUISVILLE KY 40299	13003 BACK RUN ROAD DEED-BK 4727 DEED-PG 328 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0902452	PATRICIA L KENNEDY 13303 SEATONVILLE ROAD LOUISVILLE KY 40299	10703 BACK RUN ROAD DEED-BK 4688 DEED-PG 469 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902454	DAVID F & DARIS LEATHERS 10507 BACK RUN ROAD LOUISVILLE KY 40299	10507 BACK RUN ROAD DEED-BK 4165 DEED-PG 351 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
		10411 BACK RUN ROAD DEED-BK 4165 DEED-PG 351 TAX-DST TAX-BLK 62			
0902456	JAMES C & DEBORAH MANION 10313 BACK RUN ROAD LOUISVILLE KY 40299	10313 BACK RUN ROAD DEED-BK 5980 DEED-PG 406 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902458	ALLEN G & BELINDA S PORTER 13815 BACK RUN ROAD LOUISVILLE KY 40299	13815 BACK RUN ROAD DEED-BK 7113 DEED-PG 311 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902460	DAVID M RUTLEDGE 10311 BACK RUN ROAD LOUISVILLE KY 40299	10311 BACK RUN ROAD DEED-BK 6537 DEED-PG 633 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902475	DAVID & MARILYN SIMMONS 11007 BACK RUN ROAD LOUISVILLE KY 40299	11005 R BACK RUN ROAD DEED-BK 7326 DEED-PG 337 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902461	RICHARD & DEBORAH SOBOL 1308 POLLETT CT LOUISVILLE KY 40223725	10603 BACK RUN ROAD DEED-BK 7545 DEED-PG 974 TAX-DST TAX-BLK 63	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.		
0902462	CARL V SPARROW 10237 BACK RUN ROAD LOUISVILLE KY 40299	10207 BACK RUN ROAD DEED-BK 6336 DEED-PG 121 TAX-DST TAX-BLK 62	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	00/0000	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0902462	CARL V. SPARROW (CONTINUED)	10203 BACK RUN ROAD DEED-BK 7883 DEED-PG 86 TAX-DST TAX-BLK 62	LOT-NO. 178		
		10239 BACK RUN ROAD DEED-BK 6336 DEED-PG 321 TAX-DST TAX-BLK 62	LOT-NO. 111		
0902466	CARL V. SPARROW 10239 BACK RUN ROAD LOUISVILLE KY 40299	BACK RUN ROAD DEED-BK 6336 DEED-PG 321 TAX-DST TAX-BLK 62	LIEN-DT 5,450.00 LIEN-BK LIEN-PG LOT-NO. 111		
090246A	GERALD J. SYROMSKI 9908 BACK RUN ROAD LOUISVILLE KY 40299	9908 BACK RUN ROAD DEED-BK 7423 DEED-PG 440 TAX-DST TAX-BLK 62	LIEN-DT 5,450.00 LIEN-BK LIEN-PG LOT-NO. 96		
0902469	JOHN A & CAROL A THOMAS 9920 BACK RUN ROAD LOUISVILLE KY 40299	9920 BACK RUN ROAD DEED-BK 8050 DEED-PG 978 TAX-DST TAX-BLK 62	LIEN-DT 5,450.00 LIEN-BK LIEN-PG LOT-NO. 129		
0902471	KATHY J. VANBEMARK 9930 BACK RUN ROAD LOUISVILLE KY 40299	9930 BACK RUN ROAD DEED-BK 6859 DEED-PG 375 TAX-DST TAX-BLK 62	LIEN-DT 5,450.00 LIEN-BK LIEN-PG LOT-NO. 128		

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
30	NUMBER OF CUSTOMERS LISTED				
	TOTAL PRINCIPAL REMAINING	150,050.00			

**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

June 10, 2003

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on May 13, 2003, directing the issuance of an Apportionment Warrant against property located on Back Run Rd: Broad Run Rd to Dawson Hill Rd to add to the Apportionment Warrant Register the following property:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
902419	David Lee & E Elmore	10701 Back Run Rd Deed Book 4705 Pg 551 Tax Block 63 Lot 49	\$5,450

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0903764	FRED D BLEICHER 10700 BROAD RUN ROAD LOUISVILLE KY 40297	10700 BROAD RUN ROAD DEED-BK 6270 DEED-PG 309 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO: 342	5,450.00	
0903765	KAREN & WILLIAM J BRANDENBURG 10301 BROAD RUN ROAD LOUISVILLE KY 40297	10301 BROAD RUN ROAD DEED-BK 7803 DEED-PG 530 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0903769	JAMES & MARILYN BROWN 9904 BROAD RUN ROAD LOUISVILLE KY 40299-5408	9904 BROAD RUN ROAD DEED-BK 4996 DEED-PG 825 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0903766	LW & ANNA MAE BROWN 9900 BROAD RUN ROAD LOUISVILLE KY 40299-5408	BROAD RUN ROAD DEED-BK 4749 DEED-PG 345 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
		BROAD RUN ROAD DEED-BK 3680 DEED-PG 62 TAX-DST TAX-BLK 3301	LOT-NO. 1		
		BROAD RUN ROAD DEED-BK 3680 DEED-PG 62 TAX-DST TAX-BLK 3301	LOT-NO. 2		
0903770	LULA M & JOSEPH J BUTLER C/O DENNIS BUTLER 871 MARKWELL LANE TAYLORSVILLE KY 40071	10403 BROAD RUN ROAD DEED-BK 5357 DEED-PG 830 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 29	5,450.00	
		10403 BROAD RUN ROAD DEED-BK 5357 DEED-PG 830 TAX-DST TAX-BLK 62	LOT-NO. 31		
0903771	ARNOLD EDW & ANNA L CLEMENS 10006 BROAD RUN ROAD LOUISVILLE KY 40299	10006 BROAD RUN ROAD DEED-BK 4446 DEED-PG 337 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	

Exhibit "A"

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0903973	J COSTELLE & MARY JEAN PAYTON	10950 R BROAD RUN ROAD	5,450.00		
	10950 BROAD RUN ROAD	DEED-BK 7351	LIEN-DT		
	LOUISVILLE KY	DEED-PG 657	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 62	LOT-NO.	376	
0903976	DENNIS C. DALRYMPLE	9909 BROAD RUN ROAD	5,450.00		
	9909 BROAD RUN ROAD	DEED-BK 6464	LIEN-DT		
	LOUISVILLE KY	DEED-PG 657	LIEN-BK		
	40229	TAX-DST	LIEN-PG		
		TAX-BLK 62	LOT-NO.	56	
		BROAD RUN ROAD			
		DEED-BK 6464			
		DEED-PG 657			
		TAX-DST			
		TAX-BLK 62	LOT-NO.	74	
0903981	GREGORY T & KRISTI DALRYMPLE	9905 BROAD RUN ROAD	5,450.00		
	9905 BROAD RUN ROAD	DEED-BK 5887	LIEN-DT		
	LOUISVILLE KY	DEED-PG 760	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 62	LOT-NO.	59	
0903982	HERNES G JR & GLENDA FOSTER	10200 BROAD RUN ROAD	5,450.00		
	10200 BROAD RUN ROAD	DEED-BK 3960	LIEN-DT		
	LOUISVILLE KY	DEED-PG 574	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 62	LOT-NO.	68	
0903984	PAUL L SR & EVELYN F FOWLER	9908 BROAD RUN ROAD	5,450.00		
	9908 BROAD RUN ROAD	DEED-BK 6490	LIEN-DT		
	LOUISVILLE KY	DEED-PG 657	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 62	LOT-NO.	78	
		BROAD RUN ROAD			
		DEED-BK 6490			
		DEED-PG 657			
		TAX-DST			
		TAX-BLK 62	LOT-NO.	100	
0903986	RANELLE C FUNK	10202 BROAD RUN ROAD	5,450.00		
	10202 BROAD RUN ROAD	DEED-BK 5662	LIEN-DT		
	LOUISVILLE KY	DEED-PG 399	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 62	LOT-NO.	70	
0903988	DANA GUENTHER	10605 BROAD RUN ROAD	5,450.00		
	10605 BROAD RUN ROAD	DEED-BK 7423	LIEN-DT		
	LOUISVILLE KY	DEED-PG 567	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 62	LOT-NO.	58	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0703788	DANA GUENTHERER (CONTINUED)	BROAD RUN ROAD	DEED-BK 7421 DEED-PG 567 TAX-DST TAX-BLK 62	LOT-NO: 107	
0703789	TYE J & CINDY HARDIN 10512 BROAD RUN ROAD LOUISVILLE KY 40299	10512 BROAD RUN ROAD	DEED-BK 7900 DEED-PG 364 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 115	5,450.00
0703790	ALMA L HIGGINS 8701 ZABEL WAY LOUISVILLE KY 40293	10804 BROAD RUN ROAD	DEED-BK 7583 DEED-PG 932 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 88	5,450.00
0703791	THOMAS C HODGE 9907 BROAD RUN ROAD LOUISVILLE KY 40299	9907 BROAD RUN ROAD	DEED-BK 6239 DEED-PG 630 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 25	5,450.00
0703792	LLOYD & LAURI K HYATT 10204 BROAD RUN ROAD LOUISVILLE KY 40299	10204 BROAD RUN ROAD	DEED-BK 5393 DEED-PG 992 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 75	5,450.00
0703793	NICOLAUS & CHRISTINE KOCZO 10001 BROAD RUN ROAD LOUISVILLE KY 40299	10001 BROAD RUN ROAD	DEED-BK 6272 DEED-PG 839 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 66	5,450.00
0703794	GERALD JOSEPH & MARI KUSHNER 10206 BROAD RUN ROAD LOUISVILLE KY 40299	10206 BROAD RUN ROAD	DEED-BK 6307 DEED-PG 360 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 10	5,450.00
0703795	GERALD JOSEPH & MARI KUSHNER 10206 BROAD RUN ROAD LOUISVILLE KY 40299	10206 BROAD RUN ROAD	DEED-BK 5388 DEED-PG 790 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 124	5,450.00
0703797	RICHARD C MILLER 11022 BROAD RUN ROAD LOUISVILLE KY 40299	BROAD RUN ROAD	DEED-BK 6358 DEED-PG 862 TAX-DST TAX-BLK 62	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 119	5,450.00

ACCOUNT	NAME	LOCATION				AMOUNT
0903999	FREDERICK J & PAMELA OKEEFE	10203 BROAD RUN ROAD				5,450.00
	10203 BROAD RUN ROAD	DEED-BK 5394	LIEN-DT			
	LOUISVILLE KY	DEED-PG 359	LIEN-BK			
	40299-5433	TAX-DST	LIEN-PG			
		TAX-BLK 62	LOT-NO.	55		
0904000	KENNETH G & DONNA H PEAVLER	10806 BROAD RUN ROAD				5,450.00
	10900 BROAD RUN ROAD	DEED-BK 5619	LIEN-DT			
	LOUISVILLE KY	DEED-PG 205	LIEN-BK			
	40299-5422	TAX-DST	LIEN-PG			
		TAX-BLK 62	LOT-NO.	87		
		10700 BROAD RUN ROAD				
		DEED-BK 5439				
		DEED-PG 70A				
		TAX-DST				
		TAX-BLK 62	LOT-NO.	83		
0904003	JOHN PERKISON & DENISE VOGEL	10203 BROAD RUN ROAD				5,450.00
	10203 BROAD RUN ROAD	DEED-BK 7858	LIEN-DT			
	LOUISVILLE KY	DEED-PG 420	LIEN-BK			
	40299	TAX-DST	LIEN-PG			
		TAX-BLK 62	LOT-NO.	84		
0904003	CRAIG & LISA I RODGERS	10330 BROAD RUN ROAD				5,450.00
	10330 BROAD RUN ROAD	DEED-BK 6456	LIEN-DT			
	LOUISVILLE KY	DEED-PG 552	LIEN-BK			
	40299	TAX-DST	LIEN-PG			
		TAX-BLK 62	LOT-NO.	114		
0904005	DENNIS R SERMERSHEIN	10530 BROAD RUN ROAD				5,450.00
	10530 BROAD RUN ROAD	DEED-BK 5598	LIEN-DT			
	LOUISVILLE KY	DEED-PG 957	LIEN-BK			
	40299	TAX-DST	LIEN-PG			
		TAX-BLK 62	LOT-NO.	11		
0904008	RONALD BRET & CAROLE A SPEER	BROAD RUN ROAD				5,450.00
	4634 BELLEVUE AVENUE	DEED-BK 7071	LIEN-DT			
	LOUISVILLE KY	DEED-PG 703	LIEN-BK			
	40235	TAX-DST	LIEN-PG			
		TAX-BLK 62	LOT-NO.	141		
0904009	RICHARD & JUANITA TOTTEN	10400 BROAD RUN ROAD				5,450.00
	10400 BROAD RUN ROAD	DEED-BK 5061	LIEN-DT			
	LOUISVILLE KY	DEED-PG 463	LIEN-BK			
	40299	TAX-DST	LIEN-PG			
		TAX-BLK 62	LOT-NO.	116		
0904010	CLAYTON T & MARY VESSELS	11060 BROAD RUN ROAD				5,450.00
	11060 BROAD RUN ROAD	DEED-BK 3478	LIEN-DT			
	LOUISVILLE KY	DEED-PG 569	LIEN-BK			
	40299	TAX-DST	LIEN-PG			
		TAX-BLK 62	LOT-NO.	172		

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

0904012 MARY A WHITE REVOCABLE TRUST 10790 BROAD RUN ROAD DEED-BK 7662 LIEN-BK 523 DEED-PG 523 TAX-DST 40299 LOUISVILLE KY 40299
0904013 RONALD E & KIMBERLY S WOODS 10300 BROAD RUN ROAD DEED-BK 4468 LIEN-BK 408 DEED-PG 408 TAX-DST 40299 LOUISVILLE KY 40299
5,450.00 5,450.00

TAX-BLK 52 LOT-NO. 13

TAX-BLK 52 LOT-NO. 113

**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

June 10, 2003

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on May 13, 2003, directing the issuance of Apportionment Warrants against properties located on Broad Run Rd: Back Run Rd to County Line to add to the Apportionment Warrant Register the following properties:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
903955	Roy Vance Bacon	11300 Broad Run Rd Deed Book 6254 Pg 87 Tax Block 62 Lot 63	\$5,450
904004	James R & Carol Schmidt	Broad Run Rd Deed Book 5172 Pg 228 Tax Block 62 Lots 42&21 11001 Broad Run Rd Deed Book 4525 Pg 184 Tax Block 62 Lot 101	\$5,450

PROGRAM ID. AWC5R002 THE LOUISVILLE WATER COMPANY
 APPORTIONMENT WARRANT CONTRACT E256W REGISTER

BOOK PAGE 2

RUN DATE 02/01/03
 RUN TIME 20:47:34

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806447	THOMAS & RUTH ANN BODE 1410 EASTWOOD FISHERVILLE ROAD LOUISVILLE KY 40023	1410 EASTWOOD FISHERVILLE ROAD DEED-BK 6247 LIEN-DT DEED-PG 803 LIEN-BK TAX-DST LIEN-PG TAX-BLK 42 LOT-NO.	5,450.00		RELS-DT RELS-BK RELS-PG
0806450	LEON & RACHEL BRASHEAR 1420 EASTWOOD FISHERVILLE ROAD LOUISVILLE KY 40023	1420 EASTWOOD FISHERVILLE ROAD DEED-BK 6960 LIEN-DT DEED-PG 73 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2368 LOT-NO.	5,450.00		RELS-DT RELS-BK RELS-PG
		1430 EASTWOOD FISHERVILLE ROAD DEED-BK 6960 LIEN-DT DEED-PG 73 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2368 LOT-NO.	5,450.00		RELS-DT RELS-BK RELS-PG
0806452	GARY C BRUNSMAN PO BOX 125 FISHERVILLE KY 40023-0125	1700 SHAKES RUN DRIVE DEED-BK 6255 LIEN-DT DEED-PG 906 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2383 LOT-NO.	5,450.00		RELS-DT RELS-BK RELS-PG
0806457	JOHN & SANDRA CAMFIELD 2620 FISHERVILLE RD LOUISVILLE KY 40023	2620 EASTWOOD FISHERVILLE ROAD DEED-BK 6218 LIEN-DT DEED-PG 594 LIEN-BK TAX-DST LIEN-PG TAX-BLK 43 LOT-NO.	5,450.00		RELS-DT RELS-BK RELS-PG
0806459	LONNIE JOE & ROBBY COMBS 2520 FISHERVILLE RD LOUISVILLE KY 40023	2520 EASTWOOD FISHERVILLE ROAD DEED-BK 7274 LIEN-DT DEED-PG 62 LIEN-BK TAX-DST LIEN-PG TAX-BLK 43 LOT-NO.	5,450.00		RELS-DT RELS-BK RELS-PG
0806461	WILLIAM D CROSBY 920 MACKALL AVENUE (PAID-UP) MCLEAN VA 22101	EASTWOOD CUT OFF ROAD DEED-BK 5559 LIEN-DT DEED-PG 446 LIEN-BK TAX-DST LIEN-PG TAX-BLK 34 LOT-NO.	5,450.00	00/0000	RELS-DT RELS-BK RELS-PG
0806462	TIMOTHY & DARLA CUNAGIN 8217 CHICHERING WAY LOUISVILLE KY 40228	1300 EASTWOOD FISHERVILLE ROAD DEED-BK 7207 LIEN-DT DEED-PG 596 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2368 LOT-NO.	5,450.00		RELS-DT RELS-BK RELS-PG
0806464	ALFRED DENNY 1301 EASTWOOD ROAD (PAID-UP) LOUISVILLE KY 40023	1301 EASTWOOD ROAD DEED-BK 745 LIEN-DT DEED-PG 9 LIEN-BK TAX-DST LIEN-PG TAX-BLK 42 LOT-NO.	5,450.00	00/0000	RELS-DT RELS-BK RELS-PG

EXHIBIT "A"
 PAID IN FULL

RELEASE OF LIEN

ACCOUNT	NAME	LOCATION	ASSESSMENT
0006438	LARRY & AUDREY AARON	1401 EASTWOOD FISHERVILLE ROAD	5,450.00
(PAID-UP)	1401 EASTWOOD FISHERVILLE ROAD	DEED-BK 4300 LIEN-DT	
	LOUISVILLE KY	DEED-PG 429 LIEN-BK	
	40023	TAX-DST LIEN-PG	
		TAX-BLK 42 LOT-NO. 93	
		1201 EASTWOOD FISHERVILLE	5,450.00
		DEED-BK 5827 LIEN-DT	
		DEED-PG 204 LIEN-BK	
		TAX-DST LIEN-PG	
		TAX-BLK 42 LOT-NO. 155	
0006440	CAROL PLACHER & JANE AUBREY	1318 EASTWOOD FISHERVILLE	5,450.00
	11713 WETHERBY AVE	DEED-BK 6911 LIEN-DT	
	LOUISVILLE KY	DEED-PG 704 LIEN-BK	
	40023	TAX-DST LIEN-PG	
		TAX-BLK 2368 LOT-NO. 2	
0006442	CLARENCE HERBERT BARBEE	720 FISHERVILLE ROAD	5,450.00
	720 FISHERVILLE ROAD	DEED-BK 4004 LIEN-DT	
	FISHERVILLE KY	DEED-PG 31 LIEN-BK	
	40023	TAX-DST LIEN-PG	
		TAX-BLK 33 LOT-NO. 47	
		720 FISHERVILLE ROAD	5,450.00
		DEED-BK 4004 LIEN-DT	
		DEED-PG 31 LIEN-BK	
		TAX-DST LIEN-PG	
		TAX-BLK 33 LOT-NO. 48	
		720 FISHERVILLE ROAD	5,450.00
		DEED-BK 4004 LIEN-DT	
		DEED-PG 31 LIEN-BK	
		TAX-DST LIEN-PG	
		TAX-BLK 33 LOT-NO. 49	
		728 FISHERVILLE ROAD	5,450.00
		DEED-BK 4004 LIEN-DT	
		DEED-PG 31 LIEN-BK	
		TAX-DST LIEN-PG	
		TAX-BLK 33 LOT-NO. 7	
0006444	R. THOMAS & DANETTE BAROMSKY	2817 FISHERVILLE ROAD	5,450.00
	2817 FISHERVILLE ROAD	DEED-BK 6983 LIEN-DT	
	FISHERVILLE KY	DEED-PG 93 LIEN-BK	
	40023	TAX-DST LIEN-PG	
		TAX-BLK 41 LOT-NO. 187	
0006445	GORDON BOARD	1620 SHAKES RUN DRIVE	5,450.00
	P.O. BOX 17	DEED-BK 6060 LIEN-DT	
	EASTWOOD KY	DEED-PG 58 LIEN-BK	
	40018	TAX-DST LIEN-PG	
		TAX-BLK 2383 LOT-NO. 14	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806465	JAMES S DUNBAR 1400 EASTWOOD FISHERVILLE ROAD LOUISVILLE KY 40023	1400 EASTWOOD FISHERVILLE ROAD DEED-BK 6792 DEED-PG 588 TAX-DST TAX-BLK 2368	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 4	5,450.00	RELS-DT RELS-BK RELS-PG
0806466	DONALD & CHERYL FUST 2815 FISHERVILLE ROAD LOUISVILLE KY 40023	2815 FISHERVILLE ROAD DEED-BK 4566 DEED-PG 513 TAX-DST TAX-BLK 43	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 304	5,450.00	RELS-DT RELS-BK RELS-PG
0806469	ARTHUR & WILMA FUST 2809 FISHERVILLE ROAD LOUISVILLE KY 40023	FISHERVILLE ROAD DEED-BK 5820 DEED-PG 224 TAX-DST TAX-BLK 42	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 156	5,450.00	RELS-DT RELS-BK RELS-PG
0806470	ARTHUR & WILMA FUST 2809 FISHERVILLE ROAD LOUISVILLE KY 40023	2809 FISHERVILLE ROAD DEED-BK 4447 DEED-PG 236 TAX-DST TAX-BLK 41	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 99	5,450.00	RELS-DT RELS-BK RELS-PG
0806471 (PAID-UP)	JOHN & ANNA GADDIE 912 FISHERVILLE ROAD FISHERVILLE KY 40023	912 FISHERVILLE DEED-BK 7155 DEED-PG 792 TAX-DST TAX-BLK 33	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 44	5,450.00	02/2003 RELS-DT RELS-BK RELS-PG
0806476	W.P. FAMILY LTD PT. HALLENBERG 12300 HOLLY LANE LOUISVILLE KY 40223	FISHERVILLE ROAD DEED-BK 6697 DEED-PG 117 TAX-DST TAX-BLK 41	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 16	5,450.00	RELS-DT RELS-BK RELS-PG
0806478	WILLIAM & DONNA HAYS 6015 PRESTON HIGHWAY LOUISVILLE KY 40219	1117 FISHERVILLE ROAD DEED-BK 5909 DEED-PG 54 TAX-DST TAX-BLK 42	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 2	5,450.00	RELS-DT RELS-BK RELS-PG
0806481	MILTON & MARY BETH HETTINGER 1500 SHAKES RUN CT FISHERVILLE KY 40023-7755	1500 SHAKES RUN DRIVE DEED-BK 6161 DEED-PG 970 TAX-DST TAX-BLK 2383	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 11	5,450.00	RELS-DT RELS-BK RELS-PG
0806482	DENISE & HENRY HIBBARD 210 EASTWOOD FISHERVILLE KY 40023	210 FISHERVILLE DEED-BK 6007 DEED-PG 339 TAX-DST TAX-BLK 439	LIEN-DT LIEN-BK LIEN-PG LOT-NO. 6	5,450.00	RELS-DT RELS-BK RELS-PG

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806484	DELETED CUSTOMER	EASTWOOD FISHERVILLE REAR DEED-BK 727? LIEN-DT DEED-PG 933 LIEN-BK TAX-DST LIEN-PG TAX-BLK 42 LOT-NO.	5,450.00		
0806484	JAMES R SUSAN JOHNSON 2618 FISHERVILLE ROAD LOUISVILLE KY 40023	1515 EASTWOOD FISHERVILLE DEED-BK 6873 LIEN-DT DEED-PG 844 LIEN-BK TAX-DST LIEN-PG TAX-BLK 42 LOT-NO.	5,450.00		
0806487	DAVID RAYMOND KAREN 3719 LOCUST CIRCLE PROSPECT KY 40059	17000 MARKSBURY DRIVE DEED-BK 7170 LIEN-DT DEED-PG 323 LIEN-BK TAX-DST LIEN-PG TAX-BLK 43 LOT-NO.	5,450.00		
0806490	WILLIAM S & SHIRLEY A KNOPF 900 FISHERVILLE EASTWOOD ROAD FISHERVILLE KY 40023	1309 FISHERVILLE ROAD DEED-BK 7184 LIEN-DT DEED-PG 28 LIEN-BK TAX-DST LIEN-PG TAX-BLK 42 LOT-NO.	5,450.00		
0806491	STEVEN K & MELORY KNOPF 208 FISHERVILLE ROAD FISHERVILLE KY 40023	900 EASTWOOD FISHERVILLE DEED-BK 666A LIEN-DT DEED-PG 598 LIEN-BK TAX-DST LIEN-PG TAX-BLK 33 LOT-NO.	5,450.00		
0806493	C. O'HAHONEY & MARC LAUBER 1720 SHAKES RUN COURT LOUISVILLE KY 40023	900 FISHERVILLE ROAD DEED-BK 6868 LIEN-DT DEED-PG 598 LIEN-BK TAX-DST LIEN-PG TAX-BLK 439 LOT-NO.	5,450.00		
0806495	THOMAS & DIANNA LEE 2833 JOAN AVENUE LOUISVILLE KY 40025	208 FISHERVILLE ROAD DEED-BK 5987 LIEN-DT DEED-PG 929 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2383 LOT-NO.	5,450.00		
0806495	THOMAS & DIANNA LEE 2833 JOAN AVENUE LOUISVILLE KY 40025	1720 SHAKES RUN DRIVE DEED-BK 6675 LIEN-DT DEED-PG 442 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2383 LOT-NO.	5,450.00		
0806495	THOMAS & DIANNA LEE 2833 JOAN AVENUE LOUISVILLE KY 40025	2530 EASTWOOD FISHERVILLE ROAD DEED-BK 7108 LIEN-DT DEED-PG 680 LIEN-BK TAX-DST LIEN-PG TAX-BLK 41 LOT-NO.	5,450.00		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0806497	ROY & ROBERTA M LILLPOP	1211 FISHERVILLE ROAD	5,450.00		
	1211 FISHERVILLE ROAD	DEED-BK 5990 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 431 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	153		
0806500	JAMES & PATRICIA MARKS	1301 EASTWOOD FISHERVILLE ROAD	5,450.00		
	42 EASTWOOD ROAD	DEED-BK 7035 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 857 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	187		
		1321 EASTWOOD FISHERVILLE	5,450.00		
		DEED-BK 7035 LIEN-DT			RELS-DT
		DEED-PG 857 LIEN-BK			RELS-BK
		TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	188		
0806502	DENNIS & JUDY MELEAR	2700 FISHERVILLE ROAD	5,450.00		
	2700 FISHERVILLE ROAD	DEED-BK 5672 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 721 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 41 LOT-NO.	100		
0806503	CHARLES & NANCY MILLER	16900 HOMESTEAD TRACE	5,450.00		
	P.O. BOX 174	DEED-BK LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	190		
0806506	LELAND G & CYNTHIA MONEYRENNY	700 EASTWOOD CUT OFF ROAD	5,450.00	00/0000	
(PAID-UP)	PO BOX 31	DEED-BK 4880 LIEN-DT			RELS-DT
	EASTWOOD KY	DEED-PG 160 LIEN-BK			RELS-BK
	40018	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 33 LOT-NO.	8		
0806510	CAROLYN & JACOB MORAN	1207 FISHERVILLE ROAD	5,450.00		
	C/O 3009 POINT FIVE MEADE AVE	DEED-BK 6982 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 431 LIEN-BK			RELS-BK
	40217	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	139		
0806512	ROBERT & KIM MOSSER	2500 EASTWOOD FISHERVILLE ROAD	5,450.00		
	2500 EASTWOOD FISHERVILLE ROAD	DEED-BK 6526 LIEN-DT			RELS-DT
	FISHERVILLE KY	DEED-PG 150 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 41 LOT-NO.	191		
0806513	JOHN & CAROL NELSON	1511 FISHERVILLE ROAD	5,450.00		
	1511 FISHERVILLE ROAD	DEED-BK 6863 LIEN-DT			RELS-DT
	LOUISVILLE KY	DEED-PG 186 LIEN-BK			RELS-BK
	40023	TAX-DST LIEN-PG			RELS-PG
		TAX-BLK 42 LOT-NO.	181		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
		EASTWOOD FISHERVILLE REAR	5,450.00		
		DEED-BK 7277			RELS-DT
		DEED-PG 931			RELS-BK
		TAX-DST			RELS-PG
		TAX-BLK 42	181		
0006514	RICHARD & SHARON PAULIN	722 EASTWOOD FISHERVILLE ROAD	5,450.00		
	816 EASTWOOD FISHERVILLE ROAD	DEED-BK 6263			RELS-DT
	FISHERVILLE KY	DEED-PG 294			RELS-BK
	40023	TAX-DST			RELS-PG
		TAX-BLK 33	45		
		816 EASTWOOD ROAD	5,450.00		
		DEED-BK 6263			RELS-DT
		DEED-PG 294			RELS-BK
		TAX-DST			RELS-PG
		TAX-BLK 33	77		
0006515	MICHAEL & LAURIE RAY	1516 EASTWOOD FISHERVILLE	5,450.00	00/0000	
	P O BOX 27	DEED-BK 6999			RELS-DT
(PAID-UP)	EASTWOOD KY	DEED-PG 731			RELS-BK
	40018	TAX-DST			RELS-PG
		TAX-BLK 2368	10		
0006516	ROBERT P ROSS	310 RIVERFRONT PLAZA #50	5,450.00		
	310 RIVERFRONT PLAZA STE #50	DEED-BK 5079			RELS-DT
	LOUISVILLE KY	DEED-PG 543			RELS-BK
	40202	TAX-DST			RELS-PG
		TAX-BLK 41	127		
0006518	DOUGLAS & PEGGY WHEELER	FISHERVILLE ROAD	5,450.00		
	2710 FISHERVILLE ROAD	DEED-BK 7495			RELS-DT
	LOUISVILLE KY	DEED-PG 565			RELS-BK
	40219	TAX-DST			RELS-PG
		TAX-BLK 41	186		
0006519	JAMES & KATHRYN SHARBER	1520 SHAKES RUN ROAD	5,450.00		
	1520 SHAKES RUN ROAD	DEED-BK 6458			RELS-DT
	LOUISVILLE KY	DEED-PG 754			RELS-BK
	40023	TAX-DST			RELS-PG
		TAX-BLK 2383	12		
		1600 SHAKES RUN ROAD	5,450.00		
		DEED-BK 6458			RELS-DT
		DEED-PG 754			RELS-BK
		TAX-DST			RELS-PG
		TAX-BLK 2383	13		
0006557	ARTHUR & SANDRA SMITHERS	2301 EASTWOOD FISHERVILLE ROAD	5,450.00		
	2301 EASTWOOD FISHERVILLE ROAD	DEED-BK 6310			RELS-DT
	LOUISVILLE KY	DEED-PG 950			RELS-BK
	40023	TAX-DST			RELS-PG
		TAX-BLK 41	163		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0A06560	WAYNE & DARLENE STOCKTON 1500 EASTWOOD FISHERVILLE ROA FISHERVILLE KY 40023	1500 EASTWOOD FISHERVILLE ROAD DEED-BK 6650 LIEN-DT DEED-PG 352 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2368 LOT-NO.	5,450.00	8	RELS-DT RELS-BK RELS-PG
0A06564	JAMES & DEBORAH SWETNAM 2307 EASTWOOD FISHERVILLE ROAD LOUISVILLE KY 40023	2307 EASTWOOD FISHERVILLE ROAD DEED-BK 5094 LIEN-DT DEED-PG 685 LIEN-BK TAX-DST LIEN-PG TAX-BLK 41 LOT-NO.	5,450.00	128	RELS-DT RELS-BK RELS-PG
0A06565	JACK & CYNTHIA THOMPSON P.O. BOX 107 EASTWOOD KY 40018	1510 EASTWOOD FISHERVILLE DEED-BK 6039 LIEN-DT DEED-PG 130 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2368 LOT-NO.	5,450.00	7	RELS-DT RELS-BK RELS-PG
0A06566	CHRISTOPHER & BETH VANCE 1640 SHAKES RUN CT FISHERVILLE KY 40023-A762	1640 SHAKES RUN DRIVE DEED-BK 6969 LIEN-DT DEED-PG 541 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2383 LOT-NO.	5,450.00	15	RELS-DT RELS-BK RELS-PG
0A06568	MADE & HARRIET WEARREN 13786 POPLAR LANE LOUISVILLE KY 40299	EASTWOOD FISHERVILLE DEED-BK 6392 LIEN-DT DEED-PG 754 LIEN-BK TAX-DST LIEN-PG TAX-BLK 42 LOT-NO.	5,450.00	44	RELS-DT RELS-BK RELS-PG
0A06569	JOE W WEBB 1320 EASTWOOD FISHERVILLE ROAD LOUISVILLE KY 40023	1320 EASTWOOD FISHERVILLE ROAD DEED-BK 7368 LIEN-DT DEED-PG 39 LIEN-BK TAX-DST LIEN-PG TAX-BLK 2368 LOT-NO.	5,450.00	3	RELS-DT RELS-BK RELS-PG
0A06570	ROY & SARAH WISEHART 2302 FISHERVILLE ROAD LOUISVILLE KY 40023	2302 FISHERVILLE ROAD DEED-BK 5012 LIEN-DT DEED-PG 289 LIEN-BK TAX-DST LIEN-PG TAX-BLK 42 LOT-NO.	5,450.00	46	RELS-DT RELS-BK RELS-PG
		FISHERVILLE ROAD DEED-BK 5012 LIEN-DT DEED-PG 289 LIEN-BK TAX-DST LIEN-PG TAX-BLK 42 LOT-NO.	5,450.00	45	RELS-DT RELS-BK RELS-PG
		EASTWOOD ROAD DEED-BK 5012 LIEN-DT DEED-PG 289 LIEN-BK TAX-DST LIEN-PG TAX-BLK 41 LOT-NO.	5,450.00	18	RELS-DT RELS-BK RELS-PG

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ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

2302 EASTWOOD
 DEED-BK 5012 LIEN-DT 5,450.00
 DEED-PG 289 LIEN-BK
 TAX-DST LIEN-PG
 TAX-BLK 41 LOT-NO. 33

RELS-DT
 RELS-BK
 RELS-PG

0A14206 TODD DOUGLAS WHEELER
 2710 FISHERVILLE ROAD
 LOUISVILLE KY
 40219

FISHERVILLE ROAD
 DEED-BK 7495 LIEN-DT 5,450.00
 DEED-PG 562 LIEN-BK
 TAX-DST LIEN-PG
 TAX-BLK 43 LOT-NO. 185

RELS-DT
 RELS-BK
 RELS-PG

0A14770 ROBERT DATLO

EASTWOOD FISHERVILLE ROAD
 DEED-BK 5760 LIEN-DT 5,450.00
 DEED-PG 467 LIEN-BK
 TAX-DST LIEN-PG
 TAX-BLK 42 LOT-NO. 68

RELS-DT
 RELS-BK
 RELS-PG

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
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**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

June 10, 2003

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on February 13, 2001, directing the issuance of Apportionment Warrants against properties located on Eastwood-Fisherville Road: Fisherville Woods Drive to Eastwood Cut-Off to add to the Apportionment Warrant Register a property known as Tax Block 42 Lot 160:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
907473	Thomas G. Flener	Eastwood-Fisherville Rd Deed Book 5466 Pg. 524 Tax Block 42 Lot 160	\$5,450

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0884902	THOMAS E & THERESE ADAMS 1101 TOP HILL RD FAIRDALE KY 40118	1101 TOP HILL RD DEED-BK 5537 DEED-PG 816 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0884907	ANTHONY AUBREY 2206 TOP HILL RD FAIRDALE KY 40118	2206 TOP HILL RD DEED-BK 6630 DEED-PG 856 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG	5,450.00	104
0884911	RALPH A & PAULA S AXE 2011 TOP HILL RD FAIRDALE KY 40118-7046	2011 TOP HILL RD DEED-BK 6275 DEED-PG 508 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG	5,450.00	50
0884893	MARCIA E BAKER 11819 SNAWDER LN FAIRDALE KY 40118	11819 SNAWDER LN DEED-BK 6627 DEED-PG 234 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0884913	THOS P SR & DEBORAH BEARD 2104 TOP HILL RD FAIRDALE KY 40118	2104 TOP HILL RD DEED-BK 5424 DEED-PG 39 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG	5,450.00	147
0884916	WM E & LINDA DARL BLEVINS 10310 BEAU BRUMMELL FAIRDALE KY 40118	1701 TOP HILL RD DEED-BK 7909 DEED-PG 184 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG	5,450.00	134
0884918	ORIN B & NORMA R BOND 1007 CLARK STATION RD FISHERVILLE KY 40023	2100 TOP HILL RD DEED-BK 6275 DEED-PG 738 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG	5,450.00	98
0884858	RICHARD R & E M CLARK 7143 KNOB CREEK RD BROOKS KY 40109	7143 KNOB CREEK RD DEED-BK 3688 DEED-PG 469 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG	5,450.00	242
0884919	WILLIAM R & ELLA COFFEE 2113 TOP HILL RD FAIRDALE KY 40118	2113 TOP HILL RD DEED-BK 3353 DEED-PG 301 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG	5,450.00	147

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Exhibit "A"

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0884890	JEFFERSON COUNTY	KNOB CREEK RD		5,450.00	
	403 FISCAL COURT BLDG	DEED-BK 5435	LIEN-DT		
	LOUISVILLE KY	DEED-PG 339	LIEN-BK		
	40202	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	267	
		DEED-BK 7311			
		DEED-PG 534			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	374	
0884892	JEFFERSON COUNTY	KNOB CREEK RD		5,450.00	
	517 W JEFFERSON ST	DEED-BK 7311	LIEN-DT		
	LOUISVILLE KY	DEED-PG 534	LIEN-BK		
	40202	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	375	
0884957	JEFFERSON COUNTY	TOP HILL RD		5,450.00	
	517 W JEFFERSON ST	DEED-BK 7598	LIEN-DT		
	LOUISVILLE KY	DEED-PG 14	LIEN-BK		
	40202	TAX-DST	LIEN-PG		
		TAX-BLK 1056	LOT-NO.	380	
		TOP HILL RD			
		DEED-BK 7598			
		DEED-PG 14			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	386	
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 1055	LOT-NO.	39	
		DEED-BK 7598			
		DEED-PG 14			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	381	
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	8	
		DEED-BK			
		DEED-PG			
		TAX-DST			
		TAX-BLK 1056	LOT-NO.	9	

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JEFFERSON COUNTY (CONTINUED)

DB4957

DEED-BK

DEED-PG

TAX-DST

TAX-BLK 1056

LOT-NO. 148

DEED-BK

DEED-PG

TAX-DST

TAX-BLK 1056

LOT-NO. 49

DEED-BK 5489

DEED-PG 562

TAX-DST

TAX-BLK 1055

LOT-NO. 19

DEED-BK

DEED-PG

TAX-DST

TAX-BLK 1056

LOT-NO. 232

DEED-BK

DEED-PG

TAX-DST

TAX-BLK 1056

LOT-NO. 377

5,450.00

LIEN-DT

LIEN-BK

LIEN-PG

JEFFERSON COUNTY

517 W JEFFERSON ST

LOUISVILLE KY

40202

TOP HILL RD

0084966

DEED-BK

DEED-PG

TAX-DST

TAX-BLK 1056

LOT-NO. 49

DEED-BK

DEED-PG

TAX-DST

TAX-BLK 1056

LOT-NO. 49

DEED-BK

DEED-PG

TAX-DST

TAX-BLK 1056

LOT-NO. 49

DEED-BK

DEED-PG

TAX-DST

TAX-BLK 1056

LOT-NO. 232

DEED-BK

DEED-PG

TAX-DST

TAX-BLK 1056

LOT-NO. 252

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0884920	DAVID A & SHELIA D COWDEN 3802 HILLCROSS DR LOUISVILLE KY 40227	1904 TOP HILL RD DEED-BK 7245 DEED-PG 656 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0884926	CARLTON M CRUGER 2211 TOP HILL RD FAIRDALE KY 40116	2211 TOP HILL RD DEED-BK 5784 DEED-PG 549 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0884932	JEFFERY M & COLLEEN DONOHUE 2101 TOP HILL RD FAIRDALE KY 40116	2101 TOP HILL RD DEED-BK 5899 DEED-PG 708 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0884936	HARRY S DOWNEY 12008 SNAWDER LN FAIRDALE KY 40116-7432	12008 SNAWDER LN DEED-BK 6927 DEED-PG 756 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0884934	ROBERT V & TERRY L DOYLE 1700 TOP HILL RD FAIRDALE KY 40116	1700 TOP HILL RD DEED-BK 7618 DEED-PG 860 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0884938	STEPHEN R DUNN 2121 TOP HILL RD FAIRDALE KY 40116	2121 TOP HILL RD DEED-BK 5023 DEED-PG 224 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
0884941	C L & THELMA L FERGUSON 8208 NATIONAL TURNPIKE LOUISVILLE KY 40224	2110 TOP HILL RD DEED-BK 3112 DEED-PG 236 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00	
		2114 TOP HILL RD DEED-BK 3112 DEED-PG 236 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.		144
		2112 TOP HILL RD DEED-BK 3112 DEED-PG 236 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.		140

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ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0884253	GREG FULTZ 12008 GOFF LN FAIRDALE KY 40114	12101 GOFF LN DEED-BK 6387 DEED-PG 87 TAX-DST TAX-BLK 1056	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	248	
0884248	GREGORY & JUANITA FULTZ 12008 GOFF LN FAIRDALE KY 40114	12008 GOFF LN DEED-BK 6243 DEED-PG 837 TAX-DST TAX-BLK 1055	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	322	
0884944	DONALD R & JEAN GILBERT 7733 SILVERWOOD LN LOUISVILLE KY 40272	1803 TOP HILL RD DEED-BK 4509 DEED-PG 165 TAX-DST TAX-BLK 1056	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	303	
0884948	JILL JOHNSTON & TODD GILBERT 1302 TOP HILL RD FAIRDALE KY 40114	TOP HILL RD DEED-BK 7893 DEED-PG 934 TAX-DST TAX-BLK 1055	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	255	
0884949	TINA GILLENWATER 1600 TOP HILL RD FAIRDALE KY 40114	1600 TOP HILL RD DEED-BK 6230 DEED-PG 336 TAX-DST TAX-BLK 1056	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	370	
0884877	MORBIA & JOHN GOATLEY 12014 SHAWDER LN FAIRDALE KY 40118	12014 SHAWDER LN DEED-BK 7354 DEED-PG 215 TAX-DST TAX-BLK 1055	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	157	
0884821	STEPHEN D GRAHAM 13008 MITCHELL HILL RD FAIRDALE KY 40118	13008 MITCHELL HILL RD DEED-BK 6877 DEED-PG 224 TAX-DST TAX-BLK 1056	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	235	
		13006 MITCHELL HILL RD DEED-BK 7604 DEED-PG 483 TAX-DST TAX-BLK 1056		68	
0884844	WALTER WILLIAM JR & GRAHAM 13015 MITCHELL HILL RD FAIRDALE KY 40118	13015 MITCHELL HILL RD DEED-BK 6645 DEED-PG 106 TAX-DST TAX-BLK 1056	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	67	

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0884886	JAS W & SYLVIA D GRIFFIN 7381 KNOB CREEK RD BROOKS KY 40309	7381 KNOB CREEK RD DEED-BK 3986 DEED-PG 535 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 219
0884953	BRIGHT H HALL 2209 TOP HILL RD FAIRDALE KY 40318	2209 TOP HILL RD DEED-BK 7450 DEED-PG 539 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 375
0884887	PATRICIA S HALL 7236 KNOB CREEK RD BROOKS KY 40309	7236 KNOB CREEK RD DEED-BK 7479 DEED-PG 582 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 220
0884888	SIMON J SR HARRIS 7091 KNOB CREEK RD BROOKS KY 40309	7091 KNOB CREEK RD DEED-BK 4985 DEED-PG 542 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 373
0886232	OWEN & FORREST HUDGINS C/O C/O PARELA MEYERS 484 SPRING HOUSE LN LOUISVILLE KY 40229	11806 GOFF LN DEED-BK 3699 DEED-PG 439 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 100
0884953	KENNETH HUMPHRESS 2135 TOP HILL RD FAIRDALE KY 40318	2135 TOP HILL RD DEED-BK 6349 DEED-PG 943 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 146
0884889	ROGER & MONICA HUMPHREY 7231 KNOB CREEK RD BROOKS KY 40309	7231 KNOB CREEK RD DEED-BK 6924 DEED-PG 47 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 254
0884898	JOHN WILLIAM & DEBOR JEFFRIES 12010 SNAWDER LN FAIRDALE KY 40318	12010 SNAWDER LN DEED-BK 4750 DEED-PG 958 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 204
0884847	CLARENCE & DF MILLER JOHNSON 13011 MITCHELL HILL RD FAIRDALE KY 40318	12000 MITCHELL HILL RD DEED-BK 6276 DEED-PG 309 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 327

0885331	CHRISTOPHER W JOHNSTONE 2304 TOP HILL RD FAIRDALE KY 40338	2304 TOP HILL RD DEED-BK 6818 DEED-PG 630 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 74
0884850	RICHARD N & LINDA JOHNSTONE 13010 MITCHELL HILL RD FAIRDALE KY 40338	13010 MITCHELL HILL RD DEED-BK 5089 DEED-PG 430 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 239
0885339	STEPHEN J KESLING 1200 TOP HILL RD FAIRDALE KY 40338	11806 1/2 GOFF LN DEED-BK 5106 DEED-PG 787 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 101
		1200 TOP HILL RD DEED-BK 5106 DEED-PG 787 TAX-DST TAX-BLK 1055	LOT-NO.	103
		1300 TOP HILL RD DEED-BK 5106 DEED-PG 787 TAX-DST TAX-BLK 1055	LOT-NO.	109
0885335	MINNIE L RAPP & LELA KINKER 1705 TOP HILL RD FAIRDALE KY 40338	1705 TOP HILL RD DEED-BK 4995 DEED-PG 127 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 135
0885363	LENA K LONG 2436 GILLIGAN ST LOUISVILLE KY 40212	1110 TOP HILL RD DEED-BK 3055 DEED-PG 162 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 108
0884701	BILLY MASON 12005 SNAWDER LN FAIRDALE KY 40338	12005 SNAWDER LN DEED-BK 5489 DEED-PG 562 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 20
0885369	BILLY MASON 12005 SNAWDER LN FAIRDALE KY 40338	12005 SNAWDER LN DEED-BK 5489 DEED-PG 562 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 20

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			ASSESSMENT	PAY IN FULL	RELEASE OF LIEN
0885371	LLOYD & FRONIE MEREDITH 2108 TOP HILL RD FAIRDALE KY 40118	2108 TOP HILL RD	DEED-BK 3127 DEED-PG 303 TAX-DST TAX-BLK 1056	5,450.00	00/0000
0885338	VERIZON MESSAGING SERVICE LLC 180 WASHINGTON VALLEY RD BEDMINSTER NJ 7921	TOP HILL RD	DEED-BK 7860 DEED-PG 335 TAX-DST TAX-BLK 1056	5,450.00	
0885373	WILSON F & LOU ANN MEYER 2300 TOP HILL RD FAIRDALE KY 40118	2300 TOP HILL RD	DEED-BK 5245 DEED-PG 596 TAX-DST TAX-BLK 1056	5,450.00	
0885375	CAROLYN & JOHN MILLER 7917 OLD 3RD STREET RD LOUISVILLE KY 40214	1303 TOP HILL RD	DEED-BK 7575 DEED-PG 643 TAX-DST TAX-BLK 1055	5,450.00	
0885387	JOHN H & BRENDA JOY MITCHELL 1304 TOP HILL RD FAIRDALE KY 40118-7431	1304 TOP HILL RD	DEED-BK 7192 DEED-PG 91 TAX-DST TAX-BLK 1055	5,450.00	
0885380	RONALD W MITCHELL 1800 TOP HILL RD FAIRDALE KY 40118	2117 TOP HILL RD	DEED-BK 5803 DEED-PG 105 TAX-DST TAX-BLK 1056	5,450.00	
0885384	RONALD W MITCHELL 1800 TOP HILL RD FAIRDALE KY 40118	TOP HILL RD	DEED-BK 7598 DEED-PG 14 TAX-DST TAX-BLK 1056	5,450.00	
		TOP HILL RD	DEED-BK 7598 DEED-PG 14 TAX-DST TAX-BLK 1056		382
0886235	WILLIAM & JUANITA MONEYPENNY 11901 GOFF LN FAIRDALE KY 40118	11901 GOFF LN	DEED-BK 5970 DEED-PG 572 TAX-DST TAX-BLK 1056	5,450.00	

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0886252	PATRICK & REBECCA MONKS 12100 GOFF LN FAIRDALE KY 40118	12100 GOFF LN DEED-BK 7888 DEED-PG 61 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 288
0885393	VERNON & BERNICE MORGAN 1100 TOP HILL RD FAIRDALE KY 40118	1100 TOP HILL RD DEED-BK 2945 DEED-PG 88 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 105
0884854	HARRISON A & VIOLA A MULL 13014 MITCHELL HILL RD FAIRDALE KY 40118	13014 MITCHELL HILL RD DEED-BK 7251 DEED-PG 255 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 48
0885396	BRIAN W NEWTON 1474 HODGENVILLE RD CAMPBELLSVILLE KY 42718	11805 SNAMDER LN DEED-BK 6216 DEED-PG 780 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 155
0886243	HURCHEL & CATHERINE NOE 12001 GOFF LN FAIRDALE KY 40118	12001 GOFF LN DEED-BK 4984 DEED-PG 124 TAX-DST TAX-BLK 1056	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 196
		GOFF LN DEED-BK 4984 DEED-PG 124 TAX-DST TAX-BLK 1056		LOT-NO. 145
		GOFF LN DEED-BK 4984 DEED-PG 124 TAX-DST TAX-BLK 1056		LOT-NO. 195
0885418	TOP HILL PARTNERSHIP LTD 3633 WOODSIDE RD LOUISVILLE KY 40222	1302 TOP HILL RD DEED-BK 6940 DEED-PG 852 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 106
0885398	DANA SIEFERT & HOMER PRIOR 1404 TOP HILL RD FAIRDALE KY 40118	1404 TOP HILL RD DEED-BK 6851 DEED-PG 305 TAX-DST TAX-BLK 1055	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	5,450.00 102

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0885400	THOMAS H RIGGS JR 2016 TOP HILL RD FAIRDALE KY 40118	2016 TOP HILL RD DEED-BK 7195 DEED-PG 60 TAX-DST TAX-BLK 1056	5,450.00		
		TOP HILL RD DEED-BK 7195 DEED-PG 60 TAX-DST TAX-BLK 1056		192	
0885402	SHARON L SCHAUB 2111 TOP HILL RD FAIRDALE KY 40118	2111 TOP HILL RD DEED-BK 6873 DEED-PG 429 TAX-DST TAX-BLK 1056	5,450.00		
				193	
0884855	LYTLE L SMITH 1421 LEXINGTON RD LOUISVILLE KY 40206	11807 MITCHELL HILL RD DEED-BK 7338 DEED-PG 530 TAX-DST TAX-BLK 1056	5,450.00		
				129	
0885408	LYTLE L SMITH 1421 LEXINGTON RD LOUISVILLE KY 40206	1328 TOP HILL RD DEED-BK 7828 DEED-PG 308 TAX-DST TAX-BLK 1055	5,450.00		
		1400 TOP HILL RD DEED-BK 7336 DEED-PG 528 TAX-DST TAX-BLK 1055		65	
				174	
0885411	CHARLES E & DORIS STINNETT 3101 WIDGEON AVE LOUISVILLE KY 40213	2006 TOP HILL RD DEED-BK 6044 DEED-PG 277 TAX-DST TAX-BLK 1056	5,450.00		
				113	
0885417	ARLIN R & ESTHER V TUCKER 1408 TOP HILL RD FAIRDALE KY 40118	1408 TOP HILL RD DEED-BK 3592 DEED-PG 356 TAX-DST TAX-BLK 1055	5,450.00		
				110	
0886237	DEBORAH K TURNER 12000 GOFF LN FAIRDALE KY 40118	12000 GOFF LN DEED-BK 5266 DEED-PG 846 TAX-DST TAX-BLK 1055	5,450.00		
				111	

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

088527 JAMES & MILDRED TURNER 11815 GOLF LN 5450.00

DEED-BK 3517 LIEN-D1

DEED-PG 333 LIEN-BK

FAIRDALE KY 90118

TAX-BLK 1056 TAX-D1

LIEN-PG 204 LOT-NO.

088524 DENEY JR K VINCENT 12412 GOLF LN 5450.00

DEED-BK 5252 LIEN-D1

DEED-PG 929 LIEN-BK

FAIRDALE KY 90118

TAX-BLK 1056 TAX-D1

LIEN-PG 53 LOT-NO.

088523 FREDERICK C WULF 11817 GOLF LN 5450.00

DEED-BK 5670 LIEN-D1

DEED-PG 905 LIEN-BK

FAIRDALE KY 90118

TAX-BLK 1056 TAX-D1

LIEN-PG 149 LOT-NO.

**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

June 10, 2003

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on December 20, 2002, directing the issuance of Apportionment Warrants against properties located on Snawder Ln: Top Hill Rd to South 1,600 ft to add to the Apportionment Warrant Register a property known as Tax Block 1055 Lot 88:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
908366	Charles B. Schreiber	Snawder Ln Deed Book 6902 Pg. 867 Tax Block 1055 Lot 88	\$5,450

**BOARD OF WATER WORKS
JULY 8, 2003
BOARD MEETING MINUTES**

Board Members Present

Mr. Stewart Conner
Mr. Stephen Gault
Mr. Phillip Bond
Ms. Wendy Welsh
Dr. Joseph Wise
Mr. Jack Segell

Board Members Absent

The Hon. Jerry C. Abramson

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Mr. Greg Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Susan Lehmann, Vice President, Human Resources
Ms. Barbara Crow
Mr. Tony Gregory
Mr. William Daniel, II - Guest

Mr. Huber called the meeting to order at 12:30 p.m.

He announced that Mr. William Daniel, II, an attorney representing Top Hill Partnership, owner of property located at 1302 Top Hill Road, was present and wanted to make a statement to the Board. Mr. Daniel made his statement essentially arguing that his lot was not buildable and therefore, should not be assessed. The Board of Water Works listened and made no comment. The Board directed General Counsel to investigate the application and meaning of K.R.S. 96.265(d) and Mr. Daniel's legal argument. Ms. Douglas will report back at the next meeting.

CONSENT AGENDA APPROVED

- Item A: MINUTES OF THE REGULAR MEETING HELD JUNE 10, 2003
- Item B: Claims Paid During June 2003
- Item C: PETITIONS AND APPLICATIONS FOR WATER MAIN EXTENSIONS AND RELOCATIONS
(WHEN IN FULL COMPLIANCE / SR&R)

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
DEVELOPER INSTALLED REFUNDING MAIN EXTENSION PROJECTS				
00-055	G350M	FOREST SPRINGS NORTH SECTION 2B	\$23,705.00	
00-093	G354M	LAKE FOREST SECTION 47C	\$18,205.00	
02-082	G356M	FOX HOLLOW PATIO HOMES	\$32,000.00	
02-083	G316M	CHIEFTAIN RIDGE SECTION 2	\$28,200.00	
02-112	G351M	WOODS OF GLENMARY PATIO HOMES PH. 3	\$35,880.00	\$2,600.00
03-027	G347M	COOPER FARMS SECTION 7	\$65,080.00	
03-032	G355M	OAKWOOD PHASE 2A	\$38,750.00	
03-042	G348M	ARBOR CREEK	\$89,780.00	
03-044	G315M	LAKES OF DOGWOOD SECTION 4	\$71,210.00	\$2,200.00
03-046	G349M	KELLERMAN PLACE SECTION 2	\$38,160.00	
03-051	G352M	OVERLOOK COURT ALLEY	\$8,470.00	

ALL DEVELOPER EXTENSION AGREEMENTS WHICH MEET REQUIREMENTS OF SECTION 2.01.1 OF LOUISVILLE WATER COMPANY'S SERVICE RULES AND REGULATIONS AND WHOSE CONTRACT COST TO THE COMPANY DOES NOT EXCEED \$100,000 HAVE BEEN APPROVED BY THE PRESIDENT.

Item D: AUTHORIZATION FOR DESIGN AND BID OF PROJECTS
(ESTIMATED TO COST LESS THAN \$200,000)

Item E: BID TABULATIONS (AWARD OF CONTRACTS LESS THAN \$500,000 HAVING AT LEAST 3 BIDDERS AND NOT MORE THAN 5% OVER BUDGET IF THERE ARE NO BID INFORMALITIES AND THE LOWEST PRICE RECEIVED IS FROM A QUALIFIED BIDDER AND THAT THE SECOND BIDDER IS WITHIN 10% OF THE LOW BID).

Item F: AWARD OF CONTRACTS LESS THAN \$100,000.00 - MAY 2003

CAPITAL PROGRAM

03-309	Quail Hollow Road and Valley Lane Water Main Extension	Three T Construction	\$72,500
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03-513	Lead Service Renewals - South Floyd Street Southern Pipeline Construction Co. (CWBE)	\$53,333
03-514	Blankenbaker Lane - Main Replacement Project Debbie Sutherland Excavating	\$100,000
03-516	Lead Service Renewals - Royal Avenue, North Jane Street, Dundee Road C Squared, Inc.	\$83,800

PROCUREMENT OF MATERIALS AND SERVICES

01-30 Contingency Contract	Distribution System Repairs and Other Pipeline Work Contingency Contract - 03-519 - Carpenter Street Main Replacement Project Tom Brown Construction Co. Southern Pipeline Construction Co. (CWBE) \$95,222	\$98,560
03-22	Steel Casing Pipe - Contract Cancellation and New Award OPS Sales, Inc.	\$94,206
03-36	Pipe Repair Couplings, Sleeves and Bell Joint Clamps Harco, Inc. Water Works Supply Viking Supply Co.	\$20,414 \$22,029 \$70,677
03-37	WIN 2K Server NetGain Technologies	\$29,881
03-445	Transportation - KY State Contract # C001012418 - Purchase Two (2) 1/2 Ton Pickup Trucks 4 x 4 - 2003 Models Countryside Motors	\$39,538
03-637 - State Contract C-02054208-2	Boom Extension Mower New Albany Tractor, Inc.	\$29,912

REPORT OF OFFICERS

ADMINISTRATIVE REPORT

Mr. Huber reported that the women's tapping team finished first in the women's AWWA national competition.

Mr. Huber mentioned that the Lexington, Fayette Urban Government Council recently voted to condemn Kentucky American Water Company.

Mr. Huber stated that he recently sent a letter to the Louisville/Jefferson County Metro Mayor reminding him of the terms of each Board of Water Works member. He will send a copy of his letter to each Board of Water Works member.

FINANCIAL REPORT

Mr. Miller presented the Financial Report for June 2003.

Income and Expense Summary

Total operating revenue of \$46,107,100 is \$1,099,100 or 2.44% more than budgeted and \$2,030,500 or 4.61% more than the same period in 2002. We sold 0.12% more water in 2003 than the same period in 2002. Water delivered to the mains was 4.57% more than 2002.

Operation and maintenance expense of \$21,500,200 is \$451,600 or 2.15% more than budgeted and \$1,901,500 or 9.70% more than 2002.

Net operating income of \$12,675,700 is \$701,000 or 5.85% more than budgeted.

Capital Projects Summary

The capital program reflects net expenditures of \$22,483,478 against a budget of \$85,324,333 including noncompleted previous year projects carried forward.

Financial Information System (FINS) Implementation Status

FINS Module Leads have almost completed writing and coordinating the testing of over 250 user procedures. Focus Group members are testing user procedures. These user procedures are the foundation for the content of the end-user training that will begin in mid-August.

The Validation Phase is wrapping up. It consisted of developing test scripts and holding "walkthrough" sessions with Focus Group members and various other employees. The purpose of the walkthroughs is to validate that the individual business processes (within Oracle) meet the Company's business requirements.

OPERATIONS REPORT

Mr. Heitzman presented the Operations report for July 2003.

Production and Maintenance - The water production in June of 134.1 MGD was 4.5% lower than the June 2002 production of 140.5 MGD, and was 5.0% lower than the 5-year average June production of 141.2 MGD. The lower than normal production in the month was a result of cool, wet weather.

Distribution Water Quality - Staff collected 315 regular distribution samples in June. Two of the samples were tested to be total coliform positive, but E. Coli negative. Recheck samples were negative for both total coliform and E. Coli. Sampling results have shown that the water quality in our distribution system exceeded our internal turbidity, chlorine and bacteria goals, which are more stringent than regulatory requirements.

Ohio River Spill - ORSANCO reported a total of 12 spills for the month of June. All 12 spills occurred upstream from our intakes.

Pilot Study of Corrosion Control - Water quality staff initiated a pilot study on corrosion control in our distribution system. The objective of the study is to evaluate the effectiveness of using ortho-phosphate to control distribution system corrosion and to reduce discolored water complaints. The Kentucky Division of Water approved the pilot study plan on June 20.

BE Payne Fluoride Storage Facility - As required by the State Health Department, staff installed a fluoride storage tank at the BEP plant to prevent potential overfeed of fluoride into the finished water. This storage tank is an intermediate vessel that stores a one day supply of fluoride and prevents overfeeding of the chemical. The project was completed before the July 15, 2003 deadline established by the State Health Department. The State Health Department has been notified of the corrective actions.

Goshen Operations - The system demand increased to near 1 MGD and is expected to continue to increase as summer approaches. Staff is in the process of adjusting operational strategies to ensure adequate supply to the system.

US Pipe Valves and Hydrants - Distribution Operations staff continues dialog with U.S. Pipe and Foundry regarding concerns about the performance of the Metroseal resilient seat gate valves and the Metropolitan fire hydrants. Staff has forwarded draft proposals to U.S. Pipe on each of the two issues suggesting how we should proceed with a program to evaluate, test and mitigate the problems that we have encountered. A meeting with U.S. Pipe on these proposals is scheduled for July.

Unauthorized Use of Hydrants - Staff is responding to an increasing number of reports of unauthorized use of hydrants by contractors who are connecting to the hydrants for water needed in their construction operations. Hydrants being operated by individuals for personal cooling and recreation are also increasing. In light of our on-going concerns about distribution system security, staff is responding to these reports following an established protocol.

Broadway at Preston Main Break - A 30-inch by 20-inch cross at Broadway and Preston Streets failed in late June. After considering various repair options, it has been concluded that the opportunity exists to improve the configuration of the piping in this intersection and also to consider the replacement of broken valves in the transmission mains.

Transmission Valve Repairs - Progress is being made on resolving a variety of problems with large transmission valves identified this past winter.

Hybrid Fuel Vehicles - As part of the 2003 fleet replacement program we have added four hybrid fuel vehicles to the fleet. Four Toyota Prius' were received and are now in service.

Mr. Heitzman also reported on U.S. Pipe Fire Hydrants and Gate Valves – Product Performance Issues.

“Metroseal” Resilient Seat Gate Valves - In 2001 LWC encountered problems with difficult-to-operate twelve-inch gate valves furnished by U.S. Pipe. In 2002 LWC experienced additional problems with their valves. The more recent problem has been the inability to get the valves to close to achieve a water tight shut-off.

Staff has maintained a dialog with U.S. Pipe on this issue. By letter dated September 6, 2002, U.S. Pipe's Principal Product Engineer responded to the problem of “high torque required to seal the 12-inch Metroseal valves manufactured in 2001.”

The most recent action of LWC staff was the development of a detailed draft proposal which suggests a program for the inspection and mitigation of problems with the subject gate valves. The proposal also suggests the respective responsibilities of both LWC and U.S. Pipe for conducting and funding this work. This proposal was sent to U.S. Pipe in June 2003.

“Metropolitan” Fire Hydrants - In late November 2002, LWC's fire hydrant maintenance crew reported an apparent trend with U.S. Pipe fire hydrants being difficult to operate, and in some cases the hydrant is completely inoperable.

A review of records indicates that nearly 6,000 hydrants of this type have been purchased from U.S. Pipe and installed since this contract was executed in 1997.

Because of the serious risk associated with non-functioning fire hydrants, staff has taken a number of steps to assess the problem. These steps included a review of contract specifications and the material specification for the stem.

As with the gate valve issues discussed above, staff most recently developed a detailed draft proposal which suggests a program for the inspection and mitigation of problems with the Metropolitan fire hydrants. This proposal was sent to U.S. Pipe in June 2003.

SERVING CUSTOMERS REPORT

Ms. Teasley presented the Serving Customer's report for June 2003.

Performance Measures – The June 2003 abandonment rate was 5.4%, compared to 4.0% in May 2003, and 7.1% in June 2002. The year-to-date number is 4.8%.

Bad debt for the month of June was \$47,963 compared to \$25,179 in June 2002. This is \$12,546 over budget for the month and \$56,059 over budget year to date. The company has recently obtained a new collection agency. We anticipate improved collection results.

Second Quarter 2003 Customer Satisfaction Results – Customer satisfaction dropped from the first to the second quarter by 18 points to a Total CSI of 835. The drop was primarily in the area of residential non-service, decreasing 24 points.

Shepherdsville Update – Work is progressing on the Carpenter and Third Street main replacement projects with both projects expected to be completed by mid-July. A letter to establish project budgets is included separately which provides details of the project scopes, estimates and contingency contractors being utilized to complete the work.

Public Information Initiatives – LWC's Public Information staff continues to market the "Adventures in Water" curriculum. In June approximately 100 teachers went through the two day, in-service sessions at LWC. Before it is reprinted, input from the teachers will be used to update this multi-disciplinary learning tool.

LITIGATION REPORT

After proper motion and second, the Board adjourned to closed session for the purpose of discussing litigation. Ms. Douglas gave a litigation report in closed session. The Board reconvened in open session without taking any action.

REPORT OF COMMITTEES

AUDIT COMMITTEE MEETING

Mr. Bond presented the June 6, 2003 Audit Committee report.

Mr. Bond stated that he wanted to make sure the Board members had an opportunity to review the audit report prior to presenting the committee report.

Mr. Bond reminded the members that certain aspects of the audit report changed based upon Louisville Water Company's compliance with GASB 13. He then proceeded to point out the critical differences in the audit report this year as opposed to last year's report. The statement of net assets is now used rather than a balance sheet.

Mr. Bond noted that Crowe Chizek issued an unqualified opinion.

After proper motion and second, the Board of Water Works voted to accept the audit report from Crowe Chizek and to approve the Audit Committee report.

After proper motion and second, the Board of Water Works voted to retain the services of Crowe Chizek to perform the 2003 Audit for a fee of \$29,300.00.

Mr. Huber then requested that Mr. Conner present the Compensation Committee report.

COMPENSATION COMMITTEE

Mr. Conner presented the Compensation Committee report.

Mr. Conner reported that Louisville Water Company has two non-standard practices. These non-standard practices are as follows:

- 1) Non-Union employees are paid for the current week worked. That is, the Company does not hold a week of pay in reserve.
- 2) The company reserves funds each year to pay the next years vacation. When an employee leaves, the company will pay accrued vacation for the coming year.

Mr. Connor reported that although the company had a right to do otherwise, current employees will continue to benefit from the accrual of future vacation upon departure. As Louisville Water Company switches to a pay in arrears system, employees will be permitted to request payment of one week in advance to be taken from future vacation pay-out at departure. Several Board members expressed an interest in adopting a policy which would negate employees' right to be paid accrued vacation at departure if that employee has been terminated for cause. After proper motion and second, the Board of Water Works voted to adopt a pay one week in arrears policy and to offer employees an opportunity to receive one week of accrued vacation in lieu of experiencing one week without pay. Further, current employees would be treated under the current policy at departure. The Board's action applies to non-union employees only.

SPECIAL ISSUES

Ms. Douglas administered the Oath of Service to Dr. Joseph B. Wise, III.

BID TABULATIONS

Mr. Miller presented the following Bid Tabulations:

03-33: Stone and Soil

On June 25, 2003, sealed bids were opened to award a two-year contingency contract for stone and soil. The contract is based on estimated usage and firm unit pricing. This contract involves the pickup and delivery of stone and soil to LWC job sites.

Ten bids were submitted with the following bidders all submitting responsive bids:

Sellersburg Stone (Stone)
Rogers Group (Stone)
Earth First (Stone)
Liters (Stone)
Quality Stone (Stone)
Mother Earth (Soil)
Earth First (Soil)
Buddeke (Soil)

After proper motion and second, the Board of Water Works voted to authorize staff to award a two-year unit price contingency contract totaling an estimated **\$395,704** to vendors listed above.

03-40: Vehicle Truck Bodies:

On June 18, 2003, sealed bids were opened to award a one-year contract to purchase and install truck bodies to fit cab and chassis purchased in the 2003 Fleet Bid.

Five bids were submitted. Due to operational information provided from truck manufacturer, line item 7 will not be purchased.

After proper motion and second, the Board of Water Works authorized staff to award one-year contracts for the following values:

Wabash National	\$97,412
Americas Body Company	\$24,200
Manning Equipment Co.	<u>\$ 11,223</u>
TOTAL	\$132,835

03-41: Road and Tire Service

On June 25, 2003, sealed bids were opened to award a two-year contract for road and tire service.

Three bids were submitted with the lowest, most responsive bid from **Huber Tire** for an estimated two-year total of **\$340,425**.

After proper motion and second, the Board of Water Works voted to authorize staff to award a two-year unit price contract totaling an estimated **\$340,425** to **Huber Tire**.

Mr. Huber noted that Melvin Huber, Jr. of Huber Tire is a relative. However, Mr. Huber played no role in the award of this bid.

Ms. Teasley presented the following Bid Tabulations:

03-507: Shelbyville Road – Main Replacement Project

Bids were received and opened Wednesday, June 11, 2003 to install 7,310 linear feet of 6, 8, 12 and 16-inch Pressure Class 350 ductile iron water main along Shelbyville Road between Whipps Mill Road and Hurstbourne Parkway in eastern Jefferson County. The project scope includes the renewal of fire hydrants and the transfer or renewal of customer services.

A total of 5 bids were received and opened from pre-qualified contractors.

After proper motion and second, the Board of Water Works voted to authorize the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$394,000 to DF Crane Construction Corporation to install the water facilities associated with this project.

03-514: Blankenbaker Lane - Main Replacement Project

Bids were received and opened Wednesday, June 25, 2003 to install 1,340 linear feet of 6 and 12-inch Pressure Class 350 ductile iron water main along Blankenbaker Lane between Poplar Hill Road and Twin Hill Road in eastern Jefferson County. The project scope includes the renewal of 2 fire hydrants and the transfer of 4 customer services.

A total of 3 bids were received and opened from pre-qualified contractors. After proper motion and second, the Board of Water Works authorized the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$100,000 to Debbie Sutherland Excavating to install the water facilities associated with this project.

Mr. Heitzman presented the following Bid Tabulations:

02-674: Watson Lane 16" / 12" Grid Tie

Bids were received Wednesday, June 25, 2002, to Furnish and Install approximately 4,040 feet of 16-inch water main in Watson Lane between Dixie Highway and Tennis Blvd. Approximately 1,500 feet of 12-inch water main will be furnished and installed in Tennis Blvd. between Watson Lane and the existing 12" main that services the LG&E Mill Creek Power Plant.

A total of 6 bids were received from qualified contracting firms.

After proper motion and second, the Board of Water Works authorized the Chief Engineer to award a contract in the amount of \$463,760 to install a 16-inch and 12-inch main to firms *D.F. Crane Construction Corporation*, to install water facilities associated with this project.

COMMUNICATIONS

Ms. Teasley presented the **Amendment to Shepherdsville Asset Acquisition Agreement**.

On December 23, 2002, the Louisville Water Company and the City of Shepherdsville executed an Asset Acquisition Agreement whereby LWC acquired the assets of Shepherdsville's water system and LWC agreed to operate that system as part of the LWC system.

In an effort to meet the LWC's commitment to serve customers of the former Shepherdsville water system equally with similarly situated customers under LWC Service Rules and Regulations, an Amendment to the Asset Acquisition Agreement between City of Shepherdsville and LWC was executed.

The amendment clarifies that LWC will assess the system development charge on all new water mains installed after the date of execution of the Asset Acquisition Agreement. It also provides that all fire service connections (regardless of when they are installed), and all connections to a

main in service prior to the execution of the Asset Acquisition Agreement, shall be exempt from the system development charge.

The amendment also affects Exhibit R to the Asset Acquisition Agreement. For all three of the subdivisions listed in this exhibit currently under development, LWC shall charge only the standard service installation fee. LWC also agrees to put into the reserve the full Shepherdsville service installation fee for certain lots that have meters already installed, but no applications for service have yet been received. The amount to be placed into the reserve fund is \$31,350.

Ms. Teasley presented the **Bluegrass Water Supply Consortium**.

To address current and future water supply needs in central Kentucky a group of the region's water suppliers formed the Bluegrass Water Supply Consortium. The Bluegrass Water Supply Consortium includes water suppliers from Lexington, Frankfort, Shelbyville, Georgetown, Nicholasville, Winchester, Paris, Mt. Sterling, Versailles, Lawrenceburg, Harrodsburg, Wilmore, Danville, Cynthiana and Lancaster.

Currently, the Consortium is focusing their efforts on identifying the most desirable water supply alternative(s) to provide 10 to 15 MGD to the region within a 3 to 5 year time frame. Louisville Water Company personnel have attended several of the Consortium's public workshops and have met with the Consortium's technical review team to express our interest in the project as a potential supplier for near term and long term regional water supply needs. In response to our interest and the favorable evaluation of Louisville as a supply option, staff has been requested to submit information to the Consortium for comparing the sale of finished water from Louisville to the other supply alternatives. The response is to be based on two scenarios – one, a maximum day demand of 25 MGD and the other, a maximum day demand of 45 MGD.

OLD BUSINESS

Ms. Teasley presented the following Old Business:

Professional Service Contract for Construction Inspection and Technician Services Contract #E872.

A professional service contract with Quest Engineers, Inc. to provide Construction Inspection and Technician Services for the Constructing Capital Improvements Processes was approved by the July 2000 Board. This approval authorized staff to supplement existing LWC in-house inspection forces with Quest Engineers consultant personnel to provide quality assurance and insure adherence to LWC Standard Technical Specifications for work performed by LWC contractors.

An updated proposal was requested from Quest Engineers, based on performance by the Quest Engineers employees, to continue to provide these services for the remainder of the 2003 and 2004 Capital Improvement Program to assure construction quality by maintaining inspection coverage on current capital projects.

After proper motion and second, the Board of Water Works approved to renew the existing professional service contract with Quest Engineers a fourth year for the not-to-exceed amount of \$467,184 for Construction Inspection and Technician Services.

NEW BUSINESS

Ms. Teasley presented the following New Business:

LWC Main Replacement Projects 03-517 and 03-519 - Shepherdsville

Since acquisition of the water distribution system in December 2002, the LWC has repaired numerous water main breaks in Shepherdsville.

Based on the recent main break activity, two areas of immediate concern have been identified - Third Street between Abbott Street and Frank E Simon Street, and Carpenter Street between Second Street and south of Highway 44.

To expedite the replacement of these two troublesome mains, staff initiated Contract 01-30 - Contingency Contract for Distribution System Repairs. To further facilitate the replacement work, two separate replacement projects were created and two different contractors were selected. Project 03-517 replaces the existing 4-inch unlined cast iron water main in Third Street with a new 8-inch HDPE main using main bursting technology.

After proper motion and second, the Board of Water Works voted to establish project budgets of \$110,822 for Project 03-517 and \$151,160 for Project 03-519. The contracts with Tom Brown Construction Company and Southern Pipeline were approved by the President in June.

Mr. Heitzman presented the following New Business:

Request for Top Hill Road Property Conveyance to Louisville/Jefferson County Metro

On June 26, 1990, the Company purchased 3.58 acres located at 2060 Top Hill Road, Fairdale, KY for the amount of \$7,300.00. A site map is attached. The property was originally purchased for a water tank site to serve the Jefferson Forest area. Since that time a water storage tank was constructed at the entrance to Jefferson Forest at Holsclaw Hill Road. The Top Hill Road site is no longer needed for a storage site.

Concurrent with this interest on the Top Hill property, the Company has been in discussions with Louisville/Jefferson County Metro and the Parks Department about construction of a new water storage tank at Long Run Park in eastern Jefferson County. This proposed 1.0 million gallon elevated tank will replace the existing standpipe at the park.

In accordance with Bond covenants, property disposal requires several steps, including a review and assessment by our Consulting Engineer, and approval by the Board of Water Works and Louisville/Jefferson County Metro Council. Typically, excess property is then advertised for public bid. However, in this case we recommend conveyance to Louisville/Jefferson County Metro as consideration for the grant of the easement we require for the Long Run Tank. Black & Veatch Engineers have reviewed the Top Hill property and provided their opinion that the property is considered excess and recommends disposal.

After proper motion and second, the Board of Water Works voted to adopt the resolution (certified copy attached to these minutes) to declare the Top Hill property excess and proceed to transfer the property to Louisville/Jefferson County Metro in accordance with the Bond covenants on disposal of real property.

Mr. Gregory presented the following New Business:

The IT identifies several Information Supply Systems to enhance customer service and satisfaction by leveraging our investment in the Customer Information System. The Business-to-Customer e-Business Application (Interactive Web Response System) is one of the projects identified in the IT plan to meet the customer service and satisfaction objectives of the Company.

The IWR Project will greatly improve customer satisfaction by providing the following features:

- a) customer registration of username/password;
- b) basic account information (name, account #, balance(s), service address, payment history, bad debt info, consumption, mailing address, phone number(s), e-mail addresses);
- c) customer access to change personal data (phone numbers, e-mail addresses, password)
- d) automatic "turn-on" work order generated to reconnect service turned off for non-payment
- e) "high bill" information
- f) payment extensions (HOLDS)
- g) EFT forms for automatic bank charge program
- h) Updated Frequently Asked Questions (FAQ) menu specific to billing, metering, service requests, account information, new-service applications and fee schedule adjustment information.

After proper motion and second, the Board of Water Works voted to authorize staff to proceed with development of a final design and request-for-proposal of the Interactive Web Response system, implementation services and necessary interface development to complete the project.

The meeting adjourned at 3:20 p.m.

**Board of Water Works
Resolution**

July 8, 2003

The Board of Water Works having been sufficiently advised by Louisville Water Company's Consulting Engineer, Black & Veatch Engineers, as to the status of the Top Hill Road property owned by LWC (currently considered "excess property" to be disposed of pursuant to the provisions of LWC's Revenue Bond Resolution, adopted July 14, 1992, as said status is documented in Black & Veatch's letter dated June 10, 2003), which property was originally purchased by LWC to be used for a planned water tank prior to the siting of that water tank elsewhere, and which property is now of interest to the Louisville/Jefferson County Metro Government as a property to be acquired to consolidate the Metro Government's holdings in the Jefferson Memorial Forest.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial and in LWC's best interests to dispose of the said Top Hill Road property by conveying the said property to Louisville/Jefferson County Metro Government, pursuant to the provisions of LWC's Bond Resolution adopted July 14, 1992, and that the Board hereby recommends and refers the proposed disposition of the Top Hill Road property to the Louisville/Jefferson County Metro Council, pursuant to LWC's Bond Resolution adopted July 14, 1992, for the Metro Council's consideration of this matter.

**BOARD OF WATER WORKS
AUGUST 12, 2003
BOARD MEETING MINUTES**

Board Members Present

Mr. Stephen Gault
Mr. Stewart Conner
Dr. Joseph Wise
Ms. Wendy Welsh

Board Members Absent

Mr. Jack Segell
Mr. Phillip Bond
The Hon. Jerry C. Abramson

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Susan Lehmann, Vice President, Human Resources
Mr. Richard Johnstone, Deputy Mayor
Mr. Steve Greseth, Black & Veatch
Mr. James Smith
Mr. Ralph McCord
Mr. Michael Sturgeon
Ms. Rhonda Plunkett
Ms. Barbara Crow
Mr. Kevin Grant

Mr. Huber called the meeting to order at 12:40 p.m.

CONSENT AGENDA APPROVED

- Item A:** MINUTES OF THE REGULAR MEETING HELD JULY 8, 2003
REQUEST: APPROVE MINUTES
- Item B:** CLAIMS PAID DURING JULY 2003
REQUEST: FILE CLAIMS FOR FUTURE AUDIT.
- Item C:** PETITIONS AND APPLICATIONS FOR WATER MAIN EXTENSIONS AND RELOCATIONS
(WHEN IN FULL COMPLIANCE / SR&R)

PROJECT No.	CONTRACT No.	PROJECT NAME	TOTAL PROJECT COST	NET LWC COST
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DEVELOPER INSTALLED REFUNDING MAIN EXTENSION PROJECTS

02-034	G384M	LAKE FOREST HIGHLANDS SECTION 2	\$36,900.00	
03-030	G379M	VILLAGE OF ENGLISH STATION PH. 1	\$41,980.00	\$9,100.00
03-033	G386M	OAK HILL ESTATES SECTION 2	\$85,390.00	
03-037	G407M	ARBORWOOD	\$100,200.00	\$23,600.00
03-048	G380M	CRESCENT VIEW ESTATES SECTION 2	\$14,000.00	
03-054	G381M	INDIAN FALLS PHASE 2 SECTION 9A	\$78,350.00	\$9,550.00
03-055	G382M	INDIAN FALLS PHASE 2 SECTION 9B	\$57,110.00	\$13,300.00
03-057	G383M	LAKE FOREST SECTION 38B	\$23,650.00	

DEVELOPER INSTALLED TAPPING FEE MAIN EXTENSION PROJECTS

03-053	G378T	Shively Best Western Hotel	\$18,700.00	
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BULLITT COUNTY MAIN EXTENSION PROJECTS

03-324		Wilderness Way/Rogers Lane	\$104,500.00	\$59,900.00
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ALL DEVELOPER EXTENSION AGREEMENTS WHICH MEET REQUIREMENTS OF SECTION 2.01.1 OF LOUISVILLE WATER COMPANY'S SERVICE RULES AND REGULATIONS AND WHOSE CONTRACT COST TO THE COMPANY DOES NOT EXCEED \$100,000 HAVE BEEN APPROVED BY THE PRESIDENT.

Item D: AUTHORIZATION FOR DESIGN AND BID OF PROJECTS
(ESTIMATED TO COST LESS THAN \$200,000)

Item E: BID TABULATIONS (AWARD OF CONTRACTS LESS THAN \$500,000 HAVING AT LEAST 3 BIDDERS AND NOT MORE THAN 5% OVER BUDGET IF THERE ARE NO BID INFORMALITIES AND THE LOWEST PRICE RECEIVED IS FROM A QUALIFIED BIDDER AND THAT THE SECOND BIDDER IS WITHIN 10% OF THE LOW BID).

Item F: AWARD OF CONTRACTS LESS THAN \$100,000.00 - MAY 2003

CAPITAL PROGRAM

01-213 & 02-203	Lonesome Hollow, Joyner Hill & Tidwell Rd. Water Main Extension Trinity Service Co.	\$90,450
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PROCUREMENT OF MATERIALS AND SERVICES

00-66	Small and Large Meter Vault Frames 7 Lids - 2nd
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	PPI Renewal	
	General Foundries (Monitor Castings & Lids)	\$27,238
03-24	Meter Plug Locks	
	Plumber's Supply	\$26,300
03-35	Valve Boxes	
	Hughes Supply Co. (Valve Boxes & Lids Only)	\$62,430
03-35	Valve Boxes	
	Bingham & Taylor (Buffalo Style Valve Boxes)	\$30,880
03-40	Vehicle Truck Bodies	
	Wabash National	\$97,412
03-40	Vehicle Truck Bodies	
	Americas Body Company	\$24,200
KY State Contract #C-01058161	03-634 Replacement Copiers	
	The Lang Company	\$29,922
KY State Contract C-0003955285	03-826 - Mini-backhoes	
	Joe Hill's Auto Center	\$28,459

REPORT OF OFFICERS

Administrative Report

Mr. Huber reminded the Board members of the August 26, 2003 Special Board Meeting

Financial Report

Income and Expense Summary

Mr. Miller gave the Income and Expense Summary for July 2003.

Total operating revenue of \$54,999,800 is \$758,300 or 1.40% more than budgeted and \$1,898,300 or 3.57% more than the same period in 2002.

Operation and maintenance expense of \$25,098,800 is \$494,000 or 2.01% more than budgeted and \$1,835,400 or 7.89% more than 2002.

Total non-operating income of \$1,407,500 is \$673,500 or 32.36% less than budgeted. Total non-operating expense of \$3,878,100 is \$47,300 or 1.24% more than budgeted.

Net income of \$13,330,600 is \$416,800 or 3.03% less than budgeted and \$862,800 or 6.08% less than 2002.

Operations Report for August 2003

Mr. Heitzman gave the Operations and Engineering Report for August 2003.

Mr. Heitzman reported that the Louisville Water Company experienced an apparent chlorine leak on Sunday, August 10, 2003. The leak was quite small and contained within the building. The leak did not reach the reportable quantity. The plant was shut down. There were no difficulties at plant restart.

Production – The water production in July of 146.9 MGD was 10.9 percent lower than the July 2002 production of 165 MGD and 5.2 percent lower than the 5-year average July production of 155 MGD. The lower than normal production in the month was a result of cool and wet weather.

Plant Maintenance - Coagulation Basin Clarifier #8 at Crescent Hill has shown signs of imminent failure. Coagulation Units #5 and #6 are under emergency repair. Unit #6 is expected to be available for service the week of August 4. If Unit #8 fails prior to October 1, an additional change order may be required to repair the unit under emergency contract with Vesco Engineering.

Emergency Response Planning – Water Quality Staff initiated contacts with the National Guard 41st Civil Support Team – a team that responds to terrorist threats. It was agreed that LWC and the team will conduct a drill together later this year.

Seven Counties Services in Shepherdsville – In early July, water quality monitoring at the Seven Counties Services facility in Shepherdsville indicated the internal water supply was contaminated. Water quality staff determined the contamination was limited to the internal plumbing within the building.

U.S. Pipe Hydrants & Valves – Beginning in August, two representatives of U.S. Pipe and Foundry Company will work with LWC employees to inspect and gather information on the problems experienced with U.S. Pipe hydrants and resilient seat gate valves. The plan is to inspect a large sample of both hydrants and valves, with the sampling results to be used as a basis for identifying further action to remedy these problems. A meeting between LWC and U.S. Pipe will occur in September, after sampling results are available, to begin developing plans for further action. The Louisville Fire Department and County Fire Districts have been advised of the potential hydrant issues.

Proposed Federal Regulations for Microbial Pathogens and Disinfection By-Products - The proposed federal regulations for Microbial Pathogens and Disinfection By-Products have been completed by the EPA and were published on August 11, 2003 in the Federal Register. These rules have been 10 years in the making. LWC will participate in the compilation of comments for the Proposed Stage 2 Disinfection By-Products regulation.

Serving Customers Report

Mr. McCord gave the Serving Customers report for July 2003.

Bad debt for the month of July was \$66,190 compared to \$36,879 in July 2002. This is \$39,840 over budget for the month and \$95,899 over budget year to date.

Shepherdsville Capital Improvements – In response to excessive number of main breaks in the Shepherdsville system, three main sections were identified for replacement or transfers of services. The largest number of breaks occurred in a 6-inch unlined, cast iron water main in Highway 44 from Abbott Street to Saltwell Road.

To date, work has been completed on Carpenter Street and the work on Second Street is 80% complete. Other additional capital work completed or underway in Shepherdsville includes the 8-inch grid tie in Raymond Road (complete), the 12-inch and 16-inch water main through the Shepherds Crossing commercial development (80% complete) and the Chilicoop to Blue Lick 12-inch grid tie (30% complete).

Bullitt County Advisory Board – The Bullitt County Advisory Board met for its regular quarterly meeting on July 28, 2003.

The Advisory Board continues to actively review projects in their initial design phase as well as those under construction. One concern expressed by the Advisory Board is the number of customers along a two-thirds majority main extension who signed a letter of intent to apply for water versus those customers that actually apply for and receive water service following the completion of the main installation. An attached table summarizes the two-thirds majority main extension activity to date.

Public Information Initiatives – Mr. McCord notified the Board that Louisville Water Company will likely outsource its bottling facility. Government Affairs has been actively working with the Metro Council's Public Health and Safety Committee on the City's proposed fire hydrant ordinance.

LITIGATION REPORT

After proper motion and second, the Board adjourned to closed session for the purpose of discussing litigation, acquisition of property and personnel items. Ms. Douglas gave a litigation report in closed session. The Board reconvened in open session without taking any action.

REPORT OF COMMITTEES

Mr. Gault presented the report from the Public Information and Customer Satisfaction Committee held on August 11, 2003.

At the committee meeting, Ms. Teasley reported that the 2003 recommended CSI goal is 850. The 2003 Level I goal is 835.

Louisville Water Company

Bullitt County Extension Program Residents Served Progress Along 2/3 Majority Main Extensions

Project No.	Description	To : From	Petitions Received	Final Tapping Fee	Unserviced Residences	In Service	Services after 6 Months	Percent Served	Services To Date	Percent Served
02-307	ASHBY LANE	174' WEST OF BLUE LICK RD TO END	2	\$3,079.00	3	4/19/02	3	100.00%	3	100.00%
02-318	BEECH VALLEY COURT	END OF EXISTING WM ON BEECH VALLEY CT. 400' EAST	2	\$5,450.00	2	12/2/02	0	0.00%	0	0.00%
00-332	BEECH VALLEY COURT *	CUNDIFF HOLLOW ROAD/1000' EAST	Pre-Merger	\$3,600.00	4	2/15/01	3	75.00%	3	75.00%
00-329	CHURCHVIEW DRIVE *	HWY. 44 TO 1450' SOUTH	Pre-Merger	\$3,750.00	15	2/15/01	7	46.67%	7	46.67%
01-317	COW BRANCH ROAD	HWY. 44 TO END	11	\$5,450.00	14	8/9/02	6	42.86%	7	50.00%
01-317A	COW BRANCH ROAD (PRIVATE)	END OF COWBRANCH ROAD 590' IN EASEMENT	3	\$3,071.00	4	8/9/02	3	75.00%	3	75.00%
01-318	CUPIO LANE/CUPIO LODGE ROAD	HWY. 44 WEST TO 4050' SOUTH ON CUIPIO LODGE RD.	12	\$5,450.00	18	8/22/02	9	50.00%	10	55.56%
00-330	EDDINGTON LANE *	1400' NORTH OF HWY. 1494 TO 2020' NORTH OF HWY. 1494	Pre-Merger	\$3,800.00	1	6/6/01	1	100.00%	1	100.00%
00-328	HUBER STATION ROAD *	HUBER STATION RD; ANGELA DRIVE; HUBER STATION S.R.	Pre-Merger	\$4,281.00	10	2/15/01	10	100.00%	10	100.00%
01-311	HUBER STATION ROAD	EXISTING 6' WM TO END	4	\$5,450.00	6	11/7/02	6	100.00%	6	100.00%
00-331	KLAPPER ROAD *	EXISTING 6' WM TO END	Pre-Merger	\$0.00	5	12/7/01	3	60.00%	3	60.00%
02-303	LORY LANE	CHILICOOP ROAD TO END	2	\$5,450.00	3	7/23/02	3	100.00%	3	100.00%
02-310	RUSTIC WAY	ZONETON ROAD TO 800' WEST	6	\$2,400.00	8	10/14/02	3	37.50%	3	37.50%
TOTAL - 2/3 MAJORITY MAIN EXTENSIONS					58		33	56.90%	35	60.34%
TOTAL - MAIN EXTENSIONS INITIATED BY KTWD					35		24	68.57%	24	68.57%
TOTAL					93		57	61.29%	59	63.44%

* - Pre Merger Main Extension initiated by KTWD

The 2008 CSI recommended factor goals have been set as follows:

Reliability: 890
Water Quality: 870
Price Value: 815

Mr. Huber reminded the Committee members that there will be additional discussion of these recommended goals at the August 26, 2003 Special Board of Water Works meeting.

Ms. Camp stated that beginning in the 3rd or 4th quarter this year, customers will be able to use an interactive web page and interactive voice response to pay their water bills.

The final item was a review of the Customer Service charges for information purposes only.

	<u>Customer Cost</u>	<u>LWC Actual Cost</u>
Returned Check	\$10.00	\$12.36
Non-payment fee	\$20.00	\$21.78
Service Found On	\$20.00	\$31.02
Cut Angle Value Fee	\$90.00	\$93.81
Leak Detection Fee	\$50.00 hr.	\$39.94

After the committee report, Mr. Huber decided to take two items out of sequence. These items were: Expansion of Automatic Meter Reading Technology and Minority/Women Business Enterprise (M/WBE) Program.

NEW BUSINESS

Mr. Sturgeon and Mr. Grant presented the Expansion of Automatic Meter Reading (AMR) Technology report. They stated that the AMR pilot has been very successful.

The Radio Frequency Automated Meter Reading (RF-AMR) pilot program in the old Kentucky Turnpike Water District No. 2 has been underway for 15 months.

Staff recommends the RF-AMR pilot program be expanded to include the recently-acquired Goshen and Shepherdsville water systems. The expansion of the pilot into these two areas would add 3,843 meters to the 3,031 already in the pilot program for a total of 6,874 RF-AMR sites.

The contract with Neptune Equipment Company provides for the anticipated expansion of the pilot program. The proposal includes a 15-year warranty on the equipment and replacement of the transmitter battery at year 10. The contract also includes a unit price for each meter read in

each billing cycle under contract with Neptune with annual adjustments according to the Consumer Price Index. Estimated capital costs for materials, equipment, and installation of the 3,843 meters are as follows:

<u>Neptune Cost</u>	
Material and equipment	\$316,814
Installation	<u>\$117,311</u>
Total Neptune Cost	<u>\$434,125</u>
<u>LWC Cost</u>	
Operations/Administrative Support	\$ 5,677
Total LWC Cost	<u>\$ 5,677</u>

After proper motion and second, the Board of Water Works authorized a sole-source contract to ORCOM in an amount not to exceed \$60,000.00 to develop automated service order updates.

In addition the Board of Water Works authorized a \$25,000.00 project contingency and a capital budget for the RF-AMR project, including contingency, of \$524,802.00. Prior to the vote, Mr. Huber stated that Louisville Water Company has developed a close working relationship with Neptune. We would like to develop other bidders.

COMMUNICATIONS

Ms. Plunkett reported on the Minority/Women Business Enterprise (M/WBE) Program as a Communications item.

In January of this year, the Executive Leadership Team requested the Minority Business Development (MBD) Team to recommend a replacement for the Evaluated Bid Pilot Program.

The MBD Team recommended a new M/WBE Program modeled after the one used by Metro Louisville.

The new program offers the following highlights and changes:

- 5% overall M/WBE spending goals
- 15% MBE and 5% WBE project goals
- Application to all areas of LWC procurement (construction, professional services, goods and services)
- Contracts are awarded to the responsive and responsible bidder whose bid is the lowest bid price
- Responsive bidders are those who demonstrate "good faith efforts" to solicit and utilize M/WBE firms

An M/WBE Specialist will be hired to lead the execution of the new program.

Effective implementation will depend upon adequate resources and support throughout the organization and from contractors and suppliers.

The Board again expressed their support for the program.

BID TABULATIONS

Mr. Miller reported on the following Bid Tabulations:

BID NO.: 03-42 COPPER TUBING

On July 9, 2003, sealed bids were opened to award a contract for a six-month supply of copper tubing.

Five bids were received.

After proper motion and second, the Board of Water Works authorized staff purchase of a six-month supply of copper tubing totaling \$177,249 from Water Works Supply Company.

BID NO.: 00-66: LARGE AND SMALL METER VAULT FRAMES AND LIDS: 2ND PPI RENEWAL
On February 28, 2001, sealed bids were opened to award a one-year contract for the purchase of small and large meter vault frames and lids. This contract began May 21, 2002 for one year, renewable up to four (4) additional one (1) year periods using the Producer's Price Index – Commodity Code “wpu 1015 – 0425” “Gray and Ductile Iron Casting, Casting for Construction and Utility use” as the price adjustment factor. Meter vault frames and lids are used to secure water meters. At contract inception, a total of eight (8) proposals were received. The bidders submitting the best proposal were Bingham and Taylor, General Foundries and Ford Meter Box at an estimated cost of \$228,405.

After proper motion and second, the Board of Water Works authorized staff to award a second one-year PPI renewal for an estimated total of \$280,008.15. The second PPI renewal represents a 0.2% decrease from last year's unit prices.

PROJECT NO.: 01-207 SCOTTS GAP ROAD WATER MAIN EXTENSION PROJECT

Bids were received Wednesday, July 30, 2003, to install approximately 5,145 lineal feet of 8-inch water main on Scotts Gap Road between Blevins Gap Road and Pendleton Road.

A total of **six** bids were received from qualified contracting firms. The low responsive base bid in the amount of **\$137,500** was submitted by **Trinity Service Company**.

After proper motion and second, the Board of Water Works authorized the Vice President of Serving Customers and Business Development to award a contract in the amount of **\$137,500** to **Trinity Service Company** to install water facilities associated with this project.

COMMUNICATIONS

WATER SUPPLY TO CENTRAL KENTUCKY

Mr. Huber and Mr. Smith reported on Water Supply to Central Kentucky.

Louisville Water Company is currently involved in discussions with the Bluegrass Water Supply Consortium regarding the provision of finished potable water to water districts and municipalities in Central Kentucky. An initial discussion document was submitted to the Consortium on July 9, 2003.

On July 23rd at an open meeting, the Consortium publicly evaluated the proposals received. Louisville Water Company was fourth in the evaluation. The Consortium asked four proposers, including Louisville, to resubmit a proposal. Louisville Water Company submitted a new proposal at \$1.28/thousand gal. up to the daily average usage level. Anything above the average daily usage rate, would be billed at \$1.35/thousand gal. Louisville Water Company's new proposal will now be evaluated by the Consortium. Staff will advise the Board of Water Works of the outcome.

JEFFERSON COUNTY WATER EXTENSION PROGRAM SUMMARY REPORT

Mr. McCord provided the Jefferson County Water Extension Program Summary Report.

Approximately 16 miles of public road water mains from the original scope have not been installed. Some areas have been developed and water mains are no longer needed or have no homes along the route. Other areas have been presented the opportunity for water service, but have failed to achieve the target 51 percent majority petition. Many private roads have not been served due to the high cost of unsubsidized private road extensions. Approximately five miles of main have received a majority petition and are under design for construction in 2003. By year end, we expect the Program to achieve a 90 percent completion rate for public road extensions, recognizing there are remaining pocket areas of the County that do not desire water service. This will leave approximately 300 remaining residents without access to a public water main in Jefferson County, yielding a population served percentage of 99.9.

Staff recommended a final deadline of December 31, 2002 for the subsidized apportionment warrant cost of \$5,450 for public road extensions. This deadline brought closure to the Program in an efficient and cost-effective manner. Water mains extended in 2003 and beyond can be accomplished by Apportionment Warrant Extension petition; however, the subsidy would not be available.

Staff will continue the completion of the Program in 2003, expecting most construction to be completed by December 2003 and total Program closeout to be complete by April 2004.

OLD BUSINESS

Mr. McCord reported on the following Old Business:
ISSUANCE OF APPORTIONMENT WARRANTS PER KRS 96.265
DAWSON HILL RD: BRUSH RUN RD TO BACK RUN RD

A public hearing was held January 25, 2001 for the extension of water service along Dawson Hill Rd: Brush Run Rd to Back Run Rd. The Board of Water Works adopted a resolution for Dawson Hill Rd: Brush Run Rd to Back Run Rd on February 13, 2001 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 5, Series 2001 on March 27, 2001 for the Dawson Hill Rd: Brush Run Rd to Back Run Rd project.

With the completion of the public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board of Water Works voted to adopt a resolution (certified copy attached to these minutes) for the issuance of Apportionment Warrants and liens against 10 benefited properties along Dawson Hill Rd: Brush Run Rd to Back Run Rd in accordance with KRS. 96.265, as described.

Mr. Heitzman reported on the following Old Business:
PROJECT 00-418 B. E. PAYNE PLANT IMPROVEMENT PROJECT
LG&E UNDERGROUND ELECTRIC SERVICE

The B. E. Payne Plant Improvement Project to expand the plant to 60 million gallons per day firm capacity includes an allocation of \$1 million to provide a parallel underground electric power feed from LG&E. This second feed will improve power supply reliability from LG&E.

The existing power feed to the B. E. Payne Plant is an overhead electric line that parallels Timber Ridge Drive. Exposure to storm damage and vehicular traffic make the overhead electric vulnerable to interrupted service. LG&E proposed a parallel underground 12,000 volt, 1,200 amp feed from the Harrod's Creek Electric Substation on US 42.

LG&E provided a cost proposal of \$646,164 for the underground power feed. This cost plus the engineering associated with the design are within the \$1 million budget reservation.

After proper motion and second, the Board of Water Works voted to authorize the Chief Engineer to enter into an agreement with LG&E to provide the underground electric power feed to the B. E. Payne Plant for an amount not-to-exceed \$646,164.

Ms. Welsh abstained from the Board's vote on this item.

PROJECT 02-658 REPLACE HVAC UNIT AT ALLMOND DISTRIBUTION CENTER

This project was authorized in June 2002 by the Board for design and bid at a budget of \$350,000. The final budget estimate has increased to \$475,000 to accommodate a distributed HVAC system and off-hour construction schedules.

The present central-plant multi-zone unit dates from the 1967 construction of the facility. The Allmond Distribution Center was originally utilized for light, industrial use, but over time it has been adapted to administrative use including offices, workstation cubicles and meeting rooms. This adaptive use of the building has led to inefficient operation of a central HVAC system. A distributed HVAC system will provide for maximum operational flexibility.

The distributed HVAC system, duct work, and associated electrical service increase the cost above the budget allocation of \$350,000. In addition, a portion of the work will be scheduled during off-hours and weekends to minimize disruption to LWC business operations.

After proper motion and second, the Board of Water Works voted to increase the budget of Project 02-658 from \$350,000 to \$475,000 and authorized staff to proceed with advertisement for bid. The bid results will be returned to the Board for approval of the construction contract.

PROJECT 99-416 - CRESCENT HILL AND ZORN WASH WATER AND RESIDUALS COLLECTION SYSTEM

In 1999, the Board authorized CH2M Hill Engineers to conduct a comprehensive evaluation of the drainage and solids management systems at the Crescent Hill and BE Payne Treatment Plants.

Staff has reviewed the CH2M Hill recommendations and performed an assessment of the water treatment vulnerabilities and priorities at Crescent Hill. The first priority is to construct a second 800,000 gallon wash water holding tank and pump station at Crescent Hill to optimize filter wash cycles. The second priority is to upgrade the Zorn lagoon facility for emergency storage and discharge of plant residuals to the Ohio River by permit. The third priority is construction of a waste water storage facility and pump station at Crescent Hill that will optimize operations and management of wash water and plant residuals to the BE Payne lagoon system. The combined budget allocation for these improvements is \$4.55 million.

Staff has solicited a proposal from CH2M Hill Engineers in accordance with the Facilities Improvement Consulting Engineering Services RFP approved by the Board in December 2002. A not-to-exceed cost of \$570,600 has been negotiated for engineering design and construction services.

After proper motion and second, the Board of Water Works authorized the Chief Engineer to award a professional services contract to CH2M Hill Engineers, Inc. in the amount of \$570,600 for engineering design and construction services for the Crescent Hill Wash Water and Residuals Collection System and to establish a budget of \$4.55 million to complete the project. The project will proceed to advertisement and bid and any major change of scope exceeding 10 percent of budget will be returned to the Board for approval.

Mr. Miller presented the following Old Business:

BULLITT COUNTY RESERVE FUND

Mr. Miller discussed the need to establish a Shepherdsville bank account for the Bullitt County reserve fund at the request of the Mayor of Shepherdsville.

After proper motion and second, the Board of Water Works voted to adopt a resolution (a certified copy of the resolution is attached to these minutes) to open a deposit account for the Shepherdsville Bond Reserve.

Mr. McCord presented the following Old Business:

REQUEST FOR CHANGE ACTION LIBERTY STREET – MAIN REPLACEMENT PROJECT 01-508

On August 20, 2001, the Company entered into a contract in the amount of \$197,950.00 with Portland Utilities Construction Company for construction of the Liberty Street Main Replacement Project.

Subsequent to the submittal and approval of Change Action No. 6, Portland Utilities submitted a claim in the amount of \$314,000 to cover lost time and wages that resulted from unforeseen and unforeseeable conditions encountered at the project site.

At the request of the Louisville Water Company, Portland Utilities submitted a revised claim totaling \$182,713.32 for costs associated with delays encountered only within the limits of the intersections of Liberty Street with Brook Street, 1st Street, 2nd Street, and 3rd Street. Staff evaluated the claim based on site conditions, familiarity of the Contractor with the scope of work, a comparison with other similar scoped projects, and the quality of the documentation provided by Portland Utilities.

After proper motion and second, the Board of Water Works voted to issue a change action with Portland Utilities changing the contract price from \$287,354.77 to \$439,354.77, and to proceed with the close-out of this project.

NEW BUSINESS

Mr. Heitzman reported on the following New Business:

PROJECT 03-661 CHAPEZE LANE 16-INCH TRANSMISSION MAIN

The project transmission main is part of the \$5 million Interstate 65 (I-65) Transmission System committed by LWC in the Kentucky Turnpike Water District Merger Agreement. The project includes 3,900 feet of 16-inch water main in Chapeze Lane between Kentucky Highway 61 and I-65.

This leg of the I-65 Transmission System will provide hydraulic support across the interstate to Jim Beam Distillery. Future legs of the transmission grid will link this main north to the Cedar Grove Business Park and east to Highway 245 and set up potential for additional water sales to Lebanon Junction and Nelson County.

After proper motion and second, the Board of Water Works voted to authorize staff to proceed with final design and advertisement for bid. Bids will be submitted to the Board for approval of a construction contract.

PROJECT 00-401 ZORN INTAKE IMPROVEMENTS

The Zorn Intake Tower serves as the primary source of water intake from the Ohio River for the Crescent Hill Treatment plant. The screens were last replaced in 1962 and a major overhaul was conducted in the 1980's. In addition, Annual Inspections recommend a structural analysis of the intake tower and support foundation.

Staff recommends the design work for this project be outsourced using the Facility Improvement Consulting Engineer RFP process, approved by the Board in December 2002. Staff believes CDM Engineers has the experience required to perform the structural analysis and design services.

After proper motion and second, the Board of Water Works authorized the Chief Engineer to award a contract to Camp, Dresser, & McKee Engineers, Inc. in the not-to-exceed amount of \$161,525 for preliminary engineering design and voted to establish the project budget at \$1,000,000. Upon completion of design, the project will be advertised for bid.

Mr. Smith presented the following New Business:

NORTH NELSON WATER DISTRICT WHOLESALE SUPPLY CONTRACT

Staff is currently negotiating a new wholesale water supply contract with North Nelson Water District (NNWD). The existing contract, executed in 1996, was inherited in the KT Water District merger.

At the June 2003 Board of Water Works meeting staff was authorized to open negotiations with North Nelson Water District, based upon LWC's standard wholesale rate of \$1.35 per thousand gallons for elevated service. The objective of entering into a new contract is to increase water sales to NNWD.

After proper motion and second, the Board of Water Works voted to authorize the President to enter into a new contract to supply wholesale water to NNWD at LWC's standard wholesale elevated service rate of \$1.35 per thousand gallons.

Mr. Miller stated that Louisville Water Company's standard wholesale rate has been in place since 1994. Plans are now in place for staff to move wholesale rates up to \$1.49 per thousand gallons for all wholesale customers.

BEECH GROVE ROAD PORTABLE, BOOSTER PUMP STATION

The following proposes a non-budgeted capital project to install an above ground, portable booster on pump station on Beech Grove Road north of the intersection at Highway 61 and 245 (see attached map). The pump station is proposed to address an unfulfilled, KT Water District contract commitment to supply 350 gallons per minute to Jim Beam's Clermont Distillery. Transmission improvements along Chapeeze Road to supply the contract amounts are 2 to 3 years away from being completed. Installation of the portable pump station will allow us to meet the contract commitments to Jim Beam, alleviate low pressure problems in the Highway 245

corridor during high demands, improve reliability by providing a second source into the 760 PZ, and provide LWC with the capability to supply wholesale water south along Highway 61 to Lebanon Junction. Once transmission improvements are complete, the portable pump station will be stored or relocated to meet future needs.

After proper motion and second, the Board of Water Works authorized staff to proceed with engineering design and advertisement for bid to install the portable booster pump station. Total project costs are estimated at \$124,000.

GAP IN KNOB PORTABLE, BOOSTER PUMP STATION:

The current booster pump station, acquired in the KT merger, supplies water to the Gap in Knob Standpipe, which provides water to the Pointe subdivision in Shepherdsville. Its location in-line is a hydraulic barrier preventing us from utilizing the recently completed transmission improvements line in Highway 61 and 16" line, east of I-65. The new pump station will be located in the access road leading to the Gap in the Knob tank, which will allow us to utilize the transmission improvement while still providing domestic water service and fire protection to the Pointe subdivision.

After proper motion and second, the Board voted to authorize staff to proceed with engineering design and advertisement for bid to install the portable booster pump station. Total project costs are estimated at \$126,155.

Mr. McCord presented the following New Business:

**I-65 TRANSMISSION SYSTEM – SHEPHERDSVILLE & BULLITT COUNTY, KENTUCKY
HIGHWAY 61 AT HIGHWAY 1020 TO ADAM SHEPHERD PARKWAY**

Salt River Development Company, LLC has proposed an applicant financed tapping fee main extension to serve a new public road to be built in 2003 from Highway 61 at Highway 1020 south to Adam Shepherd Parkway that is presently under construction. This new public road will be built on lands presently owned by the State of Kentucky (Kentucky Transportation Cabinet), the City of Shepherdsville and the developer.

This proposed main extension along this route presents an opportunity for the Louisville Water Company to address a number of water transmission and distribution concerns associated with the Shepherdsville water system and the KT#2 meter district south of the Salt River.

It is estimated that the cost to upsize the proposed twelve (12) inch PVC main extension to a sixteen (16) inch ductile iron main extension is \$225,000 for a estimated total project cost of \$780,000.

After proper motion and second, the Board of Water Works authorized the Vice President of Serving Customers and Business Development to execute an Applicant Financed Tapping Fee Contract for a developer installed sixteen (16) inch ductile iron main extension of approximately 10,500 linear feet for total project budget of \$780,000. This will result in a net capital cost of \$225,000 to the Louisville Water Company.

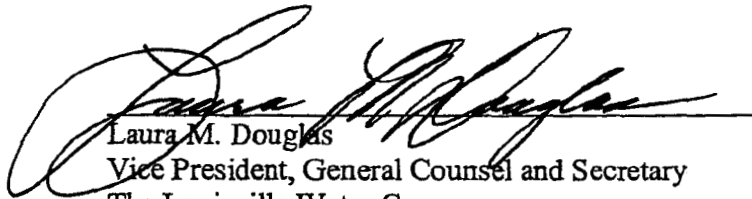
The meeting adjourned at 3:17 p.m.

**Certificate of Resolution
of the
Board of Water Works**

As Secretary of the Board of Water Works, I hereby certify that the Board of Water Works adopted the following resolution at its regular meeting on August 12, 2003, in accordance with its Charter and By-laws.

Authorization to Open Deposit Account

RESOLVED, that upon motion duly made and seconded, Amber Halloran is hereby authorized to open a bank account at the Bullitt County Bank. The Shepherdsville Bond Reserve funds will be deposited in this account.



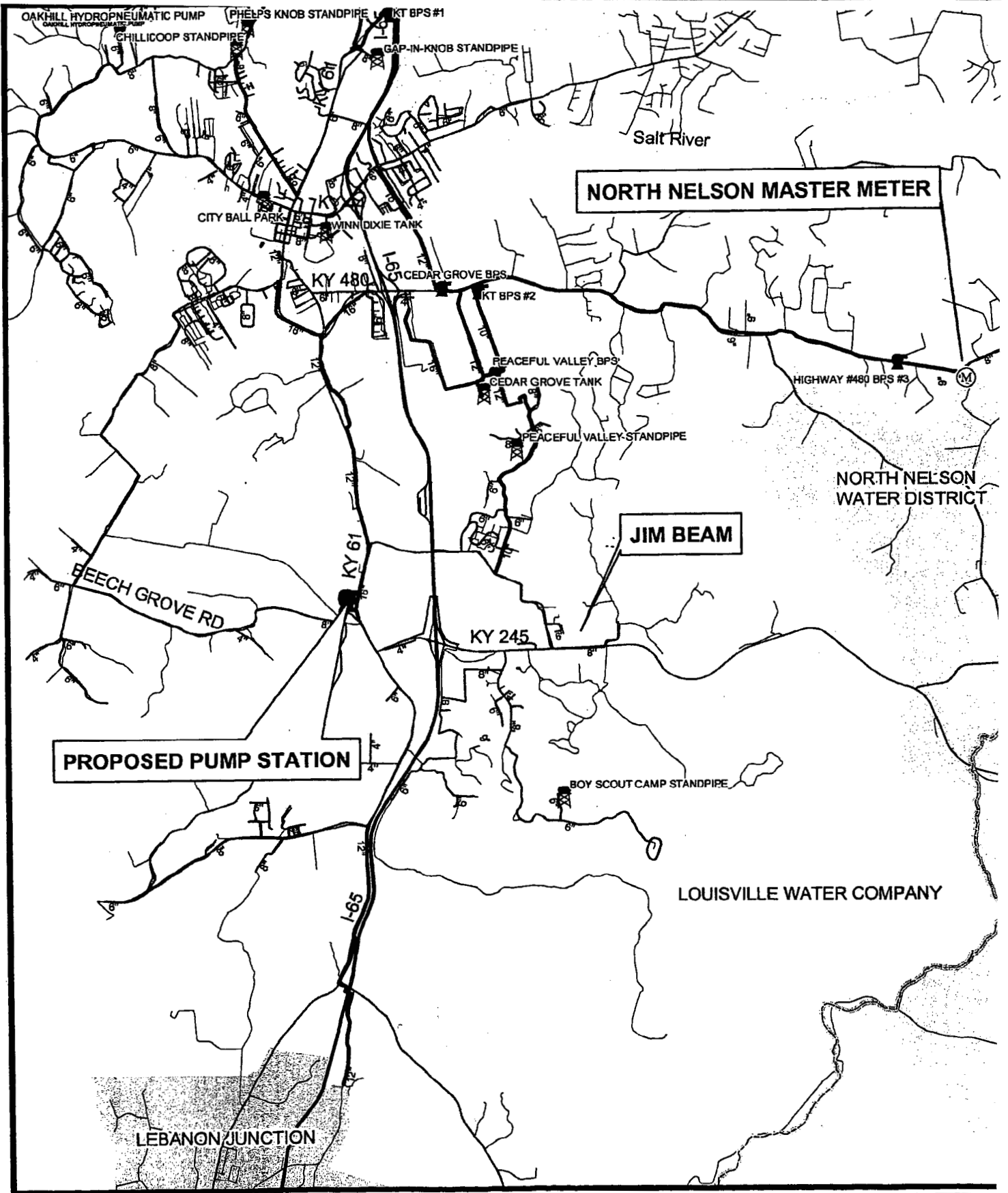
Laura M. Douglas
Vice President, General Counsel and Secretary
The Louisville Water Company

Subscribed and sworn to (or affirmed) before me the 21st day of August, 2003.



Janet Fiandaca, Notary Public

My commission expires: December 6, 2005



NORTH NELSON MASTER METER

JIM BEAM

PROPOSED PUMP STATION

NORTH NELSON WATER DISTRICT

LOUISVILLE WATER COMPANY

LEBANON JUNCTION

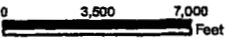


- Legend**
- 4" Mains
 - 5" Mains
 - 8" Mains
 - 10" Mains
 - 12" Mains
 - 14" Mains
 - 18" Mains
 - 20" Mains
 - 24" Mains
 - 30" Mains
 - 36" Mains
 - 48" Mains
 - 60" Mains
 - Roads
 - Streams

**LOUISVILLE WATER COMPANY
BOARD PRESENTATION**

122

DATE: 8/4/03



Scale: 1"=7000'



**Board of Water Works
Resolution**

February 13, 2001

It appearing that this Board has received petitions, signed by a majority of the owners of property abutting **Brush Run Road: Echo Trail to Dawson Hill Road**, a public way in Jefferson County, and acting thereon convened a public hearing on January 25, 2001, notice of which was duly published in accordance with Chapter 424 of the Kentucky Revised Statutes (a copy of which notice is attached), to consider the benefits of extending water service to such properties, and it further appearing that following such hearing and meeting, and receipt by the Board of a report thereon, the Vice President-Chief Engineer of the Company has recommended the extension of such water along **Brush Run Road: Echo Trail to Dawson Hill Road**, as being feasible and beneficial.

NOW, THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial to extend such water service along **Brush Run Road: Echo Trail to Dawson Hill Road**, and, by these presents, does hereby recommend and refer the proposed water service extension to the Jefferson County Fiscal Court, pursuant to KRS 96.265, for its consideration of an ordinance providing for the extension of such water service.

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

0915607 CHRISTY A BLANDFORD 8023 DAWSON HILL ROAD 5,450.00
 8023 DAWSON HILL ROAD DEED-BK 7856 LIEN-DT
 LOUISVILLE KY DEED-PG 424 LIEN-BK
 40299 TAX-DST LIEN-PG
 TAX-BLK 58 LOT-NO. 108

0915608 TIMOTHY W & REBECCA FREEDMAN 8012 DAWSON HILL ROAD 5,450.00
 8012 DAWSON HILL ROAD DEED-BK 6686 LIEN-DT
 JEFFERSONTOWN KY DEED-PG 903 LIEN-BK
 40299 TAX-DST LIEN-PG
 TAX-BLK 58 LOT-NO. 147

0915609 MAURICE D GRIMM 13951 BUTTERMILK RIDGE ROAD 5,450.00
 8024 DAWSON HILL ROAD DEED-BK 6271 LIEN-DT
 JEFFERSONTOWN KY DEED-PG 129 LIEN-BK
 40299 TAX-DST LIEN-PG
 TAX-BLK 58 LOT-NO. 167

0915610 J. LIGHTNER & DAVID KEAL 13930 BRUSH RUN ROAD 5,450.00
 13930 BRUSH RUN ROAD DEED-BK 7532 LIEN-DT
 JEFFERSONTOWN KY DEED-PG 300 LIEN-BK
 40299 TAX-DST LIEN-PG
 TAX-BLK 58 LOT-NO. 18

0915614 DOUGLAS & PATRICIA KORFHAGE 8004 DAWSON HILL ROAD 5,450.00
 13700 BUTTERMILK RIDGE ROAD DEED-BK 7885 LIEN-DT
 LOUISVILLE KY DEED-PG 492 LIEN-BK
 40299 TAX-DST LIEN-PG
 TAX-BLK 58 LOT-NO. 63

13700 BUTTERMILK RIDGE ROAD
 DEED-BK 6053
 DEED-PG 188
 TAX-DST
 TAX-BLK 58 LOT-NO. 177

0915620 CLIFTON MAHFFEY 8029 DAWSON HILL ROAD 5,450.00
 16200 MAHAPPEY LANE DEED-BK 6366 LIEN-DT
 JEFFERSONTOWN KY DEED-PG 324 LIEN-BK
 40299 TAX-DST LIEN-PG
 TAX-BLK 58 LOT-NO. 145

0915622 DONALD W MURPHY 8021 DAWSON HILL ROAD 5,450.00
 8021 DAWSON HILL ROAD DEED-BK 5254 LIEN-DT
 JEFFERSONTOWN KY DEED-PG 946 LIEN-BK
 40299 TAX-DST LIEN-PG
 TAX-BLK 58 LOT-NO. 151

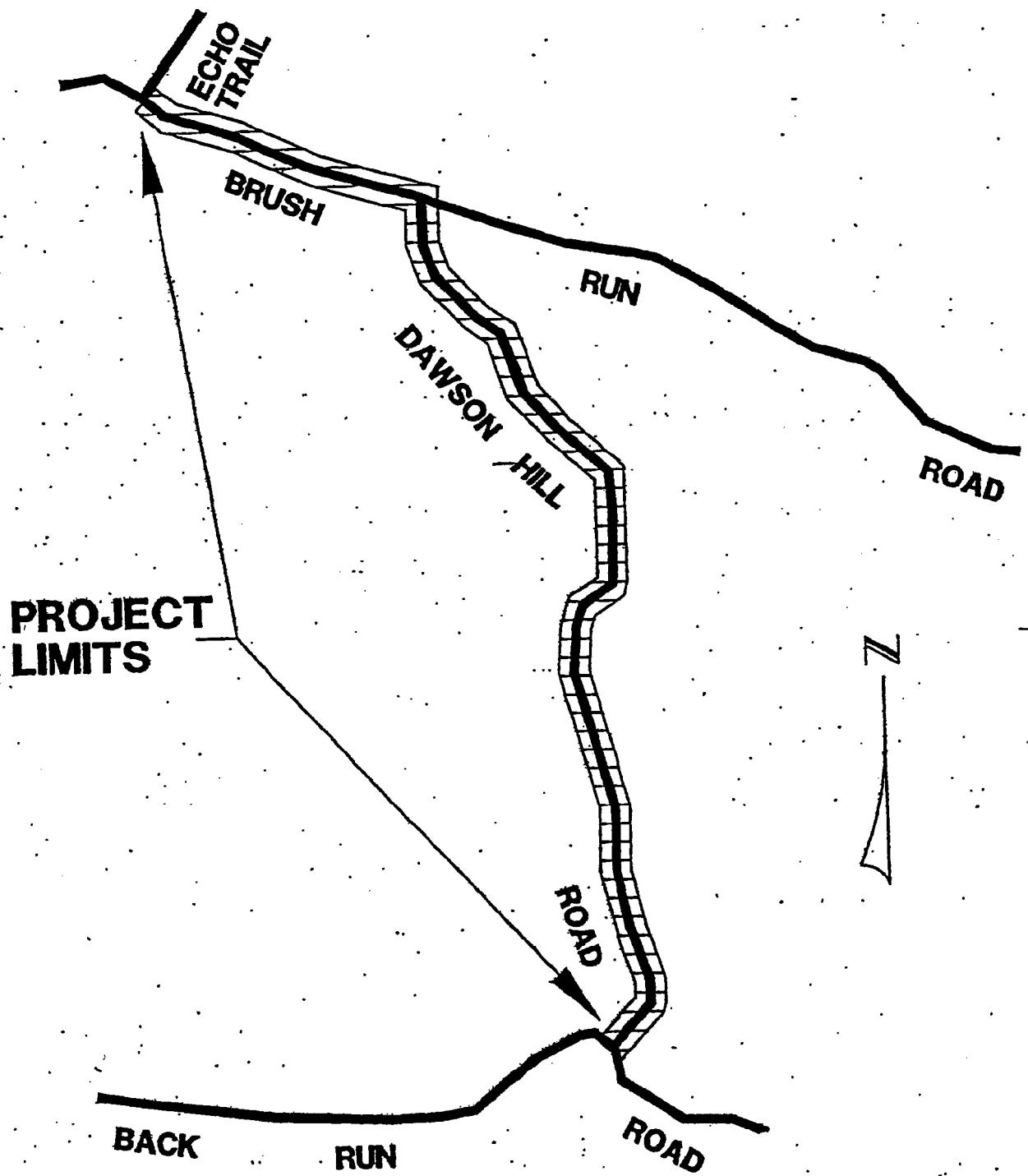
0915627 SAMUEL JR & BARBARA ROSS 8015 DAWSON HILL ROAD 5,450.00
 8015 DAWSON HILL ROAD DEED-BK 4064 LIEN-DT
 JEFFERSONTOWN KY DEED-PG 396 LIEN-BK
 40299 TAX-DST LIEN-PG
 TAX-BLK 58 LOT-NO. 84

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAYD IN FULL	REMARKS
015632	ALFRED & CAROL SCHLAUPTZ	6011 DAWSON HILL ROAD	5,450.00		
		DEED-BK 7597			LIEN-D1
		DEED-PG 621			LIEN-BK
		JEFFERSONTOWN KY			
		DEED-PG 40299			TAX-DST
		TAX-BLK 58			LOT-NO: 83
015633	WILBERT JR. & PAMELA S WISE	13921 BUTTERMILK RIDGE ROAD	5,450.00		
		DEED-BK 6710			LIEN-D1
		DEED-PG 99			LIEN-BK
		JEFFERSONTOWN KY			
		DEED-PG 40299			TAX-DST
		TAX-BLK 58			LOT-NO: 154

APPORTIONMENT WARRANT RESOLUTION

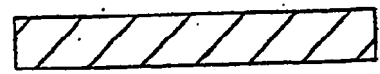
August 12, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for the cost of **Dawson Hill Rd: Brush Run Rd to Back Run Rd** main extension project authorized by Ordinance No. 5, Series 2001 of the Jefferson Fiscal Court, adopted on March 27, 2001 such warrants to be against ten (10) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



**PROJECT
LIMITS**

PROJECT AREA



FILE NAME: DAWSON HILL

**BOARD OF WATER WORKS
SEPTEMBER 9, 2003
BOARD MEETING MINUTES**

Board Members Present

Mr. Phillip Bond
Mr. Stewart Conner
Mr. Stephen Gault

Board Members Absent

The Hon. Jerry C. Abramson
Mr. Jack Segell
Ms. Wendy Welsh
Dr. Joseph Wise

Others Present

Mr. John Huber, President
Ms. Laura Douglas, Vice President, General Counsel, Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Mr. Richard Johnstone, Deputy Mayor
Mr. Steven Greseth, P.E., Black & Veatch
Ms. Barbara Crow
Mr. Michael Holt
Mr. Brian Bunch

Mr. Huber called the meeting to order at 12:40 p.m.

Mr. Huber stated that there was not a quorum present for the meeting. He announced that all items discussed at the September meeting would be presented to the Board at its October meeting for ratification.

CONSENT AGENDA APPROVED

- *Minutes of previous meetings*
- *Claims paid during the previous month*
- *Petitions and applications for water main extensions*
- *Authorization for design and bid of projects under \$200,000*
- *Bid tabulations for contracts under \$500,000*
- *Listing for award of contracts less than \$100,000*

Item A: MINUTES OF THE REGULAR MEETING HELD AUGUST 12, 2003
 MINUTES OF SPECIAL MEETING HELD AUGUST 26, 2003
 MINUTES APPROVED

Item B: CLAIMS PAID DURING AUGUST 2003
 REQUEST: FILE CLAIMS FOR FUTURE AUDIT.

Item C: PETITIONS AND APPLICATIONS FOR WATER MAIN EXTENSIONS AND RELOCATIONS
 (WHEN IN FULL COMPLIANCE / SR&R)

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
Developer Installed Refunding Main Extension Projects				
03-008	G347M	Bridlewood Section 3A	\$47,350.00	
03-049	G413M	Maple Brook Apartments	\$52,130.00	
03-050	G411M	Walnut Grove Apartments	\$15,780.00	
03-063	G409M	Little Spring Farm Section 1C	\$36,660.00	\$1,700.00
03-064	G410M	Sarah Way Extension	\$10,940.00	
03-067	G415M	Austin Woods Phase 3	\$43,100.00	
03-068	G412M	Lancewood Road Extension	\$8,460.00	
03-069	G416M	Woods of Farnsley Moorman Phase 1	\$32,300.00	
03-073	G414M	Washington Green Section 1	\$105,770.00	\$11,200.00
LWC Tapping Fee Main Extension Projects				
03-092		Distler Lane	\$41,500.00	\$41,500.00
Bullitt County Main Extension Projects				
03-326		Valley Lane	\$20,000.00	\$9,100.00

ALL DEVELOPER EXTENSION AGREEMENTS WHICH MEET REQUIREMENTS OF SECTION 2.01.1 OF LOUISVILLE WATER COMPANY'S SERVICE RULES AND REGULATIONS AND WHOSE CONTRACT COST TO THE COMPANY DOES NOT EXCEED \$100,000 HAVE BEEN APPROVED BY THE PRESIDENT.

Item D: AUTHORIZATION FOR DESIGN AND BID OF PROJECTS
 (ESTIMATED TO COST LESS THAN \$200,000)

Item E: BID TABULATIONS (AWARD OF CONTRACTS LESS THAN \$500,000 HAVING AT LEAST 3 BIDDERS AND NOT MORE THAN 5% OVER BUDGET IF THERE ARE NO BID INFORMALITIES AND THE LOWEST PRICE RECEIVED IS FROM A QUALIFIED BIDDER AND THAT THE SECOND BIDDER IS WITHIN 10% OF THE LOW BID).

Item F: AWARD OF CONTRACTS LESS THAN \$100,000.00 - AUGUST 2003

CAPITAL PROGRAM

03-310	Long Lick Farm Road Water Main Extension Debbie Sutherland Excavating	\$22,000
03-312	Highway 44 Grid Tie C Squared Inc.	\$97,600

PROCUREMENT OF MATERIALS AND SERVICES

03-29	CSI Data Collection Data Max	\$27,496
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REPORT OF OFFICERS

Administrative Report

Mr. Huber announced that representatives from GAO visited Louisville Water Company recently to discuss the infrastructure renewal program. GAO representatives reported that Louisville's practices in the area of infrastructure renewal are often held up nationally as best in class.

Mr. Huber also described the role that Louisville Water Company plays with the University of Louisville's Research Foundation.

Financial Report

Mr. Miller presented the Financial Report for August 2003:

Income and Expense Summary

Total operating revenue of \$64,091,900 is \$304,700 or 0.47% less than budgeted and \$1,096,000 or 1.74% more than the same period in 2002. We sold 3.20% less water in 2003 than the same period in 2002. Water delivered to the mains was 1.05% less than 2002.

Operation and maintenance expense of \$28,719,900 is \$358,500 or 1.26% more than budgeted and \$1,821,800 or 6.77% more than 2002.

Net operating income of \$19,107,600 is \$778,500 or 3.92% less than budgeted.

Net income of \$16,297,900 is \$1,597,600 or 8.93% less than budgeted and \$1,833,900 or 10.11% less than 2002.

Mr. Huber stated that given August's poor financial performance, the company is considering declining to make a contribution to the infrastructure replacement fund for 2003. He asked Mr. Miller to present the details of this plan to the Board.

Mr. Miller presented the following report and plan:

The 2003 Annual Budget contemplated funding of the Infrastructure Replacement Reserve in the amount of \$2,285,000. During the first eight months of 2003, revenues have been less than expected due to an unusually wet irrigation season and low interest earnings on investments. This has been accompanied by higher than expected maintenance and retirement of assets and expenses. It now appears that revenues, net of expenses, may not be sufficient to fully fund the Infrastructure Replacement Reserve in 2003.

There are no bond covenants requiring deposits to the Infrastructure Replacement Reserve; these deposits are made solely at the discretion of the Board of Water Works.

When the Board of Water Works established the Infrastructure Replacement Reserve, the Series 1992 Bond Resolution was amended to exclude deposits to the Infrastructure Reserve from Net Income when computing the dividend. The Dividend Computation contemplated the 2003 Annual Budget is as follows:

Net Income	\$29,238,000
Less: Bond Principal Payments	\$ 4,485,000
Infrastructure Replacement Reserve	\$ 2,825,000
Goshen Water Reserve	\$ 207,000
Bullitt County Water Reserve	\$ 1,189,700
Net Income Available for Dividend	\$20,531,300
Dividend	\$12,318,800

The following is an example of the dividend computation if earnings for the year are significantly below budgeted levels and funding of the Infrastructure Replacement Reserve is deferred:

Net Income	\$26,413,000
Less: Bond Principal Payments	\$ 4,485,000
Infrastructure Replacement Reserve	\$ 0
Goshen Water Reserve	\$ 207,000
Bullitt County Water Reserve	\$ 1,189,700
Net Income Available for Dividend	\$20,531,300
Dividend	\$12,318,800

Mr. Huber and Mr. Miller asked the Board of Water Works to consider suspending any deposit to the infrastructure replacement reserve for 2003. The Board will be asked to consider this matter at the October 2003 meeting.

Mr. Miller reported that the FINS project is on target for September 29, 2003 "Go Live" date.

Operations Report for May 2002

Mr. Heitzman presented the Operations and Engineering report for September 2003:

Production – The water production in August of 141.0 MGD was 15.0% lower than the August 2002 production of 165.8 MGD, and was 7.6% lower than the 5-year average July production of 152.6 MGD. The total precipitation for the month was 4.7 inches. This is 3.7 inches more than August 2002 and 2.2 inches more than the August 5-year average. For year-to-date, the total water production is 1.0% lower than 2002 and 0.6% lower than the 5-year average.

Distribution Water Quality – Staff collected 331 regular distribution samples in August. Sampling results have shown that the water quality in the distribution system exceeded our internal turbidity, chlorine and bacteria goals, which are more stringent than regulatory requirements.

Crescent Hill Sludge Discharge – On August 13, a MSD inspector observed an incident of water treatment residuals surcharging from a LWC manhole and overflowing to MSD's storm water collection system on Reservoir Avenue near the Meagher Aquatic Center. The root cause of the incident is the limited capacity of the pipeline to transport the residuals between Crescent Hill and BE Payne Plant lagoons. The Company has issued a professional services contract to CH2M Hill Engineers to design a pump station and collection system that will eliminate these surcharge events. In the interim, staff will meet with MSD to develop operating and reporting procedures to minimize overflow to MSD's storm collection system.

U.S. Pipe Hydrants & Valves – Two representatives of U.S. Pipe and Foundry Company spent the month of August in Louisville working with staff on the inspection of U.S. Pipe fire hydrants and gate valves. LWC has experienced a number of problems with the operability of US Pipe hydrants and valves. The sampling results are currently being documented and will be used as a basis for determining what further action will be required to remedy these problems. We plan a follow-up meeting with U.S. Pipe management in mid-September for the purpose of agreeing on the next steps to be performed in resolving these hydrant and valve issues.

Crescent Hill Reservoir Fencing, Sidewalk and Lighting Improvements – In April 2003, the Board authorized a third phase of site improvements to the Crescent Hill Reservoir with a budget of \$1,050,000. Staff has completed the design for the security fencing, sidewalk and lighting improvements. The estimated cost for this scope of work is \$840,000. The security fence layout and design will allow flexibility to secure the reservoir and treatment complex consistent with the Homeland Security protocol for protecting water treatment facilities. The 2004 budget will include projects for the parking lot expansion for the Aquatic Center and the auxiliary drain system for the reservoir.

Serving Customers Report

Ms. Teasley presented the Serving Customers Report for August 2003:

Performance Measures – The August 2003 abandonment rate was 4.49%, compared to 3.24% in July 2003, and 5.48% in August 2002. The year-to-date abandonment rate is 4.53%. We are very close to achieving our abandonment rate goal of 4.5% or less for 2003.

Bad debt for the month of August was \$26,957 compared to \$66,190 in July 2003, and \$28,630 in August 2002. This is \$8,460 under budget for the month and \$78,350 over budget year to date.

Bluegrass Consortium - As discussed in the August BOWW meeting, LWC, on August 8, submitted a revised response to the Bluegrass Water Supply Consortium (BWSC) for providing water to the Central Kentucky area. The revised response, based on a 2:1 peaking factor, provided rates of \$1.28 per thousand up to 18 MGD of water supplied and our standard wholesale rate of \$1.35 per thousand for greater amounts up to the maximum requested of 45 MGD. Results of these evaluations will be presented in an open forum on September 23, 2003 in Lexington.

Public Information Initiatives – Louisville Water Company partnered this month at the Kentucky State Fair with the Kentucky Dental Association. Over 5,600 children received Pure Tap bottles and free dental education material touting the benefit of fluoridated water. Over 2,300 children received free screenings. LWC employees helped staff the booth.

LITIGATION REPORT

After proper motion and second, the Board adjourned to closed session for the purpose of discussing litigation and acquisition of property. Ms. Douglas gave a litigation report in closed session. The Board reconvened in open session without taking any action.

REPORT OF COMMITTEES

No reports

SPECIAL ISSUES

Mr. Miller reported on the **Declaration of Dividend to the City of Louisville.**

Section 508 of the Series 1992 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 the City.

The budgeted net income of \$29,238,000 for 2003 requires payment of an annual dividend of \$12,318,831 in quarterly installments of \$3,079,708. The quarterly dividend payment must be increased by \$89,462 to reflect one quarter of the \$357,847 dividend underpayment in 2002.

A draft resolution to declare the third quarterly 2003 dividend in the amount of \$3,079,708 is attached. This resolution provides for a total quarterly payment of \$3,169,170.

Mr. Huber indicated that due to the absence of a quorum a motion of Unanimous Consent would be used to obtain the signature of absent Board Members.

2004 – 2006 Information Technology Strategic Plan

Mr. Huber deferred consideration of the 2004-2006 Information Technology Strategic Plan until the October 2003 Board meeting.

BID TABULATIONS

Mr. Heitzman reported on the following Bid Tabulations:

Bid No. 03-38: Water Treatment Chemicals

On August 6, 2003, sealed bids were opened to award a one-year contract for the purchase of water treatment chemicals. The contract is based on estimated usage and firm unit pricing.

The recommendation for award may not fully comply with state regulatory requirements that all chemicals purchased for the purpose of treating potable water are NSF certified.

The estimated contract value for water treatment chemicals increased by 14.61% over the previous year's bid.

After proper motion and second, the Board of Water Works voted to authorize the Process Owner, Procurement of Goods and Services, to award one-year contracts in the estimated values as follows:

<u>Chemical</u>	<u>Supplier</u>	<u>Amount</u>
Ammonia	Univar	\$75,050.00
Fluorosilic Acid	KC Industries	\$104,287.00
Liquid Chlorine (CHFP)	Univar	\$159,120.00
Liquid Chlorine (BEP)	Univar	\$80,520.00
Ferric Chloride	Eaglebrook	\$749,000.00
Liquid Polyaluminum PACL	Polydyne/Kemiron	\$12,600.00
Pebble Quick Lime	Mississippi Lime	\$324,000.00
PolyDially Dimethyl Ammonium	Polydyne	\$56,000.00
Potassium Permanganate	Calciquest	\$12,500.00
Powdered Activated Carbon	Acticarb	\$64,560.00
Powdered Activated Carbon (Taste and Odor Grade)	Calgon Carbon	\$97,020.00
Soda Ash	Chemical Resources	\$10,650.00
Sodium Hydroxide	Jones Chemicals	\$31,118.00
		\$1,776,525.00

The Board instructed the Chief Engineer to have a discussion with the State regarding UL versus NSF certification. If there is an issue which develops from these discussions which impacts Louisville Water Company's ability to award this contract, this contract award will be reviewed again with the Board at its October, 2003 meeting.

Mr. Miller reported on the following Bid Tabulations:

Bid No. 02-41: Barricade Rentals

On September 25, 2002 sealed bids were opened to award a one-year contract for the purchase of barricades and barricade rentals. The contract began October 9, 2002 for one year, renewable up to four (4) additional one (1) year periods using the Consumer's Price Index.

At contract inception, one responsive and two "no bids" were received. The bidder submitting the best proposal was Flasher Barricade and Lite Company at an estimated cost of \$240,003.

After proper motion and second, the Board of Water Works voted to authorize the Process Owner Procurement of Goods and Services to award a one-year CPI renewal for an estimated total of \$245,043. The first CPI renewal represents a 2.1% increase in contract prices from the previous years.

Bid No. 03-49: Ready Mix Concrete

On August 20, 2003 sealed bids were opened to award a two-year contingency contract for ready mix concrete. The contract is based on estimated usage and firm unit pricing. This contract was bid as a contingency contract, allowing for price and timeliness of delivery to be considered in the procurement of concrete.

Three bids were submitted with the following bidders all submitting responsive bids:

Advance Ready Mix, Inc.

Pearce Brothers

Irving Materials

After proper motion and second, the Board of Water Works authorized staff, to award two-year unit price contracts totaling an estimated \$1,140,000 to vendors listed above.

Ms. Teasley reported on the following Bid Tabulations:

02-341, 02-342 & 02-347

HIGHWAY 44, BEARCAMP ROAD & YORKSHIRE BLVD., BULLITT COUNTY EXTENSION PROGRAM (BCEP)

Bids were received and opened Wednesday, August 27, 2003 to

1) furnish and install 5,715 linear feet of 8-inch PVC water main, install 192 linear feet of 8-inch DI pipe, install 125 linear feet of 16-inch casing pipe (open cut), install 40 linear feet of 16-inch casing pipe (bore and jack), and install seven (7) fire hydrants along Highway 44;

2) furnish and install 3,980 linear feet of 8-inch PVC water main, 60 linear feet of 6-inch PVC water main, and 20 linear feet of 4-inch PVC water main, install 554 linear feet of 8-inch DI pipe, install 402 linear feet of 16-inch casing pipe (open cut); install 52 linear feet of 16-inch casing pipe (bore and jack) and install five (5) fire hydrants along Yorkshire Blvd; and

3) furnish and install 6,635 linear feet of 8-inch PVC water main, install 880 linear feet of 8-inch DI pipe, install 60 linear feet of 16-inch casing pipe (open cut) and install six (6) fire hydrants along Bearcamp Road.

A total of 4 bids were received and opened from pre-qualified contractors.

WHF Inc. submitted the lowest responsive bid in the amount of \$520,010 resulting in a total project cost of \$660,210.

After proper motion and second, the Board of Water Works voted to authorize the Vice President of Serving Customers & Business Development to award a contract in the amount of \$520,010 to WHF Inc. to install the water facilities associated with this project.

03-312 Highway 44 Grid Tie Shepherdsville Water Improvement Program

Explanation of Need: Bids were received and opened Wednesday, August 27, 2003 to furnish and install 1,800 linear feet of 12-inch water main along Highway 44; open cut and install 80 L. F. of 24-inch steel casing pipe and; bore and install 40 L. F. of 24-inch steel casing pipe. The project is a grid tie between an existing 6-inch water main in the old Kentucky Turnpike Water District Division No. 1 service area and a 12-inch main in the old Shepherdsville Water District and extends from Pitts Point Road, 1,800 feet east along Highway 44. This project is a part of the Shepherdsville Water Improvement Program which was established as part of the merger agreement between Shepherdsville Water District and Louisville Water Company.

A total of 5 bids were received and opened from pre-qualified contractors. C Squared Inc submitted the lowest responsive bid in the amount of \$97,600 resulting in a total project cost of \$109,769.

After proper motion and second, the Board of Water Works voted to authorize the Vice President of Serving Customers & Business Development to establish a \$109,769 budget of record and to award a contract in the amount of \$97,600 to C Squared Inc. to install the water facilities associated with this project.

Mr. Heitzman reported on the following Bid Tabulations:

LWC Contingency Contract No. L-03

Transmission System Emergency Repairs and/or Capital Improvements

Annually, the Company solicits bids to perform emergency repairs and capital work on the transmission system.

The Company received six bids on Wednesday, August 27, 2003.

Four firms submitted unit bid prices for heavy pipeline repair/capital work: Hall Contracting of Kentucky, Inc.; MAC Construction & Excavating, Inc.; Miller Pipeline Corporation; and Southern Pipeline Construction Company. Three firms submitted unit bid prices for internal joint sealing work: J. Fletcher Creamer & Son, Inc.; Hunting HTI Rehab, Inc. LLC; and Miller Pipeline Corporation. Compared with the L-02 bid, unit prices for labor have increased up to 5 percent while unit bid prices for equipment showed both an increase and decrease in various categories.

These unit prices were filed. The bids will be bought forward on an individual basis in the future.

03-455 Roof Replacements at Crescent Hill Water Treatment Plant

Bids were received Wednesday, August 27 to replace roofs on the Crescent Hill Filter Plant Chlorine Building and Crescent Hill Pump Station Annex. The roofs on each facility are in excess of 20 years in age and experience leaks. The poor condition of these roofs are detailed in a Roof Condition Survey performed by consultant Roof Resources, Inc.

A base bid for the two roof replacements and an alternate bid for replacement of light monitor windows and masonry rehabilitation were requested. Three (3) bids were received for this project, ranging \$108,938-\$122,112 for the base bid, and \$24,755-\$28,874 for the alternate bid.

After proper motion and second, the Board of Water Works voted to authorize the Chief Engineer to award a contract in the amount of \$137,812 to Swift Roofing of E'Town, Inc. for the base and alternate bids for replacement of roofs, windows, and masonry at the production facilities.

COMMUNICATIONS

No report

OLD BUSINESS

2004 – 2006 Strategic Plan

Mr. Miller reviewed the Strategic Plan with Board members. The distributed plan was color coded, per the Board of Water Work's request at the Special Meeting held in August 2003, to show Board of Water Work's changes made, new items in the 2004 plan and items dropped from the 2002 plan. The Board expressed concurrence with the proposed plan.

LWC Service Rules and Regulations

2.03 Refunding of Installation Cost Extension Method

Mr. Huber announced that this item will be deferred to the October 2003 meeting.

Request for Authorization for One-Time Buyout of Existing Refunding Contracts

Mr. Huber announced that this item will be deferred to the October 2003 meeting.

Issuance of Apportionment Warrants per KRS 96.265

Dry Ridge Ln: Dry Ridge Rd to the County Line

A public hearing was held September 19, 2002 for the extension of water service along Dry Ridge Ln: Dry Ridge Rd to the County Line. The Board of Water Works adopted a resolution for Dry Ridge Ln: Dry Ridge Rd to the County Line on October 8, 2002 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance.

With the completion of the public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265.

After proper motion and second, the Board of Water Works voted to adopt a resolution for the issuance of Apportionment Warrants and liens against 6 benefited properties along Dry Ridge Ln: Dry Ridge Rd to the County Line in accordance with KRS. 96.265, as described.

NEW BUSINESS

Mr. Heitzman reported on the following New Business:

Project No. 02-673 Snyder Freeway 60-inch Valve Installation

This project was originally designed and bid on Sept 18, 2002 as a 36-inch interconnection from the Snyder Freeway 60-inch transmission main to the Westport Road 48-inch transmission main. This interconnection would provide a hydraulic loop between the Westport Transfer Station and the B.E. Payne Plant, in the event of a failure on the 60-inch main south of Westport Road. Bids received were unexpectedly high (\$524,700 to \$642,800) due to large quantities of rock excavation and construction in a developed intersection. The budget for this project is \$371,525.

Staff has evaluated alternatives to provide the transmission flexibility and minimize the cost of construction. The recommendation is to install two line valves on the 60-inch transmission main between Westport Road and LaGrange Road, on each side of the new Chamberlain Lane pump station supply line. This will allow flexibility to operate the Freys Hill and Chamberlain Lane pump stations from three sources: B.E. Payne Treatment Plant, Westport Road Transfer Station, and English Station Reservoir. In addition, the 2020 Facility Plan includes funding for a parallel 36-inch transmission main from B.E. Payne to Westport Road to be constructed from 2004-2008. This project will be accelerated to provide operational flexibility in the event of a transmission failure.

The revised project budget is estimated to be \$241,000 for engineering, materials, and installation. The Materials are estimated at \$167,000 and installation using the Contingency Contract is estimated at \$40,000.

After proper Motion and second, the Board of Water Works voted to authorize staff to proceed with final design and advertisement for bid of the materials for this project. The material bid results and the request to use the annual Contingency Contract will be presented to the Board for approval.

Project No. 03-833

Broadway at Preston Street 30-inch / 20-inch Transmission Main Improvement

In June 2003, a leak developed on the 30-inch x 20-inch cast iron cross in Broadway at Preston Street. In order to mitigate the risk associated with a complete failure of the transmission main, the intersection piping has been isolated and removed from service. The excavation has been plated to assure safe travel on Broadway and Preston Street.

Engineering has completed the evaluation of the repair alternatives and the recommendation is to replace the cross with two 30-inch tees, a line valve and new piping. The connection between the 30-inch main and the 20-inch main will be reconfigured to form straight connection,

eliminating two bends. This revised configuration will allow for ease of installation and future operational flexibility.

The project budget is estimated to be \$110,000, including engineering, materials, and construction. Design work is to be accomplished by Louisville Water Company staff.

After proper motion was made and second, the Board of Water Works voted to fund the 2003 capital budget in the amount of \$110,000 and authorized staff to proceed with final design and utilization of the L-02 Contingency Contract for Transmission Main Repairs and Capital Construction.

Mr. Huber stated that all items considered today will be presented to the Board for ratification at the October 2003 meeting.

The meeting adjourned at 2:25 p.m.

**RESOLUTION TO DECLARE THIRD QUARTER DIVIDEND
TO THE CITY OF LOUISVILLE**

WHEREAS, it has been the long established policy of the 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 1992 Water System Revenue Bond Resolution set 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 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, the Board passed a resolution on March 11, 2003 to adjust the 2002 annual dividend by \$357,847 from \$12,021,776 to \$12,379,623, the difference to be added in equal quarterly installments to the quarterly 2003 dividend payments, and

WHEREAS, the 1992 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 2003 Louisville Water Company budget contemplates the 2003 annual dividend to be \$12,318,831 it would be in order at this time to declare a regular third quarter dividend of \$3,079,708.

RESOLVED, the regular third quarter 2003 dividend of \$3,079,708 is hereby declared.

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,169,170 to the Louisville/Jefferson County Revenue Commission on September 30, 2003, this being the third quarterly dividend for 2003 plus one quarter of the dividend adjustment for 2002, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

APPORTIONMENT WARRANT RESOLUTION

September 9, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for the cost of **Dry Ridge Ln: Dry Ridge Rd to the County Line** main extension project authorized by Ordinance No. 29, Series 2002 of the Jefferson Fiscal Court, adopted on November 12, 2002 such warrants to be against six (6) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0917437	BEASLEY FAMILY LIVING TRUST 8201 DRY RIDGE LANE LOUISVILLE KY 40299	8201 DRY RIDGE LANE DEED-BK 6998 DEED-PG 819 TAX-DST TAX-BLK 60	5,450.00		LIEN-DT LIEN-BK LIEN-PG LOT-NO. 81
0917438	MICHAEL T & DEBORAH MAHON 8100 DRY RIDGE LANE LOUISVILLE KY 40299	8100 DRY RIDGE ROAD DEED-BK 7061 DEED-PG 781 TAX-DST TAX-BLK 60	5,450.00		LIEN-DT LIEN-BK LIEN-PG LOT-NO. 79
0917439	GERALD & JANICE MAE MCHONIGAL 8210 DRY RIDGE LANE LOUISVILLE KY 40299	8210 DRY RIDGE LANE DEED-BK 5502 DEED-PG 602 TAX-DST TAX-BLK 60	5,450.00		LIEN-DT LIEN-BK LIEN-PG LOT-NO. 83
0917441	CLARENCE E & MARTHA NAPIER 7104 S WATTERSON TRAIL LOUISVILLE KY 40291	8001 NAPIER ROAD DEED-BK 6284 DEED-PG 691 TAX-DST TAX-BLK 60	5,450.00		LIEN-DT LIEN-BK LIEN-PG LOT-NO. 133
0917442	EDDIE NAPIER P O BOX 1241 LOUISVILLE KY 40201-1241	8120 DRY RIDGE LANE DEED-BK 6818 DEED-PG 288 TAX-DST TAX-BLK 60	5,450.00		LIEN-DT LIEN-BK LIEN-PG LOT-NO. 124
0917446	JOSEPH JR & BEVERLY D SQUIRES 8101 DRY RIDGE LANE LOUISVILLE KY 40299	8101 DRY RIDGE LANE DEED-BK 4912 DEED-PG 249 TAX-DST TAX-BLK 60	5,450.00		LIEN-DT LIEN-BK LIEN-PG LOT-NO. 85
		8121 DRY RIDGE LANE DEED-BK 4992 DEED-PG 789 TAX-DST TAX-BLK 60			LOT-NO. 88

Exhibit 'A'

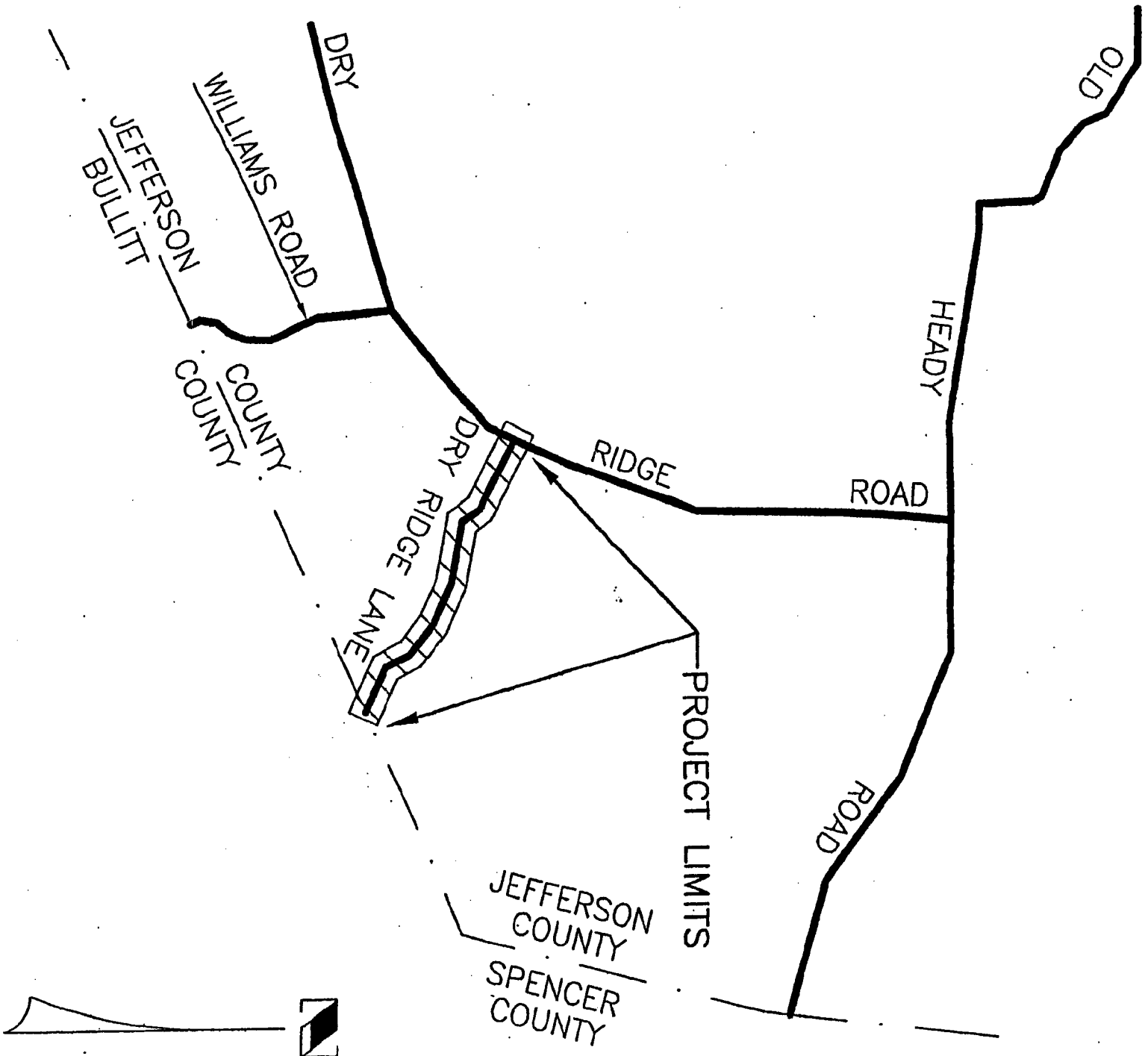
APPORTIONMENT WARRANT CONTRACT GROUP RELATION

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 32,700.00

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN



PROJECT AREA



FILE NAME: DRY RIDGE LANE

**BOARD OF WATER WORKS
AUGUST 26, 2003 SPECIAL BOARD
MEETING MINUTES**

Board Members Present

Mr. Jack Segell
Mr. Stephen Gault
Dr. Joseph Wise
Mr. Stewart Conner
Ms. Wendy Welsh
Mr. Phillip Bond

Board Members Absent

The Hon. Jerry E. Abramson

Others Present

Mr. John Huber, President
Mr. Robert Miller, Vice President, Treasurer
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Susan Lehmann, Vice President, Human Resources
Mr. Richard Johnstone, Deputy Mayor, Louisville/Jefferson County Metro
Mr. Steven Greseth, Black and Veatch
Mr. Stephen Hubbs, Vice President, New Technology
Ms. Barbara Crow, Process Owner, Public Information

Mr. Huber called the meeting to order at 12:10 p.m.

2002-2006 STRATEGIC PLAN MID-YEAR 2003 REPORT

Mr. Huber provided a historical perspective on the development of strategic planning at Louisville Water Company. He indicated that we are pleased to report mid-year results that indicate nine out of fourteen specific measurements are on target to achieve Louisville Water Company's 2003 goals. The increase in the Customer Satisfaction Index for serviced accounts is particularly noteworthy. The areas that are not on target are water rate changes, return on equity, operation and maintenance cost per customer, and preventable vehicular accidents. The results for the diversity goals will be reported at year-end. Mr. Miller reviewed the specific mid-year results.

2004 – 2008 DRAFT STRATEGIC PLAN

Mr. Huber provided an overview regarding the development of the draft 2004 - 2008 Strategic Plan and reviewed the Mission, Vision, and Values statements.

Mr. Conner asked for identification of specific changes in the Strategic Plan. Mr. Huber replied that a markup of the additions, changes, and deletions to the previous Strategic Plan would be sent to the Board by the next meeting.

Ms. Teasley presented the assumptions for Customer Expectations. Mr. Bond noted that higher MSD rate increases may have an impact on customer satisfaction. Mr. Heitzman presented the assumptions for Water Quality. Mr. Miller presented assumptions for Financial Resources. Mr. Conner advised that staff should consider an alternative benchmark to the Consumer Price Index for comparing anticipated changes in water rates.

Mr. Heitzman presented assumptions for Infrastructure and System Growth. Ms. Lehmann presented assumptions for Employees. Mr. Miller presented assumptions for Business Environment Influences.

Mr. Hubbs reviewed the strengths, weaknesses, opportunities and threats. He noted that certain of the weaknesses from the 1992 – 1996 Strategic Plan have become strengths for 2004 – 2008.

Karla Teasley presented the constituent goals and objectives relating to Customers. Ms. Welsh emphasized the need to consider a price benchmark other than the consumer price index.

Greg Heitzman presented the constituent goals and objectives relating to Water Quality. Mr. Bond recommended adding a reference to RBI in the constituent goals and objectives. There was also discussion relating to Taste, Odor and Discolored water issues.

Mr. Miller presented the constituent goals and objectives relating to the Stockholder. Ms. Lehmann presented the constituent goals and objectives relating to Employees. Mr. Huber presented the constituent goals and objectives relating to Elected Officials, Regulatory Agencies, the Community, and Suppliers.

Greg Heitzman presented Strategy I: Invest in treatment and delivery systems and technologies that deliver a quality of water service proven to assure public health and safety, meet customer expectations, and exceed regulatory standards.

Mr. Miller presented Strategy II: Operate competitively and demonstrate leadership in the water supply marketplace, focusing on customer satisfaction and the drivers of quality service and value. Mr. Segell recommended more specific reference to research provided by University of Louisville Economists as a basis for assumptions and adjectives.

Ms. Teasley presented Strategy III: Increase water revenue by selling more water.

Ms. Lehmann presented Strategy IV: Achieve and maintain a high quality of work life as defined in the Next Level Plan.

Ms. Teasley presented Strategy V: Enhance customer satisfaction and achieve best in class customer service by resourcing and implementing the Enhancing Customer Satisfaction and Customer Confidence Program Plan.

Mr. Gault advised staff to consider adding reference to the need for site acquisition for tank sites in advance of development.

Dr. Wise advised staff to consider the possibility of using the GDP price deflator in lieu of the CPI as benchmark for water rate changes.

2004 - 2006 INFORMATION TECHNOLOGY (IT) STRATEGIC PLAN

The Board determined to review the 2004 - 2006 Information Technology Strategic Plan at a later date.

The meeting adjourned at 2:20 p.m.

Respectfully:



Robert Miller, Vice President, Treasurer

**BOARD OF WATER WORKS
MEETING MINUTES
OCTOBER 14, 2003**

Board Members Present:

Mr. Phillip Bond
Mr. Stewart Conner
Mr. Stephen Gault
Dr. Joseph Wise

Board Members Absent:

Mayor Jerry Abramson
Mr. Jack Segell
Ms. Wendy Welsh

Others Present:

Mr. John Huber, President
Mr. Robert Miller, Vice President, Treasurer
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Mary-James Young, Corporate Counsel
Mr. Steven Greseth, Black & Veatch
Mr. Jim Smith
Ms. Amber Halloran
Mr. Tony Gregory
Ms. Barbara Crow
Mr. Ralph McCord
Mr. Don McKay

Mr. Huber called the meeting to order at 12:35 p.m.

Ratification of Actions Taken at September 9, 2003 Board Meeting

Mr. Huber noted that there was not a quorum present at the September 9, 2003 meeting and reviewed actions taken at the meeting. Upon proper motion and second, the Board of Water Works unanimously voted to ratify all items voted upon and resolutions adopted at the September 9, 2003 meeting. Copies of the following Certified Resolutions are attached to these minutes:

- Resolution to Declare Third Quarter Dividend to the City of Louisville
- Apportionment Warrant Resolution – Dry Ridge Lane: Dry Ridge Road to the County Line

Mr. Huber also noted that he had authorized award of certain contracts presented at the September 9, 2003 meeting and asked the Board to ratify these items. The contracts awarded by the President are as follows:

- Ready Mix Concrete
- Barricade Rentals
- Water Treatment Chemicals

Mr. Miller distributed a letter wherein he recommended a modification to one of the award of contracts for water treatment chemicals. He noted that staff has determined that K. C. Industries was not certified for ANSI NSF Standard 60 by NSF in accordance with bid specifications and state drinking water regulations. He recommended that the best bid that fully complies with these specifications and regulations was from Solvay Fluorides.

Mr. Gault moved to ratify the President's award of certain Contracts presented at the September 9, 2003 meeting. He also moved award a one-year contract for the purchase of Fluorosilic Acid to Solvay Fluorides for the estimated amount of \$110,160. Upon second and vote, the motions carried.

Consent Agenda Reviewed and Approved

The minutes from the September 9, 2003 meeting of the Board of Water Works were approved.

The List of Claims Paid for September 2003 was filed.

The following Petitions and Applications for Water Main Extensions and Relocations were approved:

Project	Contract	Project Name	Project Cost	Net Cost
Developer Installed Refunding Main Extension Projects				
02-089	G448M	Park Duvalle Phase 3B-2	\$38,050.00	
02-090	G449M	Park Duvalle Phase 3B-3	\$17,150.00	
02-091	G450M	Park Duvalle Phase 3B-4	\$18,460.00	
03-036	G447M	Oak Valley Section 3	\$53,700.00	
03-066	G455M	Scott Mills Road	\$12,300.00	\$1,200.00
03-072	G453M	Kellerman Place Section 3	\$42,350.00	
03-079	G454M	Polo Fields Section 17	\$12,180.00	
03-086	G479M	Greenwood Meadows Section 2	\$34,030.00	
Bullitt County Main Extension Projects				
03-327		Rams Run South Extension	\$13,000.00	\$7,550.00
Developer Relocation Projects				
03-851		Nichols Bus Shop	\$34,500.00	

Financial Report Filed

Mr. Miller presented the financial results through September 2003. He noted that this was the third month of four low irrigation sales months, with 30 more days of rain during 2003 than in 2002 and 23 more days of rain than during the five year average.

Total operating revenue of \$73,066,000 is \$1,577,900 or 2.11% less than budgeted and \$6,900 or 0.01% less than the same period in 2002. We sold 5.20% less water in 2003 than the same period in 2002. Water delivered to the mains was 2.73% less than 2002. Operation and maintenance expense of \$32,127,700 is \$229,900 or 0.72% more than budgeted and \$1,519,100 or 4.96% more than 2002. Operating deductions of \$50,561,800 are \$287,500 or 0.57% more than budgeted and \$2,479,200 or 5.16% more than 2002. Net operating income of \$22,504,200 is \$1,865,400 or 7.65% less than budgeted and \$2,486,100 or 9.95% less than 2002. Total non-operating income of \$1,754,800 is \$918,400 or 34.36% less than budgeted and \$424,300 or 19.47% less than 2002. Total non-operating expense of \$4,986,100 is \$61,300 or 1.25% more than budgeted and \$49,100 or 0.97% less than 2002. Net income of \$19,272,900 is \$2,845,200 or 12.86% less than budgeted and \$2,861,300 or 12.93% less than 2002 as a result of the low water sales, higher expenses, and low investment income.

Mr. Miller also distributed a forecast for the remainder of 2003. The net income is forecast to be \$3,681,000 less than budgeted. He noted that staff is continuing to take measures to meet the dividend target for the year.

Ms. Halloran and Mr. Gregory reported on the successful implementation of the new Oracle Financial Information System. The Board offered congratulations to them and their staff for completing the project on-time and on-budget.

The report was filed.

Operations Report Filed

Mr. Heitzman provided the Operations Report.

The water production in September of 129.4 MGD was 14.6 percent lower than the September 2002 production of 151.5 MGD, and was 9.1 percent lower than the 5-year average September production of 142.4 MGD. For year-to-date, the total water production of 130.1 MGD is 2.7 percent lower than 2002 production and 1.6 percent lower than the 5-year average. The lower than normal production in the month was a result of cool and wet weather. There were no major production or maintenance problems during the month.

Staff collected 317 regular distribution samples in September. Sampling results have shown that the water quality in our distribution system exceeded our internal turbidity, chlorine and bacteria goals, which are more stringent than regulatory requirements. There were no water quality monitoring and reporting violations in September. There were three Boil Water Advisories issued for September as a result of main breaks, all of which were localized to the main break areas.

Staff continues to work with U.S. Pipe representatives toward resolution of problems with U.S. Pipe fire hydrants and gate valves. A meeting was held in September with U.S. Pipe to review data which was collected in a joint inspection effort in August. Progress was made in that meeting in both defining the scope of the problems, and in developing mitigation strategies. Of primary concern at this time is identifying any fire hydrants in the system that may be inoperable. Toward this end, the Company is partnering with fire departments across the community to inspect hydrants for operability. This hydrant inspection program will be completed by December 1, prior to the winter season.

Repairs of a failed 30-inch by 20-inch cross in Broadway at Preston Street were completed in September by Southern Pipeline Construction Company. The work required significant traffic control which impacted traffic flow for the duration of the work. The main is being placed back in service at this time and only remedial restoration work remains. The cost estimate for this work is \$57,000. This work will be capitalized as the repair presented the opportunity to make significant pipe and valve improvements to this piping configuration.

The report was filed.

Serving Customers Report Filed

Ms. Teasley provided the Serving Customers Report.

The September 2003 call abandonment rate was 4.27% compared to 4.49% in August 2003 and 3.73% in September 2002. The year-to-date abandonment rate is 4.50%, meeting our goal for 2003. We will work toward maintaining these results through year-end.

Customer satisfaction was relatively flat from the second to the third quarter with an increase of two points to a Total CSI of 837. The residential non-service segment increased slightly, primarily due to increased perceptions of water quality and customer service. The largest drop in satisfaction related to price/value. Serviced accounts continue at a high level of satisfaction, increasing two points to a new high of 802. Higher satisfaction for commercial customers was the primary driver of the increase with improved perceptions of water quality, customer service and information. The year-to-date Total CSI is 842 compared to a Corporate Level II goal of 845. The year-to-date average for Serviced Customers is 800 compared to a Level III goal of 789. These results reflect very favorably on the quality of service provided by LWC employees to its customers.

The Mobile Dispatch System project implementation has been underway since June 2003. Viryanet, Inc. was awarded the contract for the system software and implementation services by the Board of Water Works in May 2003. The hardware and wireless communication system components have been purchased and initial system installation has been completed. The project team and Viryanet personnel have completed the initial configuration of the system based on the functional specifications provided by LWC staff. Currently, the project team is undergoing system training and has begun testing the system functionality and some of the key interfaces to other information supply systems. The system implementation is on track for the December 2003 go-live of the initial phase of the project. The remaining phase of the project for First Run Response procedures is on track for a March 2004 go-live. The project is currently under the total budgeted amount; however, there have been some cost variations in the areas of wireless

network design, networking equipment, interfaces, and LWC internal labor costs. Staff is in the process of analyzing the remaining project needs and costs, and updating the budget as necessary. Staff plans to provide a detailed summary of the project at an upcoming Board meeting.

The report was filed.

Closed Session Discussion

After proper motion and second, the Board went into closed session at 1:05 p.m. for the purpose of discussing litigation and acquisition of property. The Board reconvened in open session at 1:30 p.m. after taking no action.

Audit Committee Report Filed

Mr. Bond presented a report from the Audit Committee. He noted that the Audit Committee had met on September 23, 2003. Roger LeMaster and Scott Muhlenbeck had presented the 2003 Inventory Audit. The inventory variances are down; however, there is a concern regarding the truck inventory.

The Committee had reviewed results from the Code of Ethics Questionnaire. Four hundred eight-four questionnaires were sent out and all were returned. Eighteen employees had reported concerns regarding harassment and discrimination issues. There will be follow up by management and the Audit Committee on this matter.

The Committee had also reviewed the Contract Administration Audit. The audit focused on the necessity for General Counsel's review of contracts prior to signature by the President at certain dollar amounts and the necessity for legal review prior to changing standard documents. On a similar matter, the Committee had reviewed the property lease audit. The Internal Auditor recommended centralized record keeping and consistent legal review of all leases.

Mr. Bond noted that the new financial information system went "live" on September 29, 2003. Auditors from Crowe-Chizek will be in-house soon to begin their preliminary work on the 2003 financial audit. Mr. Bond extended thanks to Ms. Welsh for her early advice and input on the project.

The report was filed.

Compensation Committee Report Filed

Mr. Conner presented a report from the Compensation Committee. He noted that the Compensation Committee had met on October 7, 2003.

Mr. Conner reported that the salaried and hourly staff are now paid one week in arrears. This was accomplished by paying the week of September 29 through October 3 from accrued 2004 vacation. He then provided a detailed explanation of past practices and future recommendations on vacation accruals. He noted that staff has recommended the conversion of 7/12ths of the accrued vacation to sick leave and increasing the amount of sick leave that can be carried over

each year from 15 days to 20 days. Employees will then be required to use seven rather than five sick days before they can access short term disability. Staff will review this policy change with representatives from Metro Louisville government before proceeding. The report was filed.

Funding of the Infrastructure Replacement Reserve in 2003

Mr. Miller reported that the 2003 Annual Budget contemplated funding of the Infrastructure Replacement Reserve in the amount of \$2,825,000. It appears that revenues, net of expenses, will not be sufficient to fully fund the Infrastructure Replacement Reserve in 2003.

Mr. Miller indicated that it would be appropriate to consider a resolution to defer funding of the Infrastructure Replacement Reserve for 2003. Mr. Bond moved to adopt the recommend resolution. Upon second and vote, the motion carried. A certified copy of the resolution is attached to these minutes.

Authorization to File Preliminary 2004 Annual Budget with City and Trustees

Mr. Miller provided a brief summary of the Preliminary 2004 Annual Budget. The Board agreed to review the budget at a special meeting to be scheduled in late October or early November. Upon proper motion and second, the Board authorized staff to file the Preliminary 2004 Annual Budget with the City and the Bond Trustees by October 31, 2003 in accordance with covenants in the Series 1992 Bond Resolution.

Discussion Deferred on Information Technology Strategic Plan

Discussion of the 2004 – 2006 Information Technology Strategic Plan was deferred until the November 2003 meeting.

Saratoga Springs Application for Water Main Extensions Approved with Service Limitations

Mr. McCord reported that Louisville Water Company has received two applications for extension of water mains to serve a proposed development, Saratoga Springs Section 1A and Section 1B. There are a total of 69 lots planned for the first two sections of this development, of which 20 lots, 9 in Section 1A and 11 in Section 1B, will not meet the newly implemented customer satisfaction minimum design water pressure of 40 psi at the meter.

He recommended that these two projects proceed as proposed by the Applicant except that the Applicant agrees that water service applications will not be accepted by LWC for those 20 lots (Lots 18-20, 40-45, 88-92, 153-154, and 173-176) which will not meet the newly implemented customer satisfaction minimum design water pressure of 40 psi at the meter until such time that one of the following conditions are met:

- Property is acquired by LWC, and Metro Louisville Planning & Design approves the same property for the construction and operation of an elevated water tank to support a 900 foot msl Pressure Plane in the vicinity of Taylorsville Road from Tucker Station Road to the Gene Snyder Freeway, or

- Applicant extends a main from Section 1B of Saratoga Springs to the 8-inch water main located along Sweeney Lane which would allow for Saratoga Springs to be moved from the 860 foot msl Pressure Plane along Old Heady Road to the existing 900 foot msl Pressure Plane supporting Taylorsville Road at Tucker Station Road, or
- Applicant extends a main from Section 1B of Saratoga Springs to the existing Stone Lakes Subdivision property boundary and LWC completes a grid tie from such main to the 12-inch main in Stone Lakes Subdivision which would allow for Saratoga Springs to be moved from the 860 foot msl Pressure Plane along Old Heady Road to the existing 900 foot msl Pressure Plane supporting the Stone Lakes Subdivision.

Mr. Bond questioned the timetable for meeting the conditions. Mr. McCord indicated that the developer prefers the second choice, to be completed within nine to twelve months. Mr. Conner move to authorize the proposed main extensions for Saratoga Springs Section 1A and Section 1B, with the conditions as set forth above. Upon second and vote, the motion carried.

Change to Service Rules and Regulations:
Refunding of Installation Cost Extension Method

Staff had previously advised the Board of Water Works of its work with its developer community customers to develop an accelerated refunding payment method as opposed to the current twenty-year refund schedule annual payments on July 8, 2003. Staff has since developed a proposed alternative Refunding of Installation Cost Extension Method (Rule 2.03). This alternative method would pay the developer the present value, discounted at a rate of 5% per annum, of the monthly refund amount per size of meter connected to the distribution main extension for which they advanced funds. At the time the Refunding Contract is executed with LWC, the developer applicant would select one of the anniversary dates, from two to five years from when the main extension is placed into service, for the present value to be calculated and to be refunded. The benefits to LWC include reduced administration costs as well as improved cash management.

Staff met with the Land and Development Committee of the Home Builders Association of Louisville (HBAL) at their July 15 meeting to present the proposed rule change and to offer them the opportunity to express their thoughts and concerns. The resulting response from the HBAL Land and Development Committee is supportive of the proposed change. Mr. Bond moved for approval of the addition of Rule 2.03 Refunding of Installation Cost Extension Method to the Service Rules and Regulations. Upon second and vote, the motion carried.

Buyout of Existing Refunding Contracts Authorized

LWC staff currently maintains 1,144 refunding contracts. The total maximum anticipated refund liability for these contracts over the next twenty years is \$6,450,265. Upon adoption of the proposed changes to Section 2.04, Mr. Miller noted that LWC can significantly reduce the administrative burden associated with these refunding contracts by offering a one-time buyout. A policy adopted previously by the Board of Water Works allows staff to process contract buyouts initiated by the developer based on a ten percent discount of the future anticipated payments for the contract. This discount factor was set when long-term tax-exempt interest rates were about eight percent. Buyouts using this discount factor typically occur less than five times

per year. Staff believes that a lower discount factor could result in a significant increase in contract buyouts and, likewise, a decrease in the continuing contract administration responsibilities.

Dr. Wise moved to approve the recommendation to lower the discount factor used to calculate contract buyouts to five percent for the period between October 15, 2003 and April 15, 2004 and that the developers be solicited to participate in a one-time buyout of the existing refunding contracts. Upon second and vote, the motion carried. Mr. Miller noted that the purchase price if all of the contracts were bought out is approximately \$4,300,000. The difference between the total maximum anticipated refund liability and the buyout purchase price would be considered as additional contributed capital.

Contract Awarded for Project 03-520: Lead Service Renewals – Contractor Installed

Sealed bids were received and opened Wednesday, September 24, 2003 to renew a total of 253 lead services on portions of East Brandies Street, East Jacob Street, Sherry Road, Lydia Avenue, and East Breckinridge Street. A total of 4 bids were received and opened from pre-qualified contractors. Tom Brown Construction Company submitted the lowest responsive bid in the amount of \$223,146 resulting in a total project cost of \$291,306.

After proper motion and second, the Board of Water Works authorized the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$223,146 to Tom Brown Construction Company to renew the lead services associated with this project.

Bids Reviewed for Bid 03-43: Contingency Contract for Distribution System Repairs

Sealed bids were received and opened on October 1, 2003 to award a two-year contingency contract for Distribution System Repairs. The contract is based on estimated usage and firm unit pricing. Four firms submitted unit price bids: Mac Construction, Southern Pipeline Construction, Tom Brown Construction, and T&C Contracting. Compared to the prior year bid, unit prices for labor increased 3% annually.

Contracts will be issued on an as-needed basis, with the approval by the President for contracts up to \$100,000 and by the Board of Water Works for contracts exceeding \$100,000. The basis of contract award will include: the Contractor's unit price bid entries; the Contractor's work history for timeliness, quality, coordination and safety; and the Contractor's availability to perform the specified work to meet operational needs.

Contract Awarded for Project 02-618: Crescent Hill Reservoir Site Improvements Phase IIIA Security Fence Installation

Sealed bids were received and opened on October 1, 2003 to new install security fencing at the Crescent Hill Reservoir and the Crescent Hill property boundaries north of Frankfort Avenue. The base bid includes installation of fencing and gates. The alternate bid added removal of existing fence and vegetation for properties along Pennsylvania Avenue. Five bids were received for this project.

After proper motion and second, the Board of Water Works voted to authorize the Chief Engineer to award a contract in the amount of \$401,810 to T&C Contracting, Inc. for the alternate bid for installation of security fencing and gates plus vegetation removal at Crescent Hill Filter Plant.

Project Remediation Update: Clean and Cement Mortar Cast Iron Water Mains

Ms. Teasley reported that by letter agreement dated April 4, 2002 between Louisville Water Company and Southern Pipeline Construction Company, the Company amended and renewed the Clean and Line contract for one additional year. At that time it was agreed that the amendment resolved some, but not all, of the outstanding issues. It was also agreed that the parties would resolve those remaining issues by July 1, 2002. The amendment required Southern to reline designated sections of cast iron pipe that did not receive a minimum thickness of 1/16th inch. Southern has completed all of this re-lining work.

Dependent upon the condition of the lining, sub-standard sections of lining are over-sprayed, cleaned and re-lined, or the pipe is replaced prior to acceptance. During the period referenced above, five sections of cement lined pipe totaling just over 1,500 feet have been identified for re-spraying. This footage represents less than 4% of the total pipe footage lined. No instances of fallen lining or bare pipe have been observed this year.

Amendment of Apportionment Warrant Register: Stout Road: Broad Run Road to North 7,800 Feet

While researching an Apportionment Warrant appeal in the Stout Road area, staff discovered that Tax Block 57 Lot 54 was mistakenly given a contiguous parcel waiver; Tax Block 57 Lot 199 (account # 899629) was identified as the contiguously assessed parcel. Both parcels are owned by Virgil Hawthorne, however, staff's research identified that Lot 199 is owned by Virgil and Vicki Hawthorne while Lot 54 is owned by Virgil Hawthorne and Virginia Stevens, thus making the properties ineligible for the contiguous parcel waiver.

After proper motion and second, the Board of Water Works voted to approve the resolution amending the resolution approved at the April 8, 2003 Board meeting for Stout Rd: Broad Run Rd to North 7,800 ft. A copy of the certified resolution is attached to these minutes.

2003 Annual Inspection Report Filed

Steve Greseth of Black & Veatch distributed a summary presentation of the 2003 Annual Inspection Report. The report was based upon inspection and review of water supply and treatment facilities, insurance policies, and financial management practices and water rates. He stated that it is the opinion of Black & Veatch that the water supply and treatment facilities and associated equipment have been maintained in good repair and sound operating condition and are capable of continuously supplying potable water to the Company's customers. He reviewed a list of recommended actions and assigned priorities based on field inspection results. The report was filed.

Project 03-603 Goshen Area Main Replacement Project Authorized for Final Design and Advertisement for Bids

Ms. Teasley noted that in 2002, Louisville Water Company completed acquisition of the Goshen Utilities water treatment and distribution system from AquaSource. To identify and prioritize potential system improvements, the Goshen Distribution System Improvement Program was established. Improvement planned through this effort include the completion of system grid-ties, replacing under-sized mains, relocation of mains, and abandonment of mains which are no longer adequate to provide service. Staff has initially identified over 11,000 feet of distribution system pipeline that currently needs to be constructed, replaced, upsized, or abandoned. The estimated cost of the improvements currently planned totals \$725,500.

After proper motion and second, the Board of Water Works authorized staff to proceed with the final design and advertisement for bids on the Goshen Area Main Replacement Project as described above.

Bullitt County Water Improvement Program Request for Consulting Engineering Services Approved

The 2003 Capital Improvement Program identifies improvements to the distribution system in the former Kentucky Turnpike Water District in Bullitt County having a total value of approximately \$18 million dollars to be constructed over the next five years. A number of these projects are currently being designed by in-house staff, and are in various stages of design and construction. Toward this end, staff has prepared a Request for Proposal for Engineering Services (RFP) and will solicit proposals from engineering consultants. The intent of the RFP is to solicit qualifications, experience, and hourly rates for the consultants' key job classifications. LWC staff will then perform a qualifications based selection using information provided by the consultants' submittals. The results of the RFP selection process will be presented to the Board. Contracts exceeding \$100,000 will be submitted to the Board of Water Works for approval.

After proper motion and second, the Board of Water works authorized staff to issue the RFP and to begin preliminary engineering.

Professional Services Contract Awarded for Projects 03-625 & 04-625: Crescent Hill Flocculation and Sedimentation Basins Renovation

An emergency services design-build contract was executed with Vesco Engineers to rebuild Clarifier #5 and # 6 in 2003 after complete failure of the units. This work is progressing well, with unit #6 in service and unit #5 expected for service in November. Staff is recommending to proceed with the remaining work in the South Coagulation complex using the conventional design-bid-build process over the next two years. This includes outsourcing of the engineering design and construction management services.

The South Coagulation system consists of four individual treatment trains of flocculators and clarifiers for solids and organics removal from the source river water. Work remaining to complete rehabilitation of the entire train is scheduled to be executed over an 18-month period and has a current project budget allocation of \$3.0 million. An internal assessment of the project scope has been completed and a revised budget of \$3.5 million is recommended to perform a

complete renovation of the South Coagulation complex. A project scope summary is provided in Exhibit #1. The increase in project budget will allow for coating of critical concrete and steel elements in the flocculation basins, to protect them from ferric chloride chemical attack. An alternative bid scenario will consider coating of the concrete surfaces in the clarifier basins. The consulting engineer will prepare an independent estimate prior to bid to validate the LWC estimate. A project contingency of 10 percent is included to cover unforeseen structural deficiencies that are discovered once the basins are removed from service.

A cost proposal for the engineering design and construction management services was solicited from CH2M Hill Engineers in accordance with the Facilities Improvement Consulting Engineering Services RFP approved by the Board in December 2002. A not-to-exceed cost of \$395,546 has been negotiated for engineering design and construction services. The selection of CH2M Hill is based on their experience and expertise in this area, and their utilization of sub-consultant Vesco Engineering. Vesco is currently rebuilding two clarifiers (#5 and #6) under an emergency design-build contract, and their services as a sub-consultant allow LWC to leverage the knowledge and experience gained on that work to improve quality assurance and quality control on this final work on the South Coagulation system.

After proper motion and second, the Board of Water Works authorized the Chief Engineer to award a professional services contract to CH2M Hill Engineers, Inc. in the amount of \$395,546 for engineering design and construction services for Crescent Hill Flocculation and Sedimentation Basins Renovation, to establish a project budget of \$3.5 million, and to proceed to advertisement for bid.

Liability & Property Insurance Contracts Ratified

Mr. McKay reported that the “hardening” of the insurance market has compelled LWC staff and our broker to explore alternative strategies for our property and excess liability insurance programs to try to control premium costs while maintaining appropriate coverage limits and features. Our underlying philosophy continues to be to retain as much risk as we can comfortably justify and insure for catastrophic losses.

In order to preserve the coverages needed for a water utility and to minimize premium, we have made two significant changes to our liability program. First, we have increased our self-insured retention (SIR) from \$500,000 to \$1 million per occurrence. Doing so saves an estimated \$85,000 per year in premium and will pay for itself if we have no single loss in excess of \$500,000 during the next 5.7 years. Secondly, we have layered our \$35 million excess policy limits as follows :

\$ 1 million	Self-Insured Retention
\$10 million excess of SIR	AIG
\$25 million excess of \$10 million	Lexington 40% / AWAC 60%

Significant coverage features include terrorism, limited pollution coverage, failure to supply and employment practices liability. It should be noted that there is employment practices coverage only in the first \$10 million layer above the \$1 million SIR. The renewal date for the excess liability policy was October 1 with negotiations of premium and coverage terms continuing

through the close of business September 30. LWC President John Huber authorized acceptance of terms and conditions pending ratification by the Board.

After proper motion and second, the Board of Water Works ratified the purchase of excess liability insurance as described above for an annual premium of \$312,692, an increase of 90% over the past three years.

Mr. McKay also reported that the premium for property insurance experienced a 10% decrease while enhancing our coverage. Significant coverage features include blanket limits of \$121,833,000, terrorism coverage, earthquake limits of \$25 million and property loss control services at no additional charge. The premium for the coming period will be \$91,153.

There being no further business to come before the Board, the meeting was adjourned at 3:20 p.m.

Respectfully submitted:



Robert K. Miller
Vice President - Treasurer
And Acting Corporate Secretary

**RESOLUTION TO DECLARE THIRD QUARTER DIVIDEND
TO THE CITY OF LOUISVILLE**

WHEREAS, it has been the long established policy of the 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 1992 Water System Revenue Bond Resolution set 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 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, the Board passed a resolution on March 11, 2003 to adjust the 2002 annual dividend by \$357,847 from \$12,021,776 to \$12,379,623, the difference to be added in equal quarterly installments to the quarterly 2003 dividend payments, and

WHEREAS, the 1992 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 2003 Louisville Water Company budget contemplates the 2003 annual dividend to be \$12,318,831 it would be in order at this time to declare a regular third quarter dividend of \$3,079,708.

RESOLVED, the regular third quarter 2003 dividend of \$3,079,708 is hereby declared.

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,169,170 to the Louisville/Jefferson County Revenue Commission on September 30, 2003, this being the third quarterly dividend for 2003 plus one quarter of the dividend adjustment for 2002, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

October 14, 2003

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on April 8, 2003, directing the issuance of Apportionment Warrants against properties located on Stout Rd: Broad Run Rd to North 7,800 ft, to remove Tax Block 57 Lot 54 as a contiguous parcel to Tax Block 57 Lot 199 and issue a separate Apportionment Warrant for Tax Block 57 Lot 54:

<u>Account</u>	<u>Name</u>	<u>Location</u>	<u>Assessment</u>
923721	Virgil Hawthorne & Virginia Stevens	7903 Stout Rd Deed Book <u>6523</u> , Pg. <u>174</u> Tax Block <u>57</u> , Lot <u>54</u>	\$5,450

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0899699	DEBRA JEAN	8700 STOUT ROAD	5,450.00		
	C/O CAROLYN DAVIS & MARY GIDDE	DEED-BK 6418	LIEN-DT		
	8700 STOUT ROAD	DEED-PG 278	LIEN-BK		
	LOUISVILLE KY	TAX-DST	LIEN-PG		
	40293	TAX-BLK 57	LOT-NO.	406	
0899701	DEBRA JEAN	8710 STOUT ROAD	5,450.00		
	C/O CAROLYN DAVIS & MARY GIDDE	DEED-BK 6418	LIEN-DT		
	8700 STOUT ROAD	DEED-PG 278	LIEN-BK		
	LOUISVILLE KY	TAX-DST	LIEN-PG		
	40293	TAX-BLK 57	LOT-NO.	41	
0899687	DEBRA L JEAN	8706 STOUT ROAD	5,450.00		
	8700 STOUT ROAD	DEED-BK 4187	LIEN-DT		
	LOUISVILLE KY	DEED-PG 578	LIEN-BK		
	40293	TAX-DST	LIEN-PG		
		TAX-BLK 57	LOT-NO.	116	
0899702	KEVIN D KANE	8630 STOUT ROAD	5,450.00		
	8630 STOUT ROAD	DEED-BK 7101	LIEN-DT		
	LOUISVILLE KY	DEED-PG 760	LIEN-BK		
	40293	TAX-DST	LIEN-PG		
		TAX-BLK 57	LOT-NO.	180	
0899703	RICHARD & TERESA LINKE	9133 BROAD RUN ROAD	5,450.00		
	9133 STOUT ROAD	DEED-BK 7023	LIEN-DT		
	LOUISVILLE KY	DEED-PG 797	LIEN-BK		
	40293	TAX-DST	LIEN-PG		
		TAX-BLK 62	LOT-NO.	169	
0899717	MARK O & MARY S LINDE	8204 STOUT ROAD	5,450.00		
	8404 ARCHWOOD COURT	DEED-BK 6982	LIEN-DT		
	LOUISVILLE KY	DEED-PG 868	LIEN-BK		
	40239	TAX-DST	LIEN-PG		
		TAX-BLK 57	LOT-NO.	243	
0899736	BARRY STEVENS	7902 STOUT ROAD	5,450.00		
	7902 STOUT ROAD	DEED-BK 6379	LIEN-DT		
	LOUISVILLE KY	DEED-PG 618	LIEN-BK		
	40293	TAX-DST	LIEN-PG		
		TAX-BLK 57	LOT-NO.	63	
0899720	ROGER D & VR STEVENS	7902 STOUT ROAD	5,450.00		
	7903 STOUT ROAD	DEED-BK 4563	LIEN-DT		
	LOUISVILLE KY	DEED-PG 240	LIEN-BK		
	40293-3747	TAX-DST	LIEN-PG		
		TAX-BLK 57	LOT-NO.	172	
0899721	DANNY STUMP	9215 BROAD RUN ROAD	5,450.00		
	9215 BROAD RUN ROAD	DEED-BK 7749	LIEN-DT		
	LOUISVILLE KY	DEED-PG 253	LIEN-BK		
	40293	TAX-DST	LIEN-PG		
		TAX-BLK 62	LOT-NO.	170	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0899625	SUSAN DAILY & JU BLANKENBAKER 3509 BARCLAY LOUISVILLE KY 40299	7908 STOUT ROAD DEED-BK 7520 DEED-PG 819 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
0899626	DELMA FAYE CLAYBORN 8006 STOUT ROAD LOUISVILLE KY 40291-3766	8006 STOUT ROAD DEED-BK 7283 DEED-PG 585 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG	5,450.00	364
0899627	TROY LEE & DARCY DOWNEY 8200 STOUT ROAD LOUISVILLE KY 40291-3770	8200 STOUT ROAD DEED-BK 7317 DEED-PG 134 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG	5,450.00	243
0899628	WILLIAM JR & DEBORAH R GOODIN 4051 MICHAEL RAY DRIVE LOUISVILLE KY 40219	8220 STOUT ROAD DEED-BK 6608 DEED-PG 243 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG	5,450.00	246
0899630	VIRGIL L HAWTHORNE 7905 STOUT ROAD LOUISVILLE KY 40291	STOUT ROAD DEED-BK 6523 DEED-PG 374 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG	5,450.00	251
0899627	VIRGIL & VICKI HAWTHORNE 7905 STOUT ROAD LOUISVILLE KY 40291	7905 STOUT ROAD DEED-BK 4918 DEED-PG 374 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG	5,450.00	73
		7903 STOUT ROAD DEED-BK 6523 DEED-PG 374 TAX-DST TAX-BLK 57			54
0899631	DONALD R & DOLLY INGRAM 8436 PEGGY DRIVE LOUISVILLE KY 40219	8000 STOUT ROAD DEED-BK 5945 DEED-PG 549 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG	5,450.00	239
0899674	DONALD R & DOLLY INGRAM 8436 PEGGY DRIVE LOUISVILLE KY 40219	8303 STOUT ROAD DEED-BK 5945 DEED-PG 549 TAX-DST TAX-BLK 57	LIEN-DT LIEN-BK LIEN-PG	5,450.00	242

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0899722	JAMES H & PATRICIA THORPE	7904 STOUT ROAD		5,450.00	
	7904 STOUT ROAD	DEED-BK 5583	LIEN-DT		
	LOUISVILLE KY	DEED-PG 600	LIEN-BK		
	40293-3747	TAX-DST	LIEN-PG		
		TAX-BLK 57	LOT-NO.	167	
0899723	WILLIAM L & MARIE TUDOR	8100 STOUT ROAD		5,450.00	
	7600 THE POINTE	DEED-BK 6837	LIEN-DT		
	RALEIGH NC	DEED-PG 555	LIEN-BK		
	27615	TAX-DST	LIEN-PG		
		TAX-BLK 57	LOT-NO.	244	
		8100 STOUT ROAD			
		DEED-BK 6837			
		DEED-PG 555			
		TAX-DST			
		TAX-BLK 57	LOT-NO.	245	

**BOARD OF WATER WORKS
MEETING MINUTES
November 4, 2003**

Board Members Present:

Mr. Phillip Bond
Mr. Stewart Conner
Mr. Stephen Gault
Ms. Wendy Welsh
Dr. Joseph Wise

Board Members Absent:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President
Mr. Robert Miller, Vice President, Treasurer
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Susan Lehmann, Vice President, Human Resources & Organizational Effectiveness
Mr. Jim Smith
Ms. Amber Halloran
Mr. Tony Gregory
Ms. Barbara Crow

A special meeting of the Board of Water Works was held on Tuesday, October 4, 2003 in the Board Room of Louisville Water Company. Mr. Huber called the meeting to order at 3:30 p.m.

Mr. Huber provided introductory comments, noting that a previously contemplated budgeted increase in water sales of 0.5% was no longer warranted based on 2003 results. As a result it has become necessary to change the recommended overall water rate increase from 4.0% to 4.5%. In addition, staff also recommends lowering the 2004 Operation and Maintenance Budget by \$350,000 and increasing the funding of the Infrastructure Replacement Reserve by a like amount.

Mr. Miller distributed a handout of his presentation notes. He opened his presentation by summarizing the components of the Preliminary 2004 Annual Budget:

- 2004 Capital Budget
- 2004 Operating Budget
- 2004-2013 Proforma Income Statement
- 2004-2013 Capital Expenditures Plan
- 2004-2013 Financial Plan

Mr. Miller reviewed how the budgets are developed. He noted that the Capital Budget, developed based on 2002-2021 Facilities Plan, contains construction or acquisition projects

having expected useful life of more than one year, with most elements being one time construction items. The balance are recurring equipment replacement purchases, such as fleet, tools, and information technology. Ms. Teasley and Mr. Smith work with Budget Item owners to identify project requirements and realistic cash flows and construction schedules. The Operating Budget is developed based on the 2004-2008 Strategic Plan and certain planning parameters such as projected water sales, union contract and salary scale increases, and the anticipated inflation rate. From the Strategic Plan, synoptic operating plans are developed for the budget year. Ms. Halloran and Mr. Miller work with Business System Owners to develop draft budgets based on these synoptic operating plans. The Capital and Operating Budgets are reviewed by the Executive Leadership Team for approval to submit to the Board of Water Works.

Mr. Miller then reviewed how the budgets are controlled. He noted that for the Capital Budget:

- For projects < \$100,000, staff has been authorized to proceed to completion.
- For projects > \$100,000, staff must obtain authorization from the Board of Water Works to Proceed with Final Design and Bid and then again to Award and Execute Contract.
- Any change orders that take a project from < \$100,000 to > \$100,000 require board approval.
- Also, any change orders of > 10% for projects > \$100,000 require board approval.

These items are handled internally through project budget sheets that require approval by the President and associated Vice Presidents. And, these are typically addressed during board meetings as new business to proceed on a project, as bid tabulations for contract award, and as old business for change actions.

Operating Budget results are reviewed monthly by the Executive Leadership Team through a package prepared by Amber's group. This package contains a thorough review of the income statement components. Based on the current financial results as well as forecasts for pumping and water sales, determinations are made if special cost reduction measures are needed in order to achieve the earnings target. These results are summarized in the report presented to the board each month.

Mr. Miller then reviewed how these budgets are funded. The capital budget is funded primarily from cash generated from operations; that is, profits not paid out as a dividend and non-cash expenses like depreciation. Developers and homebuilders also provide a significant portion that covers distribution system extensions, water services and fire hydrants. For large capital budget years such as 2003 and 2004, the capital budget is also funded from a draw down of cash reserves. The operating budget is computed as the sum of all of the revenue requirements: Operation and Maintenance expenses, Depreciation, Water Provided in Lieu of Taxes, Retirement of Assets, Net Non-Operating Expenses, and Net Income. The operating budget is funded almost entirely from water sales (94%). Approximately 4% of the operating budget is funded from sewer billing services. The remaining 2% of the operating budget is funded by interest income on our investments.

Mr. Miller then presented key projects from the 2004 Capital Budget:

Treatment Plants

Begin construction of Riverbank Filtration at Payne Plant \$4,000,000

- Continue Payne Plant Reliability Improvements \$8,450,000
- Renovate Crescent Hill Basins and Drainage System \$3,200,000
- Crescent Hill Reservoir Site Improvements \$700,000
- Crescent Hill Slate Roof Replacement \$1,000,000

Storage

- Construct storage tanks at Long Run, Hillcrest, and Tucker Station \$3,250,000

Transmission and Distribution System Improvements

- Standiford Field Transmission Main Relocation \$1,300,000
- Transmission Main Construction in National Turnpike, Cardinal Hill, Wolf Pen Branch Road \$4,250,000
- Main Replacement and Rehabilitation and Lead Service Renewal \$9,500,000

Distribution System Extensions

- Developer Financed Distribution System Extensions \$7,700,000
- Services and Hydrants \$3,400,000
- Bullitt County System Improvements \$8,227,000
- Goshen System Improvements \$810,000
- Shepherdsville System Improvements \$532,000

Mr. Miller then presented highlights of the 2004 Operating Budget. He noted that water sales are expected to remain flat in 2004, with no increase overall increase to the current budget of 38.7 billion gallons. Residential and commercial sales are expected to be flat to slightly down, while Water in Lieu of taxes will be up 20%, industrial consumption up 4%, and wholesale consumption down 11%.

Operation and Maintenance Expenses are budgeted to increase by \$1,800,000 or 4.1%, composed of Labor and Non-Medical Benefits Costs up \$588,400; Medical Insurance up \$260,000; Power for Pumping up \$428,000; Water Treatment Chemicals up \$104,200; and, Liability Insurance up \$164,000. Depreciation expenses are budgeted to increase by \$553,000 or 3.2%. This is lower than expected due to over budgeting in 2003. Shorter-lived assets such as Information Technology investments drive the increase in 2004.

Mr. Miller emphasized that a key change in the 2004 Operating Budget was that Non-Operating Income was budgeted to decrease by \$1,400,000 or 38.2% due to lower interest rates and lower investment funds available. He noted that the Company was planning to draw down fund balances by \$17,000,000 during 2004. Also, he projected that investments would earn an interest rate of 0.9% in 2004, down from 2.5% budgeted in 2003.

The Return on Equity Target has previously been based on one percent less than five year moving average of investor owned utilities computed at 8.50%. However, in accordance with the 2004-2008 Strategic Plan, the 2004 Budget is based on maintaining target at 9.07%. This yields a budgeted net income of \$30,177,200 (up \$939,200 or 3.2%) and a budgeted dividend of \$12,693,400 (up \$374,600 or 3.0%).

Considering the components of the revenue requirements over the past five years, Operation and Maintenance expenses have remained constant at about 42%, while Depreciation has increased from 13.8% to 15.3% and Net Income has decreased from 29.2% to 27.9%. With no increase in water sales, decreased investment income, and increased O&M and depreciation expenses, combined with transferring \$350,000 from O&M Expense to the Infrastructure Replacement Reserve, this yields a recommended overall rate increase of 4.5%. Mr. Miller noted that staff was also developing a recommended 10.6% increase in wholesale water rates, which have not been increased since 1994.

Mr. Miller then reviewed the 2003 projected financial results and presented a recommended dividend strategy. He noted that the most recent forecast for Net Income is down \$3,680,000. If no actions were taken regarding the Infrastructure Replacement Reserve, the dividend would be down \$2,200,000. By canceling the deposits to the Infrastructure Replacement Reserve, the dividend is down \$491,200. Given other local economic news, our owners have sent a very clear message on the necessity to fully meet the 2003 budgeted dividend. We have implemented a hiring freeze, a travel freeze, and a number of other cost reduction measures. We are looking to achieve sustainable cost reductions rather than transfer costs from one year to another or from O&M to capital. Mr. Miller recommended that the dividend for 2003 be paid at the budgeted level. Even with cost reductions, this will likely result in an overpayment of up to \$500,000. Normally, this would result in the 2004 Dividend being reduced by a like amount. Instead, the dividend underpayment could be offset through a combination of cost reductions (preferred) supplemented by a decrease in funding of the 2004 Infrastructure Replacement Reserve (if needed). This would result in the City being paid at least the budgeted dividend in 2003 and 2004.

Mr. Miller then provided a review of the Financial Plan for the next five years. It appears that a borrowing will be necessary beginning with \$14,000,000 in 2005. This would be handled as a bond anticipation note. If the capital plans remains unchanged, we would need a revenue bond issue in 2006 of \$57,000,000 would be needed to cover capital requirements over the next five years. It can be anticipated that another \$22,300,000 would be needed in the following five years after that. Net Income and the Dividend will increase at a rate of 3% to 5% per year over the planning horizon. Rate increases over the next five years are anticipated to be in the 3% to 4% range, except for the year when the new bond service comes online, when an increase of up to 5.75% might be needed.

Mr. Miller noted that a draft resolution to adopt the 2004 Annual Budget had been prepared to adopt the 2004 Capital and Operating Budgets, authorize staff to prepare rate schedules based on a 4.5% rate increase and provide certain authorizations regarding commencement of capital projects. Several board members observed that a 4.5% rate increase may not be sufficient to adequately fund all initiatives contemplated for 2004. Mr. Huber provided background information on efforts to keep rate increases at or below the anticipated change in the inflation rate while maintaining high customer satisfaction. Mr. Miller noted that this was the only rate increase higher than 3.5% during the past ten years except for the year following the September 11th terrorist attacks. Mr. Huber observed that the U.S. E.P.A. has indicated that CPI plus 3% may be appropriate for water utility rate increases to address infrastructure replacement needs. Mr. Conner emphasized the need for staff to address projected rate increases that are higher than CPI plus 1%.

It was the consensus of the Board of Water Works that staff should revise the Preliminary 2004 Operating Budget based on a rate increase of slightly less than 5.0%, and that updated budget schedules should be brought to the regular meeting on November 11th for further consideration at that time.

There being no further business to come before the Board, the meeting was adjourned at 4:55 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robert K. Miller". The signature is written in a cursive, flowing style.

Robert K. Miller
Vice President - Treasurer
and Acting Corporate Secretary

**BOARD OF WATER WORKS
MEETING MINUTES
NOVEMBER 11, 2003**

Board Members Present:

Ms. Wendy Welsh
Dr. Joseph Wise
Mr. Stephen Gault
Mr. Stewart Conner

Board Members Absent:

Mayor Jerry Abramson
Mr. Phillip Bond
Mr. Jack Segell

Others Present:

Mr. John Huber, President
Mr. Robert Miller, Vice President, Treasurer & Acting Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Susan Lehmann, Vice President, Human Resources
Ms. Kathy Holder, Acting General Counsel
Mr. Rudolph Davidson
Ms. Amber Halloran
Ms. Kay Ball
Mr. Steve Greseth
Ms. Barbara Crow
Mr. Jim Smith
Mr. Ralph McCord
Mr. Don McKay
Mr. Alan Arbuckle

Mr. Huber called the meeting to order at 12:35 p.m.

Opening Remarks from John Huber

Mr. Huber offered a remembrance of Jack Segell, past member of the Board of Water Works who passed away on October 16, 2003. He also provided a review of the current financial condition and year-end forecast for net income. He discussed plans to reduce Operation and Maintenance Expenses and Depreciation Expense by at least \$1,500,000 in 2004. He noted that this matter will be reviewed further at the December 2003 and January 2004 meetings. He also noted that we may have seen increased outdoor water use in past years may have offset decreased indoor water use, and that this matter needed further analysis. He also observed that an additional rate component may be needed to mitigate increased risks in the future.

- Applicant extends a main from Section 1B of Saratoga Springs to the 8-inch water main located along Sweeney Lane which would allow for Saratoga Springs to be moved from the 860 foot msl Pressure Plane along Old Heady Road to the existing 900 foot msl Pressure Plane supporting Taylorsville Road at Tucker Station Road, or
- Applicant extends a main from Section 1B of Saratoga Springs to the existing Stone Lakes Subdivision property boundary and LWC completes a grid tie from such main to the 12-inch main in Stone Lakes Subdivision which would allow for Saratoga Springs to be moved from the 860 foot msl Pressure Plane along Old Heady Road to the existing 900 foot msl Pressure Plane supporting the Stone Lakes Subdivision.

Mr. Bond questioned the timetable for meeting the conditions. Mr. McCord indicated that the developer prefers the second choice, to be completed within nine to twelve months. Mr. Conner move to authorize the proposed main extensions for Saratoga Springs Section 1A and Section 1B, with the conditions as set forth above. Upon second and vote, the motion carried.

Change to Service Rules and Regulations:
Refunding of Installation Cost Extension Method

Staff had previously advised the Board of Water Works of its work with its developer community customers to develop an accelerated refunding payment method as opposed to the current twenty-year refund schedule annual payments on July 8, 2003. Staff has since developed a proposed alternative Refunding of Installation Cost Extension Method (Rule 2.03). This alternative method would pay the developer the present value, discounted at a rate of 5% per annum, of the monthly refund amount per size of meter connected to the distribution main extension for which they advanced funds. At the time the Refunding Contract is executed with LWC, the developer applicant would select one of the anniversary dates, from two to five years from when the main extension is placed into service, for the present value to be calculated and to be refunded. The benefits to LWC include reduced administration costs as well as improved cash management.

Staff met with the Land and Development Committee of the Home Builders Association of Louisville (HBAL) at their July 15 meeting to present the proposed rule change and to offer them the opportunity to express their thoughts and concerns. The resulting response from the HBAL Land and Development Committee is supportive of the proposed change. Mr. Bond moved for approval of the addition of Rule 2.03 Refunding of Installation Cost Extension Method to the Service Rules and Regulations. Upon second and vote, the motion carried.

Buyout of Existing Refunding Contracts Authorized

LWC staff currently maintains 1,144 refunding contracts. The total maximum anticipated refund liability for these contracts over the next twenty years is \$6,450,265. Upon adoption of the proposed changes to Section 2.04, Mr. Miller noted that LWC can significantly reduce the administrative burden associated with these refunding contracts by offering a one-time buyout. A policy adopted previously by the Board of Water Works allows staff to process contract buyouts initiated by the developer based on a ten percent discount of the future anticipated payments for the contract. This discount factor was set when long-term tax-exempt interest rates were about eight percent. Buyouts using this discount factor typically occur less than five times

end forecast for the Dividend remains at the budgeted level of \$12,318,800 in consideration of cancellation of deposits to the Infrastructure Replacement Reserve in 2003 and cost reductions to be accomplished in 2003 and 2004.

Operations Report Filed

Mr. Heitzman presented the October 2003 Operations report.

Lead and Copper Monitoring – Water quality staff completed the distribution system sampling as required by the EPA Lead and Copper Rule (LCR). As a result, there is no further action required at this time for lead and copper compliance.

Winter Planning - Winter planning activities began in October in preparation for possible emergency operations that could arise from sustained cold weather this coming winter season. Staff in Managing Distribution Operations have updated the Emergency Plan and have begun to perform preparatory work in anticipation of possible increased work activity.

Serving Customers Report Filed

Ms. Teasley provided the October 2003 Serving Customers Report.

Bullitt County Advisory Board – The Bullitt County Advisory Board met for its regular quarterly meeting on October 27, 2003. Staff provided financial information regarding the status of the Bullitt County Water Reserve as well as the status on the capital projects underway in Bullitt County under the Bullitt County Water Improvement Program.

Oldham County Advisory Board – Louisville Water Company (LWC) staff held a meeting with the Oldham County Advisory Board on October 24, 2003 to discuss the latest activities of the Oldham County Water Extension Program (OCEP), status of the Oldham County Reserve Fund, proposed system improvements and additional Oldham County updates. Staff presented a summary of the OCEP, stating that LWC had originally projected 15 projects with 166 unserved residences, or water mains adjacent to 12.1 miles of roadway and \$2,036,000 in expenditures. The actual result has been 8 projects with 122 unserved residences, or water mains adjacent to 8.3 miles of roadway and expenditures of \$1,243,000. This would result in 77 out of 122 residents who participated and received subsidies. The value of the 77 subsidies is \$192,500. It was indicated that the deadline for subsidies will likely expire in May 2004 and that would be a good time to sunset the current Advisory Board, which brought about discussion of future Oldham County Advisory Board representation.

Ft. Knox – In October, LWC staff learned that water utilities in Hardin County intended to form the Lincoln Trail Regional Water Commission. Prospective members include Ft Knox, Elizabethtown, Hardin County Water Districts No. 1 and No. 2, and the city of Radcliff. The Commission will purchase, own and operate the Ft. Knox water system assets, fulfilling the Army's requirement to privatize its water system. Individual utilities would retain ownership and control of their respective systems and service areas. Currently, members are preparing

legislation for their respective political bodies to approve the formation of the water commission and their individual participation. To date, only the city of Radcliff has approved joining the Commission. One of the first tasks of the Commission will be to assess long term water supply needs for the region, referencing a study conducted for the region in 2001. This study identified the wholesale purchase of water from LWC as the most cost-effective option to address long term water supply needs in Hardin County. Staff will continue to follow the development of the Commission and its long range water supply planning efforts.

Automated Meter Reading – The Automated Meter Reading Pilot (AMR) expansion to Goshen and Shepherdsville continues to progress as scheduled. Meter change out activity was initiated in Goshen starting September 2003. The Shepherdsville meter change out is scheduled to begin the second week of November. AMR implementation in Shepherdsville is expected to be complete before year end 2003.

Closed Session Discussion

After proper motion and second, the Board went into closed session at 12:55 p.m. for the purpose of discussing matters under negotiation, personnel matters and actual and threatened litigation. The Board reconvened in open session after taking no action.

Petition for Easement Condemnation

Mr. Heitzman recommended that the Board of Water Works adopt a resolution authorizing staff to proceed with a Petition for Condemnation to obtain an easement over property owned by William and Patsy Eddins of 7815 Highway 329 in Oldham County. Ms. Welch moved for approval of the resolution. Upon second and vote, the motion carried. A certified copy of said resolution is attached to these minutes.

2004 Budget Adopted

Mr. Miller distributed revised schedules for the Preliminary 2004 Annual Budget based on changes discussed at the November 4 meeting:

- Change water rate increase to 4.9%.
- Increase funding for operation and maintenance expenses by \$350,000.

Mr. Conner moved for approval of a resolution to adopt the 2004 Capital and Operating Budgets, to authorize staff to prepare rate schedules based on a 4.9% rate increase, and to provide certain authorizations regarding commencement of capital projects. Upon second and vote, the motion carried. A certified copy of said resolution is attached to these minutes.

2004 – 2006 Information Technology Strategic Plan

Mr. Gregory presented the 2004 – 2006 Information Technology Strategic Plan. He noted that we are approaching the successful conclusion of the 2001-2003 IT Strategic Plan. The

Information Technology plan provides strategies to meet the challenges and achieve the objectives set forth in the LWC Strategic Plan by using Information Technology as a strategic enabler to leverage technology investments. The key Information Technology strategies for 2004 – 2006 include:

- Sustain investment in the four Information Technology Architectures.
- Continue re-engineering and replacement of legacy Information Supply Systems to meet changing business information needs, improve business operations and enhance customer satisfaction.
- Invest in technologies to provide information to employees, customers, suppliers, and business partners quickly and efficiently, leveraging investment in existing Information Technology Architectures.
- Provide for Business Continuity, Disaster Recovery, and Information Security.
- Invest in continuous training to maintain appropriate skill base and competencies for providing quality products and services to meet the strategic business objectives of the LWC Strategic Plan and associated program plans.

Staff requested acceptance of the 2004 – 2006 Information Technology Strategic Plan. Key components of the plan will be brought to the Board with appropriate business justification for approval to implement as specific projects. The plan was accepted as submitted.

Mobile Dispatch System Software and Implementation Services
Project Change Request

Mr. Gregory reviewed the project scope for the Mobile Dispatch System, noting that it will allow for the transmission of work orders and service orders electronically to computer-enabled field personnel over a wireless network. The Mobile Dispatch System project has been underway since June 2003. Currently, the project team and Viryanet implementation personnel are finalizing the interface design and programming and are preparing for system testing. Key components of the system are on target to begin operation in December 2003 and the remaining processes which include First Run Response procedures are on track for a March 2004 go-live so as not to interfere with potential winter emergency operations.

The project has experienced some cost increases, especially in the areas of the Orcom interface design and programming and LWC internal staff labor. The result of these changes is a \$210,252 projected budget increase to complete the project. This includes the \$75,000 project contingency. The original Orcom E-CIS interface estimate of 700 hours prior to vendor software selection was based on Orcom's work with other utilities using similar systems, but not specifically ViryaNet. During initial discussions between Orcom, LWC, and ViryaNet, it was determined that a more detailed scope analysis be performed to identify the specific data exchanges and transactions needed for the interface. This resulted in a 90 hour effort from Orcom to provide an updated design, programming and testing estimate of 874 hours for the ViryaNet specific interface needed for the project. This estimate did not include the 90 hours for the scope analysis performed by Orcom. It was also determined that an additional 90 hours were needed to develop non-vendor specific updates to the E-CIS product to support project implementation for service order updates and data exchange. This

results in an increase of 354 hours from Orcom to fully develop the interface to LWC specifications.

The original budget for internal staff labor was \$160,000 to provide for project management, business process analysis, bid specification development, and vendor evaluation and selection. It was anticipated that the implementation would be handled primarily by the selected vendor with some staff support for project management and system configuration. After initial business analysis with the vendor, LWC project members were retained for implementation of the project to support the interface design, system configuration, system setup, process re-engineering and testing efforts. This time was not reflected in the May 2003 budget proposal to the Board. This effort has resulted in an incurred cost of \$120,000 in labor during the June to October 2003 timeframe. An additional \$83,620 is estimated to complete the project resulting in a total overage of \$203,620.

Ms. Welsh moved to approve staff's recommendations for the following items:

- Utilize the project contingency of \$75,000 to reduce the project variance to \$210,252. Staff has performed a detailed cost analysis and the revised budget is anticipated to be adequate to complete the project with full functionality.
- Orcom CIS Interface contract change of \$77,962 (63.6%) for a new amount of \$200,462,
- Total capital project change of \$210,252 (15.7%) for a new amount of \$1,547,552,
- Total project cost change of \$210,252 (12.6%) for a new amount of \$1,872,617.

Upon second and vote, the motion carried.

Network Attached Storage Device Procurement Authorized

The 2004-2006 IT plan identifies several strategies and objectives to continue to build upon the Storage Area Network technology to enhance our Disaster Recovery and Business Continuity capabilities. The plan outlines three phases to improve the security and high availability of our data and information supply systems utilizing storage area network technology and wide area network connectivity to distribute processing, storage management, and data backup and recovery processes.

Recently, staff has experienced challenges in providing adequate storage capacity for the application and data servers that are part of the Crescent Hill data center environment such as SCADA, laboratory information, and end-user data files. Phase I of the Disaster Recovery and Business Continuity strategy is the purchase and installation of a Network Attached storage device at the Crescent Hill data center.

The proposed storage device will allow for data consolidation of several application server platforms and will eliminate the current Novell server providing home directory storage, file and print services for the network. The storage system will also provide for better data management, information security, system growth, and backup and recovery strategies for critical desktop information currently being stored on local hard drives with no guaranteed backup due to the space limitations. This phase of the plan is estimated at \$123,000 and will

provide for the hardware, software and installation services as well as 36 months maintenance and support.

Ms. Welsh moved to approve authorization for the staff to bring forward the 2004 budget to provide funds for the procurement and installation of a Network Attached Storage Device for the Crescent Hill Data Center to take advantage of some aggressive pricing currently being offered by our business partner EMC on this equipment. Upon second and vote, the motion carried.

Contract Awarded for Project 03-603: Goshen Area - Main Replacement Project

Bids were received and opened Wednesday, October 15, to supply and install 12,585 LF of new 6, 8 and 12-inch HDPE water main, tie into existing asbestos cement water mains, install 16 fire hydrants and transfer or relocate 148 customer service in the Goshen area. A total of 4 bids were received and opened from pre-qualified contractors. Southern Pipeline Construction Co. submitted the lowest responsive bid in the amount of \$638,700 resulting in a total project cost of \$777,700. The bid is approximately 5.3% under the Project Manager's Estimate. The resulting total unit cost for this project is \$ 61.80/LF. This unit cost is in line with other MRRP projects of this scope and difficulty.

Mr. Gault moved to approve authorization for the Vice President, Serving Customers & Business Development to award a contract in the amount of \$638,700 to Southern Pipeline Construction Co. to install the water facilities associated with this project. Upon second and vote, the motion carried.

Contracts Awarded for Bid 03-51: Auto Body Suspension and Repairs

Sealed bids were opened to award a one-year contingency contract for the purchase of vehicular body and suspension repairs. This contract is renewable up to two additional, one-year terms at the sole discretion of the Company. All renewals will utilize the Consumer Price Index as a cost adjustment factor. The contract is based on estimated usage and firm unit pricing. Five bids were received, a 11% decrease from the previous unit price contract dated October 2000.

Mr. Conner moved to authorize the Process Owner, Procurement of Goods and Services, to award one-year contingency contracts to Louisville Frame & Fender, Robinson's Auto Body, and Randy's Import Auto Sales. Upon second and vote, the motion carried.

Contract Renewed for Bid 99-25: Lock Box Services

Sealed bids were opened to award a one-year contract for the purchase of Lock Box Services. The contract began November 1, 1999 for a lump sum amount for two years, renewable up to three (3) additional one (1) year periods using the Consumer Price Index. The bidder submitting the best proposal was Fifth-Third Bank at an annual cost of \$124,044.

Ms. Welsh moved to authorize the Process Owner Procurement of Goods and Services to award a one-year CPI renewal for an estimated total of \$126,772.92. This CPI renewal represents a 2.2% increase in contract prices from the previous year. Upon second and vote, the motion carried. Mr. Miller noted that Banking Services are currently provided by Republic Bank at no cost.

Contract Renewed for Bid 02-27: Fire Hydrants

The contract for procurement of Fire Hydrants began on November 11, 2002 for one year, renewable up to four additional one year periods using the Producers Price Index. Based on evaluation criteria and results of samples tested, a one-year contract was awarded at that time to American Cast Iron Co. for an estimated total of \$990,325.

Mr. Wise moved to authorize the Process Owner Procurement of Goods and Services to award a one-year PPI renewal for an estimated total of \$1,034,910. Upon second and vote, the motion carried. This first PPI renewal represents a 0.5% increase in contract prices from the previous year. Due to an anticipated increase in the volume of fire hydrants to be purchased in the coming contract year, the value of the contact has increased by 4.5% overall from the previous.

Contracts Awarded for Bid 03-52: Stainless Steel Tapping Sleeves

Sealed bids were opened to award a one-year contract for the purchase of stainless steel tapping sleeves. This contract is renewable for up to two additional one-year terms at the sole discretion of the Company. All renewals will utilize the Producers Price Index as a cost adjustment factor.

Mr. Conner moved to authorize the Process Owner, Procurement of Goods and Services, to award one-year contracts in the following estimated amounts:

Hughes Supply Company	\$168,100.53
Viking Supply Company	\$ 24,694.25
Harco, Inc.	\$ 2,083.54
Total Contract Price	\$194,878.32

Upon second and vote, the motion carried. This represents a 1.56% increase from the previous bid in October 2002.

Contract Awarded for Project 02-674: West Orell Road 12" Grid Tie

Bids were received by the Louisville Metropolitan Sewer District (MSD) on Monday, October 27, 2003 for a sewer project in Southwest Jefferson County. The bid package included installation of 1,700 feet of 12-inch water main in West Orell Road. The 12-inch water main will complete a transmission grid from Lower River Road to Dixie Highway, improving water pressure and flow availability during peak demand periods. The project is being coordinated with MSD to minimize impact on traffic and residents.

A total of three bids were received from qualified contracting firms. Basham Construction and Rental submitted the best bid in the amount of \$139,093 for the project. Their bid is above the engineer's estimate by \$20,343 or 17.1%. The 17% increase is due, in part, to a discrepancy in the bid quantities as presented on the bid tab provided by MSD.

Upon review of the project scope with the contractor and evaluation of alternatives, it is recommended to proceed with the project as bid. A rebid alternative is not expected to provide savings, and alternative pipeline paths are not cost effective. Further, partnering with MSD to coordinate utility work has considerable value to the community. The project is funded from the System Development reserve.

Mr. Conner moved to authorize the Chief Engineer to enter into an agreement with the Louisville Metropolitan Sewer District to install a 12-inch main using Basham Construction and Rental, to install water facilities associated with this project. Upon second and vote, the motion carried.

Retiree Medical Insurance Renewed

Louisville Water Company provides group medical insurance to former employees who retired prior to the conversion of our retirement program to CERS in 1990. This coverage is also extended to their eligible dependents. There are eighty-four policies remaining which are covered by Medicare plans for which retirees pay a portion of the premium. The number of covered retirees and/or dependents continues to diminish resulting in marketing challenges.

LWC offers three medical plans to our retirees. Two of these plans are traditional Medicare Supplement products (one of which offers limited prescription coverage). Seventy of our retirees are covered under these plans. The remaining fourteen retirees are covered by a Medicare HMO plan which provides unlimited generic drug coverage and up to \$1,500 annually for approved brand name drugs. The Medicare supplement plans will be renewed with a 6.7% increase for the low option and 11% decrease for the high option (plan with prescription drug coverage). The level of coverage offered under the Medicare HMO plan has been enhanced with no premium increase.

Mr. Conner moved to authorize the approval of the contract for Anthem Blue Cross/Blue Shield in the amount of \$121,000. Upon second and vote, the motion carried.

Board of Water Works 2004 Meeting Schedule

The 2004 meeting schedule for the Board of Water Works was presented for information only. The meetings are scheduled on the second Tuesday of every month during 2004.

Bluegrass Water Supply Consortium Update

Ms. Teasley provided an update on the Bluegrass Water Supply Consortium. On October 13, 2003 staff attended the final public workshop of the Bluegrass Water Supply Consortium held in Lexington. This workshop presented the final results of the Consortium's evaluation of eight, long-term water supply options for the Central Kentucky region and identified future activities and timelines for forming the Bluegrass Regional Water Commission. Results of the evaluations identified the purchase of water from LWC as the least-cost alternative, approximately 11% lower than the next least-cost alternative on a cost per MGD per year basis. Evaluations were based on the combined costs of producing or purchasing 9 MGD on a "take or pay" basis and the cost of constructing facilities for delivering, or producing and delivering 45 MGD. The purchase of water from LWC finished second behind the Kentucky River treatment plant alternative in the overall evaluation, which was based upon ratings for cost, water quality, adequacy of capacity, ease and timing of implementation, and flexibility of the alternative to be phased in over time to match area growth.

Discussions with Consortium members indicated the flexibility of phasing in treatment capacity, the future control over supply facilities, and past issues with public acceptance of a Louisville pipeline solution, persuaded Consortium members to rate the Kentucky River treatment plant solution ahead of purchasing water from LWC in the overall evaluation. Consortium members did, however, note concerns over the feasibility of constructing the Kentucky River treatment plant within the expected 3 to 5 year timeframe. Other concerns voiced by the Consortium included the public and political acceptance of a supply solution other than the least-cost alternative. To date, the Consortium has received only four "take or pay" contract commitments, totaling 26 MGD, in response to their solicitation of non-binding letters of intent from the 16 Consortium members. An amount of 22 MGD out of this 26 MGD commitment was from Lexington, which cannot be a water commission member due to membership being limited to public entities.

The consortium identified the preparation of the final report for the feasibility study and the formation of a regional water commission as the two critical tasks to accomplish by the end of 2003. Participation on the Commission will require "take or pay" commitments and approvals from the members' governing entities. As a consequence, some of the Consortium members may not pursue participation in the Bluegrass Regional Water Commission. Creation of the Commission will be a critical prerequisite in securing the necessary funding for the project to continue. LWC staff will continue dialogue with Consortium members and follow their progress in establishing a regional water commission.

Federated Department Stores Stock Sale **Revised Resolution Adopted**

At its June 10, 2003 meeting, the Board approved a resolution for LWC to sell 81 shares of Federated Department Stores, Inc. stock obtained in bankruptcy proceedings. As we have no

record of ever having received the stock certificates, an Amended Resolution is attached authorizing LWC to apply for replacement stock certificates. The Amended Resolution also provides authorization for the Controller to sell the shares through Republic Bank once the replacement certificates are received.

Mr. Conner moved to approve the amended resolution. Upon second and vote, the motion carried. A certified copy of said resolution is attached to these minutes.

Issuance of Apportionment Warrants for Brush Run Rd: Echo Trail to Dawson Hill Rd

With the completion of the public water main extension along Brush Run Rd: Echo Trail to Dawson Hill Rd, the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265. In accordance with the recommendations of the Task Force Report the cost of the extension will be by the equal assessment method for the cost of \$5,450 for each lot or tract abutting this extension and currently not served. Staff recommended the adoption of a resolution for the issuance of Apportionment Warrants and liens against 9 benefited properties along Brush Run Rd: Echo Trail to Dawson Hill Rd in accordance with KRS. 96.265, as described.

Ms. Welsh moved to approve the resolution. Upon second and vote, the motion carried. A certified copy of said resolution is attached to these minutes.

Issuance of Apportionment Warrants for Brush Run Rd: Dawson Hill Rd to Routt Rd

With the completion of the public water main extension along Brush Run Rd: Dawson Hill Rd to Routt Rd, the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265. In accordance with the recommendations of the Task Force Report the cost of the extension will be by the equal assessment method for the cost of \$5,450 for each lot or tract abutting this extension and currently not served.

Staff recommended the adoption of a resolution for the issuance of Apportionment Warrants and liens against 43 benefited properties along Brush Run Rd: Dawson Hill Rd to Routt Rd in accordance with KRS. 96.265, as described. Mr. Conner moved to approve the resolution. Upon second and vote, the motion carried. A certified copy of said resolution is attached to these minutes.

Issuance of Apportionment Warrants for Echo Hill Trail: Echo Trail to End and Woodland Springs Rd: Echo Trail to East 500 ft

With the completion of this private road water main extension service along Echo Hill Trail: Echo Trail to End and Woodland Springs Rd: Echo Trail to East 500 ft, the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265. In accordance with the recommendations of the Task Force Report the cost of the extension will be by the equal assessment method for the not-to-exceed

cost of \$8,416.60 for each lot or tract abutting this extension and currently not served. Apportionment warrants will be assessed against 17 properties.

Staff recommended the adoption of a resolution for the issuance of Apportionment Warrants and liens against 17 benefited properties along Echo Hill Trail: Echo Trail to End and Woodland Springs Rd: Echo Trail to East 500 ft in accordance with KRS. 96.265, as described. Mr. Conner moved to approve the resolution. Upon second and vote, the motion carried. A certified copy of the resolution is attached to these minutes.

**Issuance of Apportionment Warrants for a Portion of Bearcamp Rd:
Existing Water Main to the County Line**

With the completion of a portion of the public water main extension along Bearcamp Rd: Existing Water Main to the County Line, the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265. In accordance with the recommendations of the Task Force Report the cost of the extension will be by the equal assessment method for the cost of \$5,450 for each lot or tract abutting this extension and currently not served.

Staff recommended the adoption of a resolution for the issuance of an Apportionment Warrant and lien against 1 benefited property along Bearcamp Rd: Existing Water Main to the County Line in accordance with KRS. 96.265, as described. Ms. Welsh moved to approve the resolution. Upon second and vote, the motion carried. A certified copy of the resolution is attached to these minutes.

LWC Service Rules and Regulations – Main Extension Methods

Louisville Water Company is now completing the Jefferson County-wide Extension Program (JCWEP). In anticipation of its completion, the President and the Vice President of Servicing Customers and Business Development authorized the formation of a cross-functional team to address a number of pending issues relating to the completion of this program. One of those was what main extension methods would be available upon the completion of the JCWEP.

Staff has identified possible main extension situations where the existing mains extensions methods did not allow for an equitable means for extending mains. The team has developed the following new main extension methods which LWC staff believes will address those difficult main extension situations. These extension methods are:

- Two-thirds Majority Tapping Fee Extension Method (Proposed LWC Service Rules & Regulation 2.04)
- Rebating Tapping Fee Extension Method (Proposed LWC Service Rules & Regulation 2.06)

The Two-thirds Majority Tapping Fee Extension Method allows for a main extension along a publicly dedicated Right-of-Way (ROW) where two thirds of the residents along the route

agree to apply for service and pay their prorated share or tapping fee of the cost of the main extension. The Company would finance the remaining third that will be paid by subsequent tapping fee payments by future customers. The Rebating Tapping Fee Extension Method allows for a main extension along either a publicly dedicated ROW or a private road where one or more residents agree to pay all of the cost of the installation of the main on a prorated share or tapping fee basis. Any subsequent customer who arranges for service through tapping this main would pay the established tapping fee which would be rebated equally to all active service account holders connected to this main at the end of each year. This tapping fee would expire after 20 years.

Staff recommended the removal of the existing Surcharge Extension Method (LWC Service Rules & Regulation 2.04) and the adoption of the Two-thirds Majority Tapping Fee Extension Method (Proposed LWC Service Rules & Regulation 2.04), and Rebating Tapping Fee Extension Method (Proposed LWC Service Rules & Regulation 2.06). Staff requested the Board approve and adopt by resolution these proposed rules.

Mr. Wise moved to approve the adoption of the resolution. Upon second and vote, the motion carried. A certified copy of the resolution is attached to these minutes.

Project 03-607 Authorized: Westport Road Transfer Station Hydraulic Surge Tank

The 2003 Capital Budget includes funds for construction of a hydraulic surge tank at the new Westport Road Transfer Station. The new Westport Road Transfer Station and associated transmission mains at Watterson Expressway and Westport Road are nearing completion. The pump station is undergoing startup testing and the transmission mains are under construction with expected completion in spring 2004. The new pump station is designed to transfer up to 45 million gallons per day (MGD) to the elevated service area, compared to the existing 16 MGD pump station. In consideration of this increased capacity, consultant CH2M Hill Engineers recommends installation of a surge suppression system. The system will include a steel storage tank of approximately 15,000 gallons to dampen any hydraulic pressure waves created by unplanned supply interruptions within the elevated service area. The system will operate with a combination of air and water to absorb the pressure surge and reduce the impact of pressure surge on the transmission mains and pumping station. The project budget for this work is \$300,000.

Ms. Welsh moved to authorize the finalization of the engineering design and proceed to advertisement for bid for Project 03-607: Westport Road Transfer Station Hydraulic Surge Tank. Upon second and vote, the motion carried. Significant changes in project scope or budget will be returned to the Board for review prior to bid.

**Project 02-632 Authorized: Solids Lagoons Renovation
B. E. Payne Residuals Piping System**

Proposed under the 2002-2004 Capital Budgets are funds for construction of pipe diversion structures at B. E. Payne Water Treatment Plant (BEPWTP) to provide flexibility in

managing treatment plant residuals. Under current operations, the BE Payne Plant water treatment residuals from intake screening, coagulation, softening, and filter backwash discharge to lagoons #2 or #3. The proposed design, prepared by O'Brien & Gere Engineers, Inc., will provide flexibility to route plant residuals to multiple lagoons, as shown in the attached schematic. The project will allow lagoon cycling and provide several benefits for improved operation of the facility, including:

- Maintenance and control of vegetation in the lagoons
- Drying and concentration of accumulated waste streams
- Evaluation and maintenance of earthen berms for integrity and leakage
- Management of the lagoons as a system to maintain compliance with KPDES discharge permits

The project will also prepare us for full-scale renovation of the lagoons planned for 2010-2015. The lagoons were originally constructed in 1971. The budget for the subject project is \$425,000.

Mr. Wise moved to authorize the finalization of the engineering design and proceed to advertisement for bid for Project 02-632: Solids Lagoons Renovation – B. E. Payne Residuals Piping Diversion. Any change in project scope or budget identified during final design will be presented to the Board for review. Upon second and vote, the motion carried.

2004-2005 Main Replacement and Rehabilitation Program Authorized

Ms. Teasley reviewed the 2004 – 2005 Main Replacement and Rehabilitation Program. The 2004-2005 Capital Budget includes annual funding in the amount of \$9,500,000 in 2004 and \$7,000,000 in 2005 for main replacement and rehabilitation and lead service renewals. The 2004 program includes of 9.3 miles of replacement, 14.2 miles of rehabilitation, renewal of approximately 1,460 lead service lines from main to the property connection and replacement of approximately 173 fire hydrants. The 2005 program includes replacement of 10.5 miles of water main, renewal of approximately 1,650 lead service lines and replacement of approximately 96 fire hydrants.

Ms. Welsh moved to approve the 204-2005 Main Replacement and Rehabilitation Program, as described in a handout report that was presented to the Board of Water Works and further authorized the Louisville Water Company to proceed with engineering design and advertisement for bid. Individual bids, exceeding \$100,000 will be returned to the Board for authorization to proceed with construction. Upon second and vote, the motion carried.

There being no further business to come before the Board, the meeting was adjourned at 2:50 p.m.

Respectfully submitted:

A handwritten signature in cursive script, appearing to read "Robert K. Miller".

Robert K. Miller
Vice President - Treasurer
And Acting Corporate Secretary

AMENDED RESOLUTION

WHEREAS, it was found that Federated Department Stores, Inc. filed a reorganization bankruptcy approximately ten (10) years ago and the Louisville Water Company filed a Proof of Claim in the Bankruptcy proceeding.

WHEREAS, the Louisville Water Company does not have the record of receiving the Stock Certificates, the Louisville Water Company was recently notified by Federated Department Stores, Inc. that the Louisville Water Company owns eighty one (81) shares of stock as a result of the bankruptcy.

WHEREAS, as a result of the notification from Federated Department Stores, the Louisville Water Company has requested replacement stock certificates.

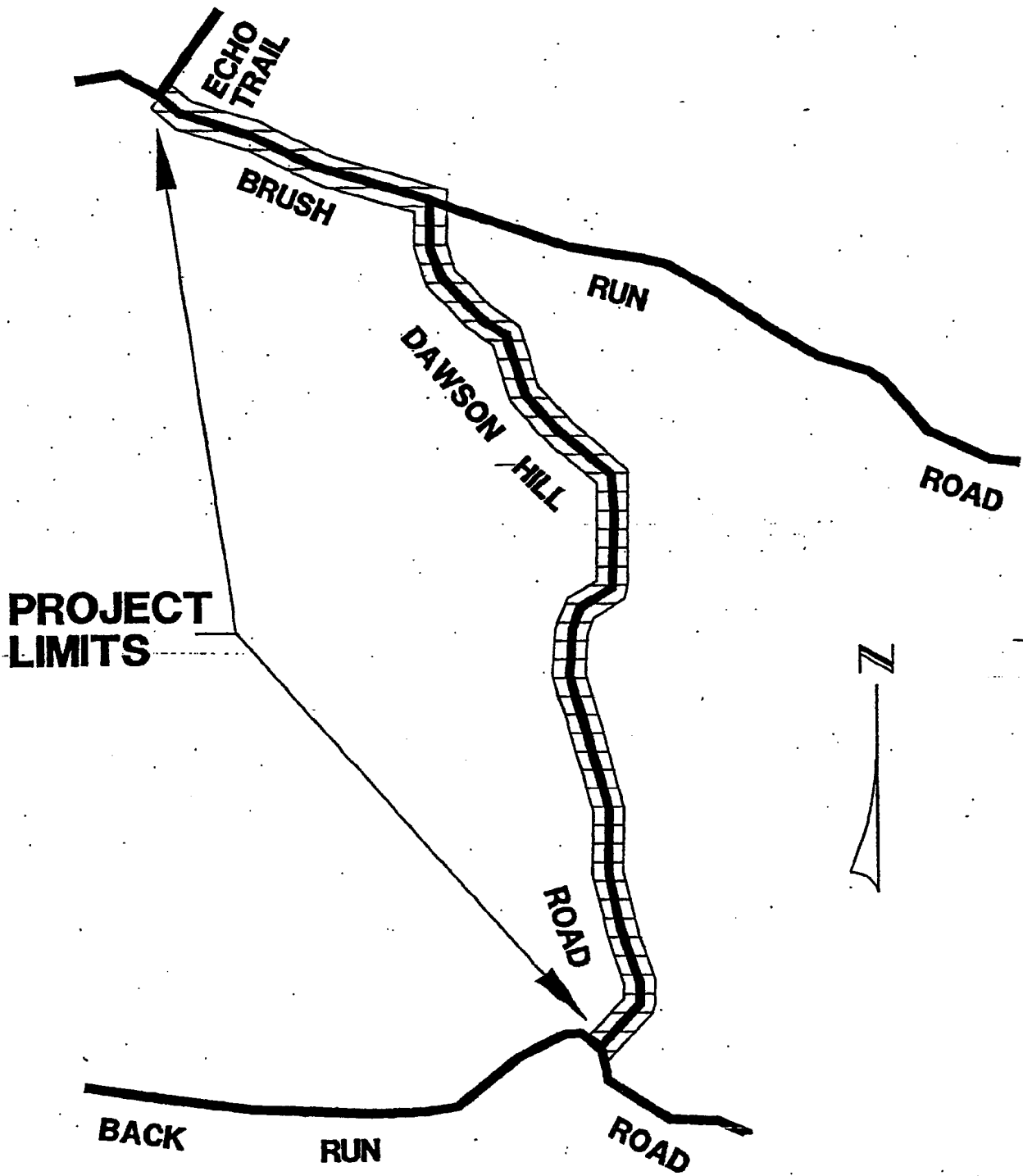
RESOLVED, that the Controller, Amber Halloran, be and hereby is authorized and directed to apply for and obtain the replacement Stock Certificates.

RESOLVED, that upon receipt of the Federated Department Store's replacement stock certificates, the Controller, Amber Halloran, be and hereby is authorized and directed to sell eighty one (81) shares of common stock in Federated Department Stores, Inc. through Republic Bank.

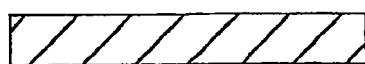
APPORTIONMENT WARRANT RESOLUTION

November 11, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for the cost of **Brush Run Rd: Echo Trail to Dawson Hill Rd** main extension project authorized by Ordinance No. 5, Series 2001 of the Jefferson Fiscal Court, adopted on March 27, 2001 such warrants to be against **nine (9)** benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA



FILE NAME: DAWSON HILL

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

0924566 SUSAN ALLEN 13807 BRUSH RUN ROAD 5,450.00
 13807 BRUSH RUN ROAD DEED-BK 5707 LIEN-DT
 LOUISVILLE KY DEED-PG 909 LIEN-BK
 40299 TAX-DST LIEN-PG
 TAX-BLK 58 LOT-NO. 53

0924568 KENNETH W & DONNA A BRAINER 13939 BRUSH RUN ROAD 5,450.00
 13939 BRUSH RUN ROAD DEED-BK 6220 LIEN-DT
 LOUISVILLE KY DEED-PG 389 LIEN-BK
 40299 TAX-DST LIEN-PG
 TAX-BLK 58 LOT-NO. 58

13927 BRUSH RUN ROAD
 DEED-BK 7199
 DEED-PG 743
 TAX-DST
 TAX-BLK 58 LOT-NO. 60

BRUSH RUN ROAD
 DEED-BK 7199
 DEED-PG 743
 TAX-DST
 TAX-BLK 58 LOT-NO. 66

BRUSH RUN ROAD
 DEED-BK 7199
 DEED-PG 743
 TAX-DST
 TAX-BLK 58 LOT-NO. 59

0924571 MICHAEL M & BARBARA R COLGAN 13910 BRUSH RUN ROAD 5,450.00
 7413 ECHO TRAIL DEED-BK 6897 LIEN-DT
 LOUISVILLE KY DEED-PG 75 LIEN-BK
 40299 TAX-DST LIEN-PG
 TAX-BLK 58 LOT-NO. 17

0924578 DONALD & BETTY HOLT 13923 BRUSH RUN ROAD 5,450.00
 13923 BRUSH RUN ROAD DEED-BK 7367 LIEN-DT
 LOUISVILLE KY DEED-PG 249 LIEN-BK
 40299 TAX-DST LIEN-PG
 TAX-BLK 58 LOT-NO. 67

0924579 WILLIAM & LUCILLE B JEAN BRUSH RUN ROAD 5,450.00
 7424 ECHO TRAIL DEED-BK 2054 LIEN-DT
 LOUISVILLE KY DEED-PG 400 LIEN-BK
 40299 TAX-DST LIEN-PG
 TAX-BLK 58 LOT-NO. 10

0924581 K J. ELLISON & CRAIG MCCLUNEY 13919 BRUSH RUN ROAD 5,450.00
 13919 BRUSH RUN ROAD DEED-BK 7915 LIEN-DT
 LOUISVILLE KY DEED-PG 314 LIEN-BK
 40299 TAX-DST LIEN-PG
 TAX-BLK 58 LOT-NO. 115

125

Exhibit "A"

	ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
2	0924582	TERESA & PHILIP R NALLEY	13809 BRUSH RUN ROAD	5,450.00		
3		9515 NEW HAVEN ROAD	DEED-BK 7587	LIEN-DT		
4		NEW HAVEN KY	DEED-PG 719	LIEN-BK		
5		40051	TAX-DST	LIEN-PG		
6			TAX-BLK 58	LOT-NO.	127	
7	0924583	HENRY W & LOIS J SANG	13708 BRUSH RUN ROAD	5,450.00		
8		13708 BRUSH RUN ROAD	DEED-BK 7116	LIEN-DT		
9		LOUISVILLE KY	DEED-PG 490	LIEN-BK		
10		40299	TAX-DST	LIEN-PG		
11			TAX-BLK 58	LOT-NO.	16	
12	0924584	R. HETTINGER & THOMA SHUMATE	14001 BRUSH RUN ROAD	5,450.00		
13		14001 BRUSH RUN ROAD	DEED-BK 5639	LIEN-DT		
14		LOUISVILLE KY	DEED-PG 252	LIEN-BK		
15		40299	TAX-DST	LIEN-PG		
16			TAX-BLK 58	LOT-NO.	56	
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ACCOUNT

NAME

LOCATION

ASSESSMENT

PAID IN FULL

RELEASE OF LIEN

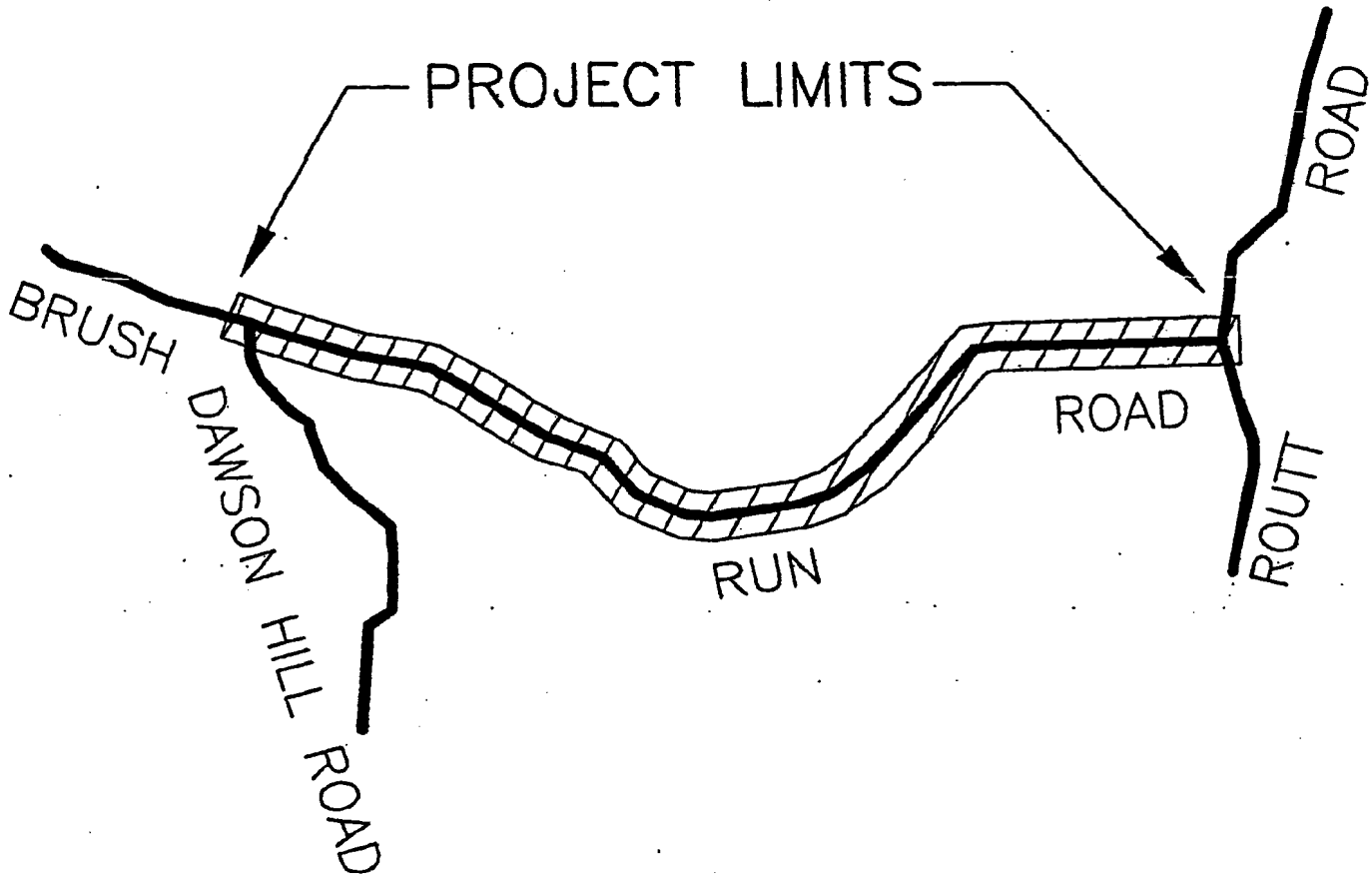
9 NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 49,050.00

APPORTIONMENT WARRANT RESOLUTION

November 11, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for the cost of **Brush Run Rd: Dawson Hill Rd to Routt Rd** main extension project authorized by Ordinance No. 29, Series 2001 of the Jefferson Fiscal Court, adopted on November 13, 2001 such warrants to be against forty three (43) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA



FILE NAME: BRUSH RUN (DAWSON HILL TO ROUTT)

ACCOUNT NAME LOCATION ASSESSMENT PAID IN FULL RELEASE OF LIEN

0924156	B LANGLEY & STEVEN BLEEMEL 9309 LABEAU CT LOUISVILLE KY 40299	15799 BRUSH RUN ROAD	5,450.00		
		DEED-BK 7864 DEED-PG 214 TAX-DST TAX-BLK 59		LIEN-DT LIEN-BK LIEN-PG LOT-NO.	135
0924162	KEITH & GINA BOCKMOM 15121 BARBET WAY LOUISVILLE KY 40299	BARBET WAY	5,450.00		
		DEED-BK 7407 DEED-PG 609 TAX-DST TAX-BLK 58		LIEN-DT LIEN-BK LIEN-PG LOT-NO.	198
0924163	JAS G & CONNIE BOHANNON 14604 BRUSH RUN ROAD LOUISVILLE KY 40299-5340	14604 BRUSH RUN ROAD	5,450.00	00/0000	
(PAID-UP)		DEED-BK 5292 DEED-PG 888 TAX-DST TAX-BLK 58		LIEN-DT LIEN-BK LIEN-PG LOT-NO.	98
0924165	RONALD BRUMMETTE 14150 BRUSH RUN ROAD LOUISVILLE KY 40299	14150 BRUSH RUN ROAD	5,450.00		
		DEED-BK 7886 DEED-PG 889 TAX-DST TAX-BLK 58		LIEN-DT LIEN-BK LIEN-PG LOT-NO.	102
0924167	LINDA BRUN 3027 EAGLE PASS LOUISVILLE KY 40217	15804 BRUSH RUN ROAD	5,450.00		
		DEED-BK 7260 DEED-PG 310 TAX-DST TAX-BLK 59		LIEN-DT LIEN-BK LIEN-PG LOT-NO.	53
0924173	RUN FIVE INC. BRUSH 15705 BRUSH RUN ROAD LOUISVILLE KY 40299	15707 BRUSH RUN ROAD	5,450.00		
		DEED-BK 6918 DEED-PG 278 TAX-DST TAX-BLK 59		LIEN-DT LIEN-BK LIEN-PG LOT-NO.	218
		15707 BRUSH RUN ROAD			
		DEED-BK 6918 DEED-PG 278 TAX-DST TAX-BLK 59		LIEN-DT LIEN-BK LIEN-PG LOT-NO.	217
0928760	JOSEPH & NANCY CAMPBELL 15713 BRUSH RUN ROAD JEFFERSONTOWN KY 40299	15713 BRUSH RUN ROAD	5,450.00		
		DEED-BK 3719 DEED-PG 325 TAX-DST TAX-BLK 59		LIEN-DT LIEN-BK LIEN-PG LOT-NO.	42
0924179	PATRICIA DEVINE 15908 BRUSH RUN ROAD LOUISVILLE KY 40299	15900 BRUSH RUN ROAD	5,450.00		
		DEED-BK 7732 DEED-PG 237 TAX-DST TAX-BLK 59		LIEN-DT LIEN-BK LIEN-PG LOT-NO.	13

0924179	PATRICIA DEVINE (CONTINUED)	15902 BRUSH RUN ROAD	DEED-BK 4547 DEED-PG 435 TAX-DST			
			TAX-BLK 59	LOT-NO.	124	
0924181	PAUL S & SUSAN DRISKELL 15110 BRUSH RUN ROAD LOUISVILLE KY 40279	15110 BRUSH RUN ROAD	DEED-BK 5674 DEED-PG 838 TAX-DST	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
			TAX-BLK 59	LOT-NO.	57	
0924183	JAMES T & DOROTHY DRURY 14600 BRUSH RUN ROAD LOUISVILLE KY 40279	14600 BRUSH RUN ROAD	DEED-BK 5840 DEED-PG 833 TAX-DST	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
			TAX-BLK 58	LOT-NO.	69	
		14300 BRUSH RUN ROAD	DEED-BK 1598 DEED-PG 459 TAX-DST			
			TAX-BLK 59	LOT-NO.	14	
0924182	JT DRURY 14401 BRUSH RUN ROAD LOUISVILLE KY 40279	14401 BRUSH RUN	DEED-BK 5502 DEED-PG 672 TAX-DST	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
			TAX-BLK 58	LOT-NO.	165	
0924184	TROY & CHERYL A DRURY 15608 BRUSH RUN ROAD LOUISVILLE KY 40279	15608 BRUSH RUN ROAD	DEED-BK 6733 DEED-PG 864 TAX-DST	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
			TAX-BLK 59	LOT-NO.	54	
0924185	WILLIAM DRURY 14301 BRUSH RUN RD LOUISVILLE KY 40279-5367	14301 BRUSH RUN ROAD	DEED-BK 7995 DEED-PG 628 TAX-DST	LIEN-DT LIEN-BK LIEN-PG	5,450.00	00/0000
			TAX-BLK 58	LOT-NO.	172	
0924186	WILLIAM V PARIS 15917 BRUSH RUN ROAD LOUISVILLE KY 40279	15917 BRUSH RUN ROAD	DEED-BK 6284 DEED-PG 775 TAX-DST	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
			TAX-BLK 59	LOT-NO.	74	
0924187	INC FERN CREEK SPORTSMAN CLUB C/O FRED KIRSCH 6418 FERN CREST ROAD LOUISVILLE KY 40291	15400 BRUSH RUN ROAD	DEED-BK 4025 DEED-PG 476 TAX-DST	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
			TAX-BLK 59	LOT-NO.	11	

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0924190	M.R. EVANSON & MARTI A FORT	15404 BRUSH RUN ROAD	5,450.00		
	15400 BRUSH RUN ROAD	DEED-BK 6448	LIEN-DT		
	LOUISVILLE KY	DEED-PG 860	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	56	
		15400 BRUSH RUN ROAD			
		DEED-BK 6448			
		DEED-PG 860			
		TAX-DST			
		TAX-BLK 59	LOT-NO.	104	
0924193	M.R. EVANSON & MARTI A FORT	15306 BRUSH RUN ROAD	5,450.00		
	15400 BRUSH RUN ROAD	DEED-BK 6448	LIEN-DT		
	LOUISVILLE KY	DEED-PG 860	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	105	
0924195	OSCAR & KATHY FRYE	15006 BRUSH RUN ROAD	5,450.00		
	15006 BRUSH RUN RD	DEED-BK 7984	LIEN-DT		
	LOUISVILLE KY	DEED-PG 63	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	60	
0924231	DAVID B GABBART	15605 BRUSH RUN ROAD	5,450.00		
	15605 BRUSH RUN ROAD	DEED-BK 4901	LIEN-DT		
	LOUISVILLE KY	DEED-PG 87	LIEN-BK		
	40243	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	129	
		15605 BRUSH RUN ROAD			
		DEED-BK 5528			
		DEED-PG 5			
		TAX-DST			
		TAX-BLK 59	LOT-NO.	128	
0924233	SAMUEL W & NANCY HARRIS	15004 BRUSH RUN ROAD	5,450.00		
	15004 BRUSH RUN ROAD	DEED-BK 4458	LIEN-DT		
	LOUISVILLE KY	DEED-PG 73	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	15	
0924238	RICKY A & DEBRA L HEINE	15910 BRUSH RUN ROAD	5,450.00	00/0000	
	15910 BRUSH RUN ROAD	DEED-BK 6827	LIEN-DT		
(PAID-UP)	LOUISVILLE KY	DEED-PG 860	LIEN-BK		
	40299-5362	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	101	
0924239	LEON E & LEAH HUFF	15801 BRUSH RUN ROAD	5,450.00		
	15801 BRUSH RUN ROAD	DEED-BK 7778	LIEN-DT		
	LOUISVILLE KY	DEED-PG 790	LIEN-BK		
	40299	TAX-DST	LIEN-PG		
		TAX-BLK 59	LOT-NO.	109	

PAID-UP	OWNER	ADDRESS	DEED-BK	DEED-PG	TAX-DST	TAX-BLK	LIEN-DT	LIEN-BK	LIEN-PG	LOT-NO.	AMOUNT
	BETTY J. & JOS EDW HUSBAND	14602 BRUSH RUN ROAD		3592		58				72	5,450.00
(PAID-UP)	14602 BRUSH RUN ROAD	LOUISVILLE KY	40299								00/0000
	BETTY JEAN HUSBAND	14713 BRUSH RUN ROAD		7800		58				6	5,450.00
	14602 BRUSH RUN ROAD	LOUISVILLE KY	40299								
	CLAUDE T JR & LOUISE INMAN	15108 BRUSH RUN ROAD		4538		59				122	5,450.00
	10803 SUN RIDGE ROAD	GOSHEN KY	40026								
	WILBUR J & DOROTHY A INMAN	15916 BRUSH RUN ROAD		4488		59				179	5,450.00
	15916 BRUSH RUN ROAD	LOUISVILLE KY	40299-5362								
	GENE & NAOMI IVES	15905 BRUSH RUN ROAD		3349		59				49	5,450.00
	18405 BRUSH RUN ROAD	LOUISVILLE KY	40097								
	FRED L & KAREN KIRTLEY	14015 BRUSH RUN ROAD		6320		58				8	5,450.00
	14015 BRUSH RUN ROAD	LOUISVILLE KY	40299								
	CYNTHIA L MARQUEL	15513 BRUSH RUN ROAD		4755		59				27	5,450.00
	15513 BRUSH RUN ROAD	LOUISVILLE KY	40299								
	REBECCA A & JAMES E MCCAULEY	BARBET WAY		4934		58				199	5,450.00
	5102 BARNES DRIVE	LOUISVILLE KY	40219								
	JOSHUA & JACKEE MCINTIRE	14612 BRUSH RUN ROAD		7987		58				90	5,450.00
	14612 BRUSH RUN ROAD	LOUISVILLE KY	40299								

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0924506	ANDREW M & DIANNA L MISLAN	15518 BRUSH RUN ROAD		5,450.00
	15518 BRUSH RUN ROAD	DEED-BK 4743	LIEN-DT	
	LOUISVILLE KY.	DEED-PG 17	LIEN-BK	
	40299	TAX-DST	LIEN-PG	
		TAX-BLK 59	LOT-NO.	131
0924507	MICHAEL L OWEN	15512 BRUSH RUN ROAD		5,450.00
	15512 BRUSH RUN ROAD	DEED-BK 7668	LIEN-DT	
	LOUISVILLE KY	DEED-PG 324	LIEN-BK	
	40299	TAX-DST	LIEN-PG	
		TAX-BLK 59	LOT-NO.	55
0924511	ROBERT & VICKI PLIENIS	15308 BRUSH RUN ROAD		5,450.00
	15308 BRUSH RUN ROAD	DEED-BK 6339	LIEN-DT	
	LOUISVILLE KY	DEED-PG 959	LIEN-BK	
	40299	TAX-DST	LIEN-PG	
		TAX-BLK 59	LOT-NO.	36
0924519	RODNEY D & NANCY M POHL	15205 BRUSH RUN ROAD		5,450.00
	15205 BRUSH RUN ROAD	DEED-BK 7627	LIEN-DT	
	LOUISVILLE KY	DEED-PG 170	LIEN-BK	
	40299	TAX-DST	LIEN-PG	
		TAX-BLK 59	LOT-NO.	169
		15205 BRUSH RUN ROAD		
		DEED-BK 7627		
		DEED-PG 170		
		TAX-DST		
		TAX-BLK 58	LOT-NO.	10
0924544	SUE SHEARER	15112 BRUSH RUN ROAD		5,450.00
	8701 RUCKER RIDGE ROAD	DEED-BK 7656	LIEN-DT	
	LOUISVILLE KY	DEED-PG 276	LIEN-BK	
	40299	TAX-DST	LIEN-PG	
		TAX-BLK 59	LOT-NO.	16
0924547	SUE SHEARER	BRUSH RUN ROAD		5,450.00
	8701 RUCKER RIDGE ROAD	DEED-BK 7656	LIEN-DT	
	LOUISVILLE KY	DEED-PG 276	LIEN-BK	
	40299	TAX-DST	LIEN-PG	
		TAX-BLK 59	LOT-NO.	127
0924548	KENNETH & CAROLYN S SINS	BRUSH RUN ROAD		5,450.00
	4813 BARDSTOWN ROAD	DEED-BK 4257	LIEN-DT	
	LOUISVILLE KY	DEED-PG 275	LIEN-BK	
	40291	TAX-DST	LIEN-PG	
		TAX-BLK 59	LOT-NO.	58
		BRUSH RUN ROAD		
		DEED-BK		
		DEED-PG		
		TAX-DST		
		TAX-BLK 59	LOT-NO.	38

0924548	KENNETH & CAROLYN S SIMS (CONTINUED)	BRUSH RUN ROAD	DEED-BK 4786 DEED-PG 788 TAX-DST			
			TAX-BLK 59	LOT-NO.	135	
		BRUSH RUN ROAD	DEED-BK 4883 DEED-PG 344 TAX-DST			
			TAX-BLK 59	LOT-NO.	136	
		BRUSH RUN ROAD	DEED-BK 4786 DEED-PG 785 TAX-DST			
			TAX-BLK 59	LOT-NO.	40	
		BRUSH RUN ROAD	DEED-BK 6640 DEED-PG 50 TAX-DST			
			TAX-BLK 58	LOT-NO.	70	
0924553	ED L JR & WILMA SKAGGS	15002 BRUSH RUN ROAD	DEED-BK 4148 DEED-PG 389 TAX-DST	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
	7521 HILLSIDE DRIVE CRESTWOOD KY 40034		TAX-BLK 59	LOT-NO.	63	
0924553	RICHARD L & DEBRA L STEPHENS	14311 BRUSH RUN ROAD	DEED-BK 5882 DEED-PG 766 TAX-DST	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
	14311 BRUSH RUN ROAD LOUISVILLE KY 40299		TAX-BLK 58	LOT-NO.	7	
0924559	KENNETH M & TERESA TUCK	15787 BRUSH RUN ROAD	DEED-BK 5593 DEED-PG 653 TAX-DST	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
	15787 BRUSH RUN ROAD LOUISVILLE KY 40299		TAX-BLK 59	LOT-NO.	134	
0924561	BILLY L & ERIS VAN METER	15401 BRUSH RUN ROAD	DEED-BK 4788 DEED-PG 78 TAX-DST	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
	15401 BRUSH RUN ROAD LOUISVILLE KY 40299		TAX-BLK 59	LOT-NO.	48	
0924563	GARY L & CATHERINE M WILLIS	15823 BRUSH RUN ROAD	DEED-BK 6863 DEED-PG 236 TAX-DST	LIEN-DT LIEN-BK LIEN-PG	5,450.00	
	15823 BRUSH RUN ROAD LOUISVILLE KY 40299		TAX-BLK 59	LOT-NO.	95	

139

RELEASE OF LIEN

PAYED IN FULL

ASSESSMENT

COVATION

DATE

NOTE

ACCOUNT

43 NUMBER OF CUSTOMERS LISTED

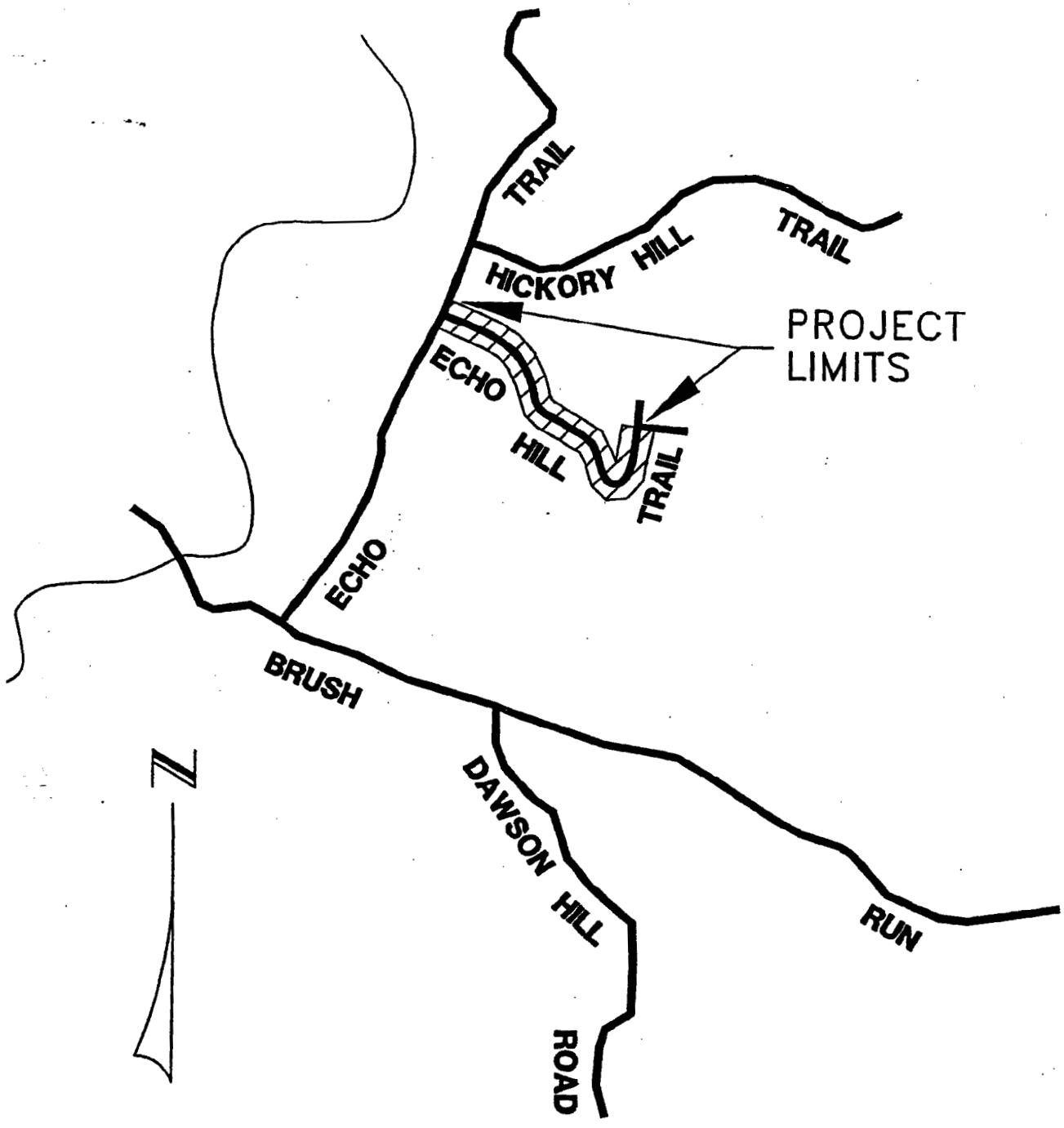
232,450.00

TOTAL PRINCIPAL REMAINING

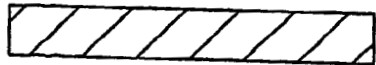
APPORTIONMENT WARRANT RESOLUTION

November 11, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Echo Hill Trail: Echo Trail to End and Woodland Springs Rd: Echo Trail to East 500 ft main extension** project authorized by Ordinance No. 13, Series 2000 of the Jefferson Fiscal Court, adopted on May 9, 2000 such warrants to be against seventeen (17) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$8,416.60 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA



FILE NAME: ECHO HILL TRAIL

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0925297	CLAYTON C JR. BARCLAY 14019 ECHO HILL TRAIL JEFFERSONTOWN KY 40299	14019 ECHO HILL TRAIL DEED-BK 7384 DEED-PG 540 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	8,416.60	7
0925315	WILLIAM F BOGARD 14009 ECHO HILL TRAIL LOUISVILLE KY 40299	14009 ECHO HILL TRAIL DEED-BK 5824 DEED-PG 827 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	8,416.60	4
0925308	LEONARD & KATHLEEN CRENSHAW 7803 HALL FARM DRIVE LOUISVILLE KY 40291	14007 ECHO HILL TRAIL DEED-BK 8013 DEED-PG 185 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	8,416.60	3
0925319	JOSEPH H & JOYCE S GAST 14018 ECHO HILL TRAIL JEFFERSONTOWN KY 40299	14018 ECHO HILL TRAIL DEED-BK 6223 DEED-PG 673 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	8,416.60	11
0925320	EDWARD & LINDA S GOFF 14010 ECHO HILL TRAIL JEFFERSONTOWN KY 40299	14010 ECHO HILL TRAIL DEED-BK 5961 DEED-PG 46 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	8,416.60	15
0925322	GLEN R & KIM W GOINS 10801 PINEVIEW COURT JEFFERSONTOWN KY 40299	14022 ECHO HILL TRAIL DEED-BK 6604 DEED-PG 749 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	8,416.60	9
0925324	KEITH THOMAS & PA HEICHELBECH 14004 ECHO HILL TRAIL LOUISVILLE KY 40299	14004 ECHO HILL TRAIL DEED-BK 6944 DEED-PG 794 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	8,416.60	18
0925344	CHARLES H & MARY HENNIS 3303 ENRIDGE DRIVE LOUISVILLE KY 40220	14017 ECHO HILL TRAIL DEED-BK 7423 DEED-PG 284 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	8,416.60	6
0925326	GREGORY M LEEP 1717 THE MEADOW ROAD LOUISVILLE KY 40223	14016 ECHO HILL TRAIL DEED-BK 5843 DEED-PG 570 TAX-DST TAX-BLK 2512	LIEN-DT LIEN-BK LIEN-PG LOT-NO.	8,416.60	12

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0725328	KENNETH R & MARGIE A MARTION	14014 ECHO HILL TRAIL	DEED-BK 5913 LIEN-DT DEED-PG 913 LIEN-BK TAX-DST TAX-BLK 2512 LOT-NO.	8,416.60	
0725332	CHARLES R & SHERRY MATTINGLY	WOODLAND SPRINGS ROAD	DEED-BK 5857 LIEN-DT DEED-PG 964 LIEN-BK TAX-DST TAX-BLK 58 LOT-NO.	8,416.60	
		6800 WOODLAND SPRINGS ROAD	DEED-BK 6857 DEED-PG 819 TAX-DST TAX-BLK 58 LOT-NO.		5
		6800 WOODLAND SPRINGS ROAD	DEED-BK 5857 DEED-PG 964 TAX-DST TAX-BLK 58 LOT-NO.		200
0725336	TERY P & SUSAN P MCCARTHY	14002 ECHO HILL TRAIL	DEED-BK 6725 LIEN-DT DEED-PG 862 LIEN-BK TAX-DST TAX-BLK 2512 LOT-NO.	8,416.60	
0725337	JOHN & JUDITH H PHELPS	14006 ECHO HILL TRAIL	DEED-BK 6038 LIEN-DT DEED-PG 128 LIEN-BK TAX-DST TAX-BLK 2512 LOT-NO.	8,416.60	
		14008 ECHO HILL TRAIL	DEED-BK 5851 DEED-PG 142 TAX-DST TAX-BLK 2512 LOT-NO.		16
0725345	DONNA FAY SADLER	14011 ECHO HILL TRAIL	DEED-BK 6375 LIEN-DT DEED-PG 908 LIEN-BK TAX-DST TAX-BLK 2512 LOT-NO.	8,416.60	
0725352	ZACHARY & ELIZABETH A TACKETT	14021 ECHO HILL TRAIL	DEED-BK 7318 LIEN-DT DEED-PG 478 LIEN-BK TAX-DST TAX-BLK 2512 LOT-NO.	8,416.60	

RELEASE OF LIEN

PAID IN FULL

ASSESSMENT

LOCATION

NAME

ACCOUNT

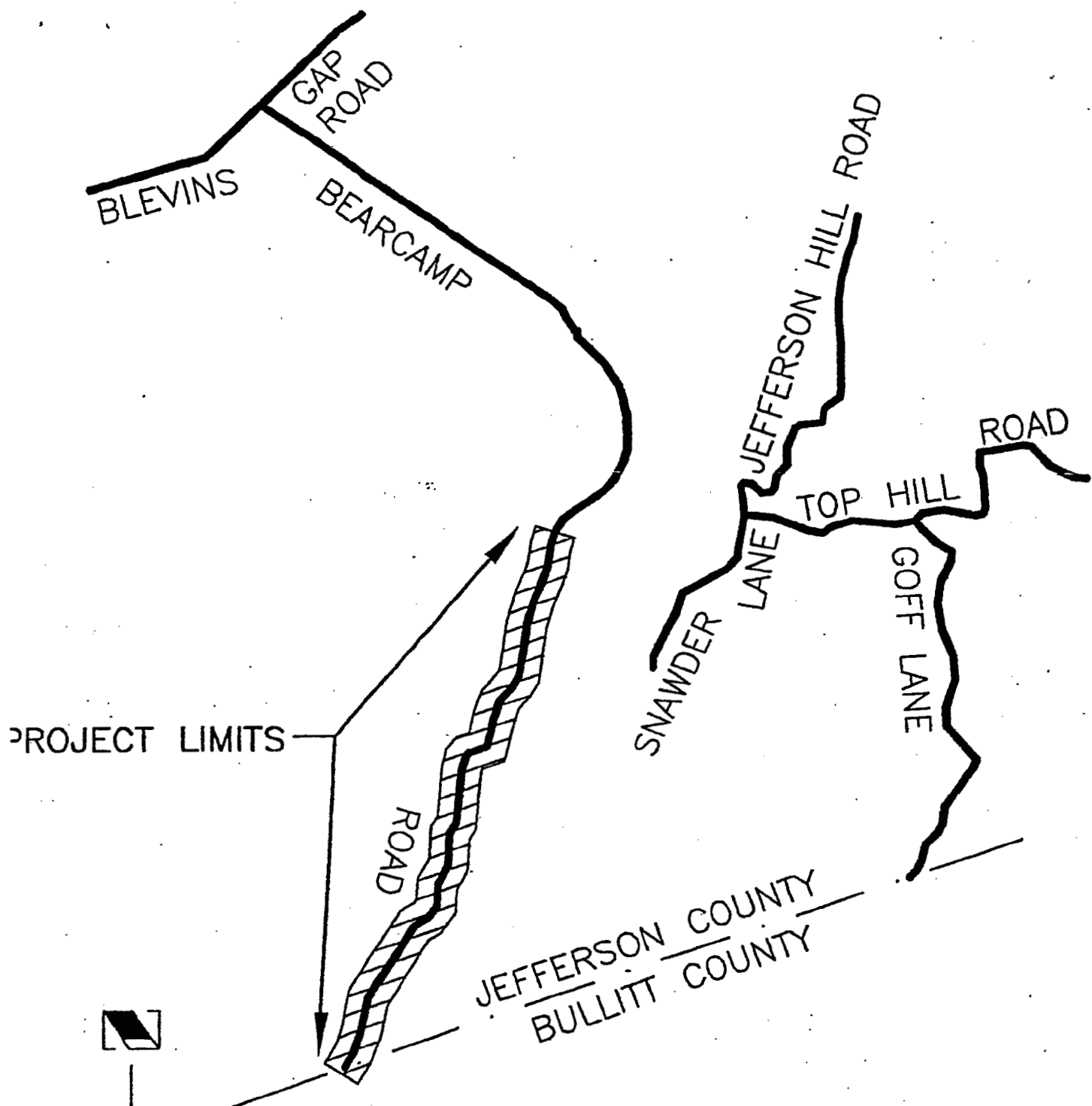
ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0325349	ROGER & BARBARA THARP 14012 ECHO HILL TRAIL JEFFERSONTOWN KY 40277	14012 ECHO HILL TRAIL DEED-BK 6371 DEED-PG 633 TAX-DST TAX-BLK 2532	8,446.40		
0325354	ROBERT K & LEOTA M WHITAKER 14020 ECHO HILL TRAIL JEFFERSONTOWN KY 40277	14020 ECHO HILL TRAIL DEED-BK 6084 DEED-PG 200 TAX-DST TAX-BLK 2532	8,446.40		

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
	17 NUMBER OF CUSTOMERS LISTED				
	TOTAL PRINCIPAL REMAINING	143,082.20			

APPORTIONMENT WARRANT RESOLUTION

November 11, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for the cost of **Bearcamp Rd: Existing Water Main to the County Line** main extension project authorized by Ordinance No. 1, Series 2002 of the Jefferson Fiscal Court, adopted on January 8, 2002 such warrant to be against one (1) benefited property identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute the apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA



FILE NAME: BEARCAMP RD.

RELEASE OF LIEN

PAID IN FULL

ASSESSMENT

LOCATION

NAME

ACCOUNT

5,450.00

11425 BEARCAMP ROAD

TIMOTHY & KELLY ATKINS

11425 BEARCAMP ROAD

LOUISVILLE KY

40272

LIEN-DI

DEED-BK 6528

DEED-PG 195

LIEN-BK

LIEN-PG

TAX-DST 1055

LOT-NO.

43

Exhibit "A"

DRAFT RESOLUTION TO ADOPT 2004 ANNUAL BUDGET

RESOLVED, that rate schedules be developed and presented by staff for a 4.9% increase, effective for water service beginning January 1, 2004 and thereafter.

RESOLVED, that the Preliminary 2004 Operating Budget submitted by staff be adopted as the approved 2004 Operating Budget.

RESOLVED, that the Preliminary 2004 Capital Budget submitted by staff be adopted as the approved 2004 Capital Budget.

RESOLVED, in respect to the Louisville Water Company 2004 Capital Budget submitted to and approved by the Board of Water Works this day, that the Board hereby delegates to the President of Louisville Water Company, or his designee, the authority to:

1. Proceed to completion for those Projects in the 2004 Capital Budget (and prior year Capital Budgets) with an estimated cost of \$100,000 or less.
2. Proceed with advertisement and bid of Annual Allowance Projects in the 2004 Capital Budget with the stipulation that all contracts exceeding \$100,000 be submitted to the Board for approval.
3. Proceed with preliminary engineering for those Projects in the 2004 Capital Budget estimated to cost over \$100,000 with the stipulation that each item will be fully explained to the Board and approval obtained before proceeding with final design and solicitation of bids.
4. Proceed to authorize contract change orders on those Projects in the 2004 Capital Budget (or prior year Capital Budgets) with an estimated cost of \$100,000 or less where such change orders do not cause the total contract cost to exceed \$100,000.
5. Proceed to authorize contract change orders on those Projects in the 2004 Capital Budget (or prior year Capital Budgets) with an estimated cost of over \$100,000 where such change orders do not exceed 10% of the approved contract price or \$100,000 in change order costs.
6. Proceed to authorize contract change orders on those projects in the 2004 Capital Budget with an estimated cost of over \$100,000, where such change orders exceed 10% of the original contract price, and when a documented business necessity exists, and ratification of such action is sought at the next regularly scheduled Board meeting.

AND BE IT FURTHER RESOLVED, that all contract expenditures greater than \$100,000 must be submitted for approval to the Board of Water Works prior to award and execution of the contract.

**BOARD OF WATER WORKS
MEETING MINUTES
DECEMBER 9, 2003**

Board Members Present:

Mr. Phillip Bond
Dr. Joseph Wise
Ms. Marita Willis
Mr. Stewart Conner
Mr. Gerald Martin

Board Members Absent:

Mayor Jerry Abramson
Ms. Wendy Welsh

Others Present:

Mr. John Huber, President
Mr. Robert Miller, Vice President, Treasurer & Acting Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Susan Lehmann, Vice President, Human Resources & Organizational Development
Ms. Kathy Holder, Acting General Counsel
Mr. Richard Johnston, Deputy Mayor
Ms. Barbara Crow, Process Owner, Public Information
Ms. Amber Halloran, Business System Owner, Financial Resources
Ms. Kathy Schroeder, Business System Owner, Human Resources

A regular meeting of the Board of Water Works was held on Tuesday, December 9, 2003 in the Board Room of Louisville Water Company. Mr. Huber called the meeting to order at 12:35 p.m.

Willis and Martin Sworn In as New Board Members

Pursuant to Kentucky Constitution § 228 and K.R.S. 96.240, Ms. Kathy Holder administered the oath of office to the newly appointed board members, Ms. Marita Willis and Mr. Gerald Martin. Copies of the signed oaths are attached to these minutes.

Opening Remarks from John Huber

Mr. Huber announced that 2004 is the 150th anniversary of chartering the Louisville Water Company. Barbara Crow reviewed activities planned for celebrating the anniversary.

Mr. Huber reviewed the results of the recent Metro United Way fund raising campaign at Louisville Water Company led by Greg Heitzman. The goal of \$66,000 was set at ten percent higher than last year's contributions. The actual amount contributed by Louisville Water Company employees was \$67,566. Mr. Bond expressed his appreciation to all

employees for surpassing the goal. Mr. Huber recognized the efforts by AFSCME Local 1683 leadership and members.

Consent Agenda Reviewed and Approved

The minutes from the November 4, 2003 special meeting of the Board of Water Works were approved. The minutes from the November 11, 2003 regular meeting of the Board of Water Works were also approved.

The List of Claims Paid for November 2003 was filed.

The following Petitions and Applications for Water Main Extensions and Relocations were approved:

Developer Installed Refunding Main Extension Projects

Project	Contract	Project Name	Project Cost	Net Cost
10045	G554M	Louisville Metro Commerce Center	\$56,550.00	
10046	G551M	Billtown Farms Section 3	\$132,640.00	\$8,800.00
10049	G516M	Pleasant Colony Commercial Phase I	\$50,660.00	\$11,500.00
10056	G515M	The Pine Valley Estates Section 3B	\$26,670.00	\$1,050.00
10057	G548M	Chamberlain Crossing Business Park	\$54,500.00	
10059	G549M	Windsor Trace Subdivision	\$34,940.00	\$3,500.00
10061	G550M	Woodridge Crossings Section 1	\$124,110.00	\$2,300.00
10063	G557M	Blakely Woods	\$111,610.00	
10071	G552M	Feys Place	\$19,810.00	
10079	G517M	Fegenbush Place Section 3	\$24,300.00	
10088	G556M	Locust Creek Section 3	\$43,580.00	\$3,700.00

Applicant Tapping Fee Water Main Extension Projects

03-065	G580T	Jeanette Avenue	\$9,460.00	
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Bullitt County Water Main Extension Projects

10099		Falls Lane	\$57,800.00	\$36,000.00
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Financial Report Filed

Mr. Miller presented the financial results through November 2003. Operating Revenue of \$89,949,665 is \$2,791,969 or 3.0% less than budgeted and \$963,964 or 1.1% less than the same period in 2002. We sold 6.0% less water in 2003 than the same period in 2002. Operation and Maintenance Expenses of \$39,548,371 is \$307,390 or 0.8% more than budgeted and \$1,664,560 or 4.4% more than 2002. Total Operating Expenses of \$62,492,233 are \$606,898 or 1.0% more than budgeted and \$3,118,214 or 5.3% more than 2002. Net Operating Income of \$27,457,435 is \$3,398,867 or 11.0% less than budgeted and \$4,082,178 or 12.9% less than 2002. Net Non-Operating Expense of \$3,957,049 is \$1,123,082 or 39.6 % more than budgeted and \$237,654 or 6.4% more than 2002. Net

Income of \$23,500,386 is \$4,521,949 or 16.1% less than budgeted and \$4,319,832 or 15.5% less than 2002. Excluding the overhead amount to be allocated to Capital in December, Net Income of \$24,059,224 is \$3,963,111 or 14.1% less than budgeted and \$3,760,994 or 13.5% less than 2002.

Mr. Miller reported that the Kentucky Retirement Systems has increased their employer contribution rate from 7.34% to 8.48% effective July 1, 2004. Staff had anticipated an increase in the contribution rate and had prepared the 2004 Budget based on an increase to 8.00%. The additional increase beyond the budgeted amount will be approximately \$61,900. He noted the recent announcement of the shutdown of the Frito-Lay plant on Crums Lane, which is currently one of our top twenty largest customers, using 7 million gallons per month. The annual revenue loss from the shutdown of their plant will be approximately \$140,000. He also noted that the Technology Services area of Louisville-Jefferson County Metro Government recently achieved significant cost savings through the use of a "reverse auction" for procurement of Information Technology equipment. Staff is reviewing their methodology in anticipation of applying it on future procurements.

Operations Report Filed

Mr. Heitzman presented the November 2003 Operations Report.

Water production in November of 116.6 MGD was 1.0 percent higher than the November 2002 production of 115.4 MGD, and was 0.9 percent lower than the 5-year average November production of 117.7 MGD. Sampling results continue to show that the water quality in our distribution system has consistently exceeded our internal turbidity, chlorine, and bacteria goals, which are more stringent than regulatory requirements, for the month as well as for year-to-date. There were no water quality monitoring or reporting violations in November.

Staff worked with LG&E in early November in preparation for LG&E to test their gas turbine generator at the Zorn Pump Station. The generator failed to start due to problems with the gas igniter system. LG&E also discovered a failed transfer switch at the Hillcrest electric substation during the test. LG&E has attempted to repair this switch on two occasions. During the first repair attempt on November 21st, Crescent Hill lost power briefly due to a faulty protective relay at LG&E's Clifton substation. The loss of power resulted in an emergency shut down of the two pumps at Crescent Hill, a drop in system pressure and a temporary loss of chemical feed systems. Power and normal treatment/pumping operations were restored in approximately 15 minutes. After LG&E repaired the protective relay at the Clifton feeder, a second attempt to repair the transfer switch at the Hillcrest substation was done on December 2nd. However, this attempt also failed. LG&E is currently ordering parts to complete the repair. The test of the gas turbine generator will be scheduled once repairs are made.

LG&E recently announced a twelve percent increase in electric rates pending Kentucky PSC approval. Our account representative has advised the impact on LWC's industrial rate may be less than twelve percent and is expected to go into effect in 2004. The Company budgeted \$3,550,000 for total electric use. A twelve percent increase would increase 2004 operating

expenses by \$426,000. This is in addition to the \$400,000 increase in power already included in the 2004 O&M budget.

Winter planning activities continued in November in preparation for possible emergency operations that could arise from sustained cold weather this coming winter season. A thorough list of preparatory activities has been compiled and assigned to staff across the company to execute. A leading indicator of winter emergency activity is the temperature of finished water leaving the treatment plant. At the end of November, water temperature was approximately 50 degrees. When water temperature passes through 38 degrees, an increased rate of water main failure occurs. The maintenance backlog of work has been reduced to an acceptable level of 560, in preparation for the upcoming winter period.

The Center for Infrastructure Research (CIR) at the University of Louisville had a very successful year. During 2003, the Center has been successful in attracting four external research grants with a total contract value of \$1.2 million. These funds were awarded from both the American Water Works Association Research Foundation (AwwaRF) and the National Science Foundation (NSF). The Center is also performing self-funded research on void detection under street pavements using ground penetrating radar. The CIR is also one of two finalists for a proposal sponsored by the Water Environment Research Foundation. Louisville Water Company and MSD have each pledged \$50,000 per year, over a 5-year period (2001-2005), to assist the Center in getting established as a national center for urban infrastructure research. In 2004, the Center will focus on expanding membership base to other local utilities and agencies (LG&E, Metro Louisville, KDOT, etc) and also recruit partners from consultants and contractors.

Serving Customers Report Filed

Ms. Teasley presented the November 2003 Serving Customers Report.

Staff met with wholesale customers on November 18 to discuss our proposed 2004 increase in wholesale water rates. In attendance were representatives from North Shelby Water District, West Shelby Water District, and Mt. Washington. Staff also presented and discussed key issues of interest, including future water quality regulations and LWC's advanced treatment plans, future LWC capital improvement plans benefiting our wholesale customers, water system security and emergency response issues, and LWC's master meter maintenance/quality assurance program.

Staff met with representatives of the Home Builders Association of Louisville (HBAL) during November to discuss various concerns about water main extension projects. The HBAL representatives expressed concern regarding the new Metro Government fire hydrant ordinance, warehousing costs, engineering and inspection costs, and material costs. Another significant concern is the recently adopted 50 psi design standard with 40 psi as the minimum standard for a main to be made available for new services. The solution to pressure issues for select portions of Jefferson County requires additional storage and expansion of the 900 msl Pressure Plane and the 770 msl Pressure Plane. However, the time delay in LWC being able to implement these storage tank and pressure plane expansions is viewed by these representatives as LWC limiting development. Staff has scheduled a series of meetings with HBAL representatives to collectively find common ground to address these concerns and develop interim solutions.

Ms. Teasley noted that 9.64% of bills were estimated in November 2003 due to restricted duty injuries to five meter readers.

Closed Session Discussion

After proper motion and second, the Board went into closed session at 1:30 p.m. for the purpose of discussing future acquisition of real property and anticipated and current litigation. The Board returned to open session at 2:05 p.m. after taking no action.

2004 Cost Reduction Plans

Mr. Miller noted that Louisville Water Company has experienced one of the most financially challenging years in the past quarter-century. Significant cost reductions will be needed in 2004 to meet the budgeted dividend requirement while offsetting any overpayment of the 2003 dividend. Additional sustainable reductions will be needed to keep future water rate increases at or below levels targeted in the 2004-2008 Strategic Plan.

Staff is pursuing five strategies in order to achieve necessary cost reductions and provide additional flexibility in responding to future financial challenges:

- Reduce 2004 costs by \$2,000,000.
- Contain the growth of future costs to 3% per year.
- Convert fixed costs into extractable variable costs in order to, if needed, extract up to \$300,000 per month and to implement the cost reductions within two weeks.
- Consider creation of a risk mitigation / rate equalization reserve.
- Consider redesign of our rate structure to stabilize revenue in low consumption years.

Mr. Miller summarized efforts to reduce 2004 costs by \$2,000,000. The remaining strategies will be reviewed in detail at subsequent meetings. Staff is targeting three areas for cost reductions in 2004:

- | | |
|--|----------------------------|
| ▪ Depreciation Expense | \$200,000 |
| ▪ Operations and Maintenance Non-Labor Expense | \$600,000 to \$800,000 |
| ▪ Operations and Maintenance Labor Expense | \$1,000,000 to \$1,200,000 |

Staff has reviewed the 2004 Capital Budget and identified internally-financed projects that had the shortest depreciable lives to be cancelled or deferred. An update to the 2004 Capital Budget is being prepared to cancel or defer funding for approximately 44 projects. This will allow Depreciation Expense in 2004 to be approximately \$200,000 below budget. Externally financed projects funded by developers and projects with an anticipated construction schedule longer than one year were not considered.

Staff has reviewed the 2004 Operations and Maintenance Budget and identified non-labor expenses to be reduced or eliminated by these methods. Implementation plans are being developed to achieve actual reductions in each of these areas. Monitoring and measurement programs will track these implementation plans. An update to the 2004 Operations and Maintenance Budget is being prepared to remove or reduce funding for these items, transferring approximately \$600,000 to \$800,000 to the contingency account. Staff is



LOUISVILLE WATER COMPANY

550 SOUTH THIRD STREET • LOUISVILLE, KENTUCKY 40202

TEL 502-569-3600

WWW.LOUISVILLEWATER.COM

January 14, 2004

Louisville/Jefferson County Metro
Revenue Commission
Legal Dept.: Ms. Terri Geraghty
101 South 8th Street
Louisville, KY 40202-2634

RE: Board of Water Works
Member Oath of Office

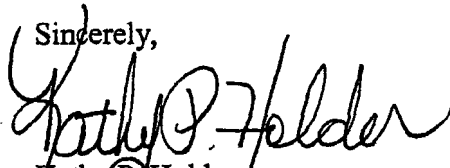
Dear Ms. Geraghty:

Pursuant to K.R.S. 96.240, we are enclosing for filing with the Louisville/Jefferson County Metro Revenue Commission, the original signed Oaths of Office for the following Board of Water Works newly appointed members:

- 1) Gerald Richard Martin
- 2) Marita Ann Willis
- 3) Dr. Joseph B. Wise, III

Please do not hesitate to give me a call if you have any questions.

Sincerely,


Kathy P. Holder
Interim General Counsel
Louisville Water Company

Enclosures: Signed Oaths of Office

An Equal Opportunity Employer

BOARD OF WATER WORKS

OATH OF OFFICE

DECEMBER 9, 2003

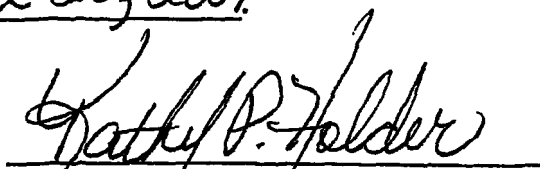
I, Gerald Richard Martin, do solemnly swear that I will support the Constitution of the United States and the Constitution of this Commonwealth, and be faithful and true to the Commonwealth of Kentucky so long as I continue a citizen thereof, and that I will faithfully execute, to the best of my ability, the appointed office, Board of Water Works Board Member, according to law; and I do further solemnly swear that since the adoption of the present Constitution, I, being a citizen of this State, have not fought a duel with deadly weapons within this State, nor out of it, nor have I sent or accepted a challenge to fight a duel with deadly weapons, nor have I acted as second in carrying a challenge, nor aided or assisted any person thus offending, so help me God.


Gerald Richard Martin

State of Kentucky)
)
County of Jefferson)

Subscribed and sworn to before me this 9th day of December 2003 by Gerald Richard Martin.

My commission expires: April 20, 2007

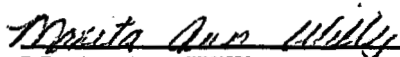

NOTARY PUBLIC

BOARD OF WATER WORKS

OATH OF OFFICE

DECEMBER 9, 2003

I, Marita Ann Willis, do solemnly swear that I will support the Constitution of the United States and the Constitution of this Commonwealth, and be faithful and true to the Commonwealth of Kentucky so long as I continue a citizen thereof, and that I will faithfully execute, to the best of my ability, the appointed office, Board of Water Works Board Member, according to law; and I do further solemnly swear that since the adoption of the present Constitution, I, being a citizen of this State, have not fought a duel with deadly weapons within this State, nor out of it, nor have I sent or accepted a challenge to fight a duel with deadly weapons, nor have I acted as second in carrying a challenge, nor aided or assisted any person thus offending, so help me God.

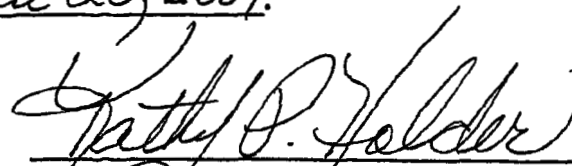


Marita Ann Willis

State of Kentucky)
)
County of Jefferson)

Subscribed and sworn to before me this 9th day of December 2003 by Marita Ann Willis.

My commission expires: April 20, 2007.



NOTARY PUBLIC

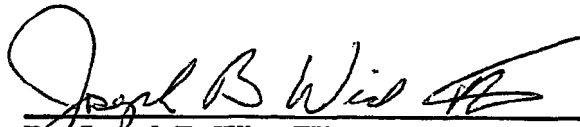
BOARD OF WATER WORKS

OATH OF OFFICE

DATE

I, Dr. Joseph B. Wise, III, do hereby affirm that on July 8, 2003, I took the following Oath of Office as required by Kentucky Constitution § 228 Oath of Officers and Attorneys:

I do solemnly swear that I will support would support the Constitution of the United States and the Constitution of this Commonwealth, and be faithful and true to the Commonwealth of Kentucky so long as I continue a citizen thereof, and that I will faithfully execute, to the best of my ability, the office of membership to the Board of Water Works according to law; and I do further solemnly swear that since the adoption of the present Constitution, I, being a citizen of this State, have not fought a duel with deadly weapons within this State, nor out of it, nor have I sent or accepted a challenge to fight a duel with deadly weapons, nor have I acted as second in carrying a challenge, nor aided or assisted any person thus offending, so help me God.


Dr. Joseph B. Wise, III

State of Kentucky)
)
County of Jefferson)

Subscribed and sworn to before me this 9th day of December 2003 by Name.

My commission expires: April 20, 2007


NOTARY PUBLIC

**RESOLUTION TO DECLARE FOURTH QUARTER DIVIDEND
TO THE CITY OF LOUISVILLE**

WHEREAS, it has been the long established policy of the 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 1992 Water System Revenue Bond Resolution set 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 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, the Board passed a resolution on March 11, 2003 to adjust the 2002 annual dividend by \$357,847 from \$12,021,776 to \$12,379,623, the difference to be added in equal quarterly installments to the quarterly 2003 dividend payments, and

WHEREAS, the 1992 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 2003 Louisville Water Company budget contemplates the 2003 annual dividend to be \$12,318,831 it would be in order at this time to declare a regular fourth quarter dividend of \$3,079,708.

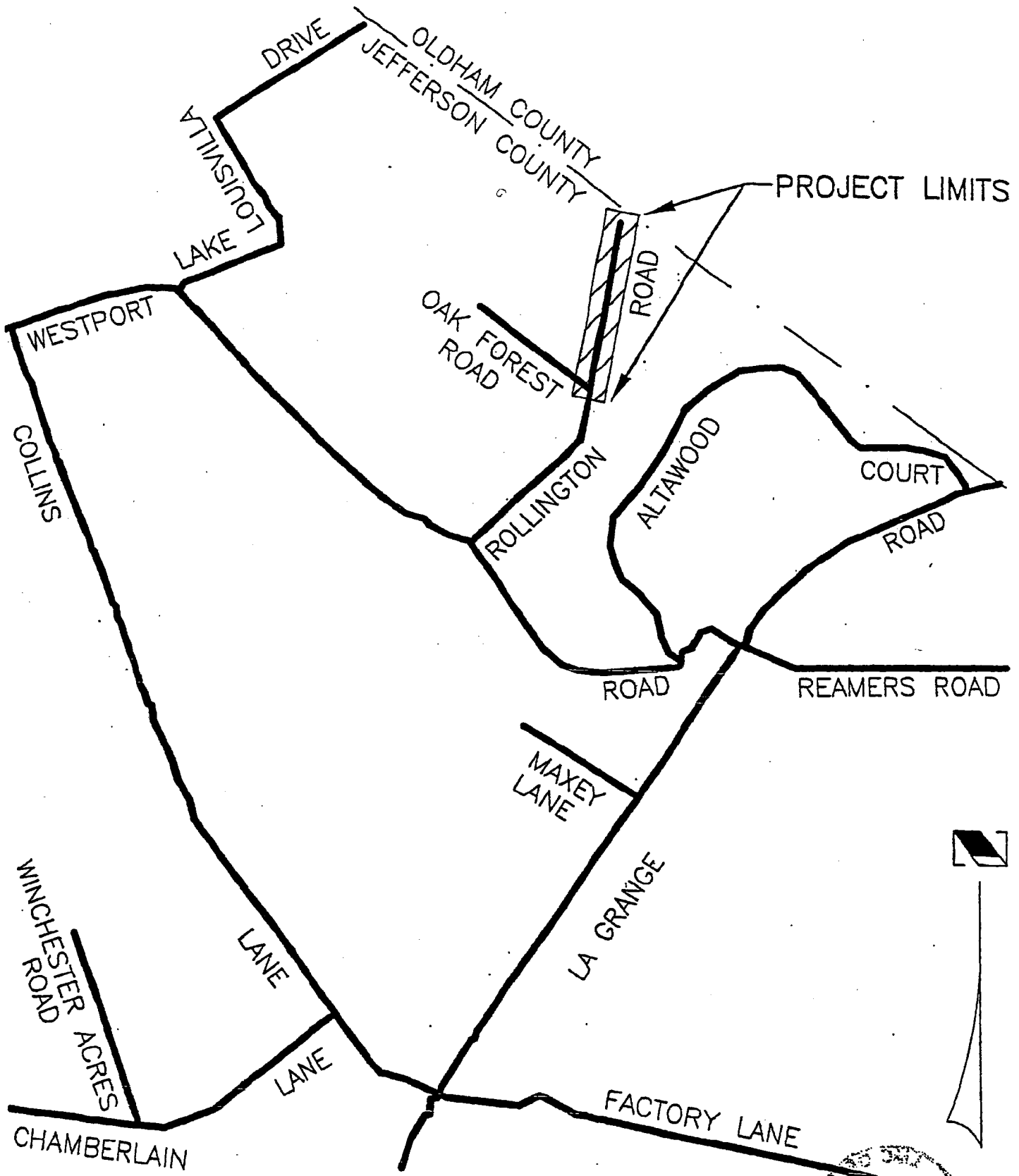
RESOLVED, the regular fourth quarter 2003 dividend of \$3,079,708 is hereby declared.

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,169,170 to the Louisville/Jefferson County Revenue Commission on December 30, 2003, this being the fourth quarterly dividend for 2003 plus one quarter of the dividend adjustment for 2002, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

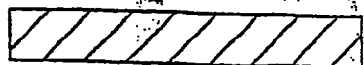
APPORTIONMENT WARRANT RESOLUTION

December 9, 2003

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for the cost of **Rollington Rd: Oak Forest Rd to County Boundary** main extension project authorized by Ordinance No. 33, Series 2003 of the Louisville/Jefferson County Metro Council, adopted on March 13, 2003 such warrant to be against one (1) benefited property identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute the apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.



PROJECT AREA



FILE NAME: ROLLINGTON ROAD

RUN TIME 08:22:27
RELEASE OF LIEN

PAID IN FULL

ASSESSMENT

PAGE 2

APPORTIONMENT WARRANT CONTRACT 6553W REGISTER

LOCATION

NAME

ACCOUNT

1 NUMBER OF CUSTOMERS LISTED

TOTAL PRINCIPAL REMAINING 5,450.00

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0930287	DENNIS & BEVERLY L WALSH	4303 ROLLINGTON ROAD			
40245	4303 ROLLINGTON ROAD	DEED-BK 5945			LIEN-DT
	LOUISVILLE KY	DEED-PG 805			LIEN-BK
		TAX-DST			LIEN-PG
		TAX-BLK 215		57	LOT-NO.

Exhibit "A"

**BOARD OF WATER WORKS
MEETING MINUTES
JANUARY 13, 2004**

Board Members Present:

Mr. Phillip Bond
Mr. Stewart Conner
Mr. Gerald Martin

Board Members Absent:

Mayor Jerry Abramson
Ms. Wendy Welsh
Ms. Marita Willis
Dr. Joseph Wise

Others Present:

Mr. John Huber, President
Mr. Robert Miller, Vice President, Treasurer & Acting Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Susan Lehmann, Vice President, Human Resources & Organizational Development
Ms. Kathy Holder, Acting General Counsel
Mr. Don McKay, Business System Owner, Managing Business Risks
Ms. Kathy Schroeder, Business System Owner, Supplying Human Resources
Ms. Barbara Crow, Process Owner, Public Information
Mr. Bryan Cavan, T+C Contracting, Inc.

A regular meeting of the Board of Water Works was held on Tuesday, January 13, 2004 in the Board Room of Louisville Water Company. Mr. Huber called the meeting to order at 12:30 p.m. and announced that there was not a quorum. He indicated that the agenda and items presented would be reviewed by the attending board members to develop recommendations for ratification at a subsequent special or regular board meeting.

Consent Agenda Reviewed and Approved

The minutes from the December 9, 2003 regular meeting of the Board of Water Works were approved.

The List of Claims Paid for December 2003 was filed.

The following Petitions and Applications for Water Main Extensions and Relocations were approved:

Developer Installed Refunding Main Extension Projects

03-097	G578M	Kenbrook Pointe	\$29,240	
10051	G579M	Seminary Woods Res. Condominiums	\$30,200	\$5,900

10058	G582M	Willowgate Subdivision Section 2	\$70,600
10080	G581M	Rivers End Garden Homes	\$56,150

Developer Installed Tapping Fee Main Extension Projects

03-087	G585T	Kingdom Way Extension	\$35,650	\$4,450
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Surcharge/LWC Tapping Fee Main Extension Projects

03-201	G598C/ G599T	Spring Drive	\$170,030	\$153,440
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Bullitt County Water Main Extension Projects

10123		Wilderness Way	\$95,530.00	\$41,030	\$54,500
10130		Pinecrest Drive	\$7,500.00	\$2,050	\$5,450

Administrative Report

Mr. Huber reported that the City of Louisville had applied for federal funding for the security fencing project at Crescent Hill Water Treatment Plant and for the Riverbank Infiltration Project Phase II at the B.E. Payne Water Treatment Plant. He noted that staff had met recently with representatives from the Home Builders Association on issues related to the new minimum pressure design standard.

Financial Report Filed

Mr. Miller presented the preliminary unaudited financial results through December 2003.

Operating Revenue of \$97,687,187 is \$2,444,211 or 2.4% less than budgeted and \$484,844 or 4.9% less than the same period in 2002. We sold 1.8% less water in 2003 than the same period in 2002. Operation and Maintenance Expenses of \$43,668,261 is \$89,823 or 0.2% more than budgeted and \$1,300,338 or 3.1% more than 2002. Total Operating Expenses of \$68,403,125 are \$492,758 or 0.7% more than budgeted and \$2,660,171 or 4.0% more than 2002. Net Operating Income of \$29,284,062 is \$2,936,969 or 9.1% less than budgeted and \$3,145,015 or 9.7% less than 2002. Net Non-Operating Income of \$2,147,606 is \$1,422,394 or 39.8% less than budgeted and \$43,245 or 2.0% less than 2002. Interest Expense of \$6,552,670 is \$286 less than budgeted and \$234,510 or 3.5% less than 2002. Net Income of \$24,878,998 is \$4,359,077 or 14.9% less than budgeted and \$2,953,750 or 10.6% less than 2002. Based upon these preliminary unaudited results, the dividend overpayment for 2003 was approximately \$920,000. Staff is pursuing cost reductions for 2004 which are expected to fully offset the effect of this overpayment and allow for the 2004 dividend to be paid at the budgeted amount.

Operations Report Filed

Mr. Heitzman presented the December 2003 Operations Report.

Water production in December of 113.7 MGD was 2.7 percent lower than the December 2002 production of 126.9 MGD, and was 1.3 percent lower than the 5-year average December production of 115.2 MGD.

Water quality in our distribution system consistently exceeded our internal turbidity, chlorine, and bacteria goals on a monthly basis for the entire year. These goals are more stringent than regulatory requirements. There was no water quality monitoring or reporting during the year.

Under EPA's Long-term 2 Enhanced Surface Water Treatment Rule (LT2ESWTR), LWC is required to monitor and test for the cryptosporidium level in the Ohio River source water monthly for 2 years using an EPA approved laboratory. To be approved by EPA, laboratories have to pass EPA's Laboratory Quality Assurance Evaluation Program for Analysis of Cryptosporidium. This program involves 6 rounds of performance evaluation tests and an on-site laboratory inspection. LWC's water quality laboratory successfully passed these tests and was granted "Approval Pending" status in December. "Approval" status is dependent on promulgation of the LT2ESWTR by EPA. A total of 22 laboratories were approved by EPA, of which half are commercial laboratories and the other half utility laboratories. LWC is the only laboratory in Kentucky that is approved by EPA to perform such tests for Cryptosporidium.

A thorough RMP Audit and Inspection was conducted at the B.E. Payne facility on December 3 by Mr. Jim Bottom, a Technological Hazards Coordinator with the Louisville Metro Emergency Management Agency. Overall, the audit went very well. Mr. Bottom was very complimentary as to how clean and orderly the site was, even with such major construction work under way at the plant. Mr. Bottom mentioned that LWC did very well on the audit and felt that LWC had no major flaws in the RMP system. There were several minor findings primarily involving documentation issues and the issues are being promptly addressed. Mr. Bottom will forward his audit findings to the Jefferson County Air Pollution District, who will then report to the USEPA. Staff has requested a copy of the audit from Metro EMA.

Staff worked with LG&E in early November in preparation for LG&E to test their gas turbine generator at the Zorn Pump Station. The generator failed to start due to problems with the gas igniter system. LG&E also found a failed transfer switch at the Hillcrest substation and a faulty protective relay at LG&E's Clifton substation during the trouble shooting. In December, LG&E repaired the equipment at both substations. Staff plans to retest the generator with LG&E in January, weather permitting.

The Company received bids on November 26, 2003 to upgrade the HVAC system at Allmond Avenue. Staff is evaluating alternatives for this project, including reducing the scope and re-bidding the project to fit within the budget allocation. The Company also received bids on November 26, 2003 for installation of a ventilation system at both the Zorn and Crescent Hill Pumping Stations. The Project Manager anticipates finalization of the alternatives in January and a recommendation will be reported to the Board in February.

Mr. Heitzman also distributed and reviewed a graph of Finished Water Temperature and Water Main Breaks for 2001 through 2003. He noted that we are approaching a peak main break period as the raw water temperature cools below forty degrees.

Serving Customers Report Filed

Ms. Teasley presented the December 2003 Serving Customers Report.

The December 2003 abandonment rate was 5.02% compared to 3.74% in November 2003, and 3.20% in December 2002. The year-to-date abandonment rate is 4.52%.

Ms. Teasley distributed and reviewed a graph of the Customer Satisfaction Index for 1999 through 2003. Customer satisfaction substantially increased in the fourth quarter of 2003 from a third quarter Total CSI of 837 to a Total CSI of 855. This is a new high quarterly score for the Total Customer Satisfaction Index, 2 points above the first quarter high. The year end results of 845 (annual average) meets the corporate Level II goal for the Total CSI of 845. Customer satisfaction for serviced accounts remained high during the fourth quarter at 800, just 2 points below the third quarter high of 802. The year end results for the serviced accounts were also at 800 (annual average). This exceeds the Level III goal for customer satisfaction for the Corporate Performance Award of 789. This annual result also meets the serviced account goal recently established for the LWC Strategic Plan for 2008. Mr. Bond asked about the effect of MSD rate increases. Mr. Huber discussed potential rate impact of a possible EPA consent decree.

Ms. Teasley noted that Orcorn, LWC's Customer Information System (CIS) provider and business partner, was acquired by Alliance Data Systems in December. In various publications, Alliance Data describe themselves as a leading provider of transaction services, credit services, and marketing services. From a risk management perspective, it appears that their biggest risk comes from the possible loss of one of several large customers. Orcorn representatives have indicated that the acquisition is very positive for them and provides more support for future growth. They do not anticipate any negative impact on service to their clients.

Staff has recently been evaluating the benefits of charging a deposit to customers for water service. The CIS implemented in 2000 provides new capability for managing deposits in an automated manner. The time and expense of managing deposits manually was a major factor in deciding to eliminate the use of deposits in the mid-1990s. Initial data evaluation indicates that a deposit charged to new customers could result in a substantial reduction in bad debt. Staff will continue to evaluate the benefits and disadvantages of charging deposits and will consult with MSD staff concerning their interests in this matter.

As a result of the federal government mandate to privatize Army military base utilities, Ft. Knox participated in the creation of the Lincoln Trail Regional Water Commission (LTRWC). The water commission was formed under KRS 74.420 – 74.520, and includes the cities of Elizabethtown, Radcliff, Hardin County Water Districts #1 and #2, and Ft. Knox. LTRWC plans to acquire Ft. Knox's water assets, and sell the excess capacity to other water utilities in Hardin and adjacent counties. Two unusual features of this partnership are that a federal agency is one of the organizing entities, and that another of the entities (City of

Radcliff) does not own a treatment plant or a distribution system. Both of these entities are able to appoint a commissioner to serve on the Board of the LTRWC.

Early Retirement Incentive Program Reviewed

Ms. Lehman reviewed the results to-date from the early retirement incentive program. She stated that some of the jobs will be eliminated or consolidated, and the remainder will be filled. She noted that further reductions in workforce size may be needed.

Audit Committee Report Deferred

The Audit Committee met on January 6, 2004. The report from that meeting was deferred.

Employee Health, Dental, Life & Disability Insurance

Mr. McKay and Ms. Schroeder presented recommendations for renewal of employee health, dental, life and disability insurance. LWC staff has been working with our independent insurance brokers, Rob Gippich of Aon and Cornell Starks of Starks & Associates, to evaluate proposals from health, dental, life and disability insurance carriers for the plan year beginning March 1, 2004. Premium forecasts and staff recommendations are based upon employee and dependent census data as of October 2003 and may be subject to adjustments.

Fully-insured and self-funded healthcare quotes were received from five underwriters - Humana (the incumbent), Anthem, United Healthcare, Aetna and CIGNA. All but Humana and Anthem were eliminated based upon pricing. Self-funding appears to offer little cost benefit at this time based upon claims and fixed cost projections and because of improved market competition among the fully-insured plans. Early trends had indicated a 16 % + increase for healthcare premiums and LWC staff had budgeted a 10% increase. However, aggressive negotiation by our broker has resulted in a renewal quote from Humana at no premium increase and a 1.65% premium decrease quote from Anthem. Additionally, modifications will be made by management to our two available plans which will bring the LWC plans more in line with plans offered by other public entities and which will further reduce premiums by approximately \$100,000. Those modifications will increase the co-pay for specialist office visits from \$15 to \$20 and will increase prescription co-pays from \$8 to \$10 for generic prescriptions and from \$15 to \$20 for brand name drugs. Mr. Bond moved to approve renewing coverage with Humana at an annual premium of \$3,627,800 to minimize enrollment issues and to better position LWC for future renewal negotiations. Upon second and vote, the motion carried.

The incumbent insurance carrier, Delta Dental, has quoted a 4% premium increase which is below market trend. Mr. Conner moved to approve the renewal with Delta Dental at a projected net premium to the company, exclusive of employee contributions, of \$264,000. Upon second and vote, the motion carried.

The incumbent life insurance underwriter, Monumental, has offered a renewal quote at no increase in rates. Mr. Bond moved to approve renewing group and dependent life insurance with Monumental at a projected net premium to the company of \$158,000. Upon second and vote, the motion carried.

Fees for administration of the self-funded short term disability plan (STD) and premiums for the fully-insured long term disability plan (LTD) do not meet the criteria for approval by the Board of Water Works. It appears that we will be changing insurance carriers for a projected savings of 14% and a total cost of \$80,500 while improving STD plan administration.

Bids Discussed for Project 03-625: Renovation of South Coagulation Complex at Crescent Hill Filter Plant and for Projects 10039 and 10040: Bullitt County Community Development Block Grant Phase I Water Main Extension Project

Mr. Heitzman reported that bids were received on Wednesday, December 17, 2003 for Renovation of South Coagulation Flocculation and Sedimentation Basins at Crescent Hill Filter Plant. The coagulation process is essential to plant operations for removal of sediment, organics, and other contaminants from the river water. Three of four flocculators and two of four clarifiers were previously replaced under emergency contract. This project will complete replacement of all remaining mechanical equipment, plus rehabilitate concrete wall and floor cracks and replace remaining ancillary items in the South Coagulation complex. Seven bids were received ranging \$2,245,550 - \$3,514,000. The lowest bid was submitted by MAC Construction in the amount of \$2,245,550. MAC Construction has advised the company by letter that they desire to withdraw their bid and bid bond due to a material mistake in their bid. The company is evaluating this issue and considering various alternatives.

Ms. Teasley reported that bids were also received on Wednesday December 17, 2003 for the Bullitt County Community Development Block Grant Phase I Water Main Extension Project. The projects will be constructed in LWC easements, Kentucky Highway Department right-of-way and Bullitt County public right-of-way. These projects are part of the Bullitt County Water Improvement Program which was established as part of the merger agreement between Kentucky Turnpike Water District and Louisville Water Company and include a \$994,000 Community Development Block Grant and a \$206,500 Kentucky Infrastructure Authority grant. Four bids were received ranging \$3,789,000 - \$6,665,000. The lowest bid was submitted by MAC Construction in the amount of \$3,789,000. MAC Construction has advised the company by letter that they desire to withdraw their bid and bid bond due to a material mistake in their bid. The company is evaluating this issue and considering various alternatives.

Closed Session Discussion

After proper motion and second, the Board went into closed session at 1:20 p.m. for the purpose of discussing potential litigation. The Board returned to open session at 2:15 p.m. after taking no action.

MAC Construction Bids Discussed

Mr. Huber stated that the board will take not action on the MAC Construction bids at this time. The Board will take this matter up again at a special meeting or at the next regular

meeting. The Board instructed staff to finalize negotiations with MAC Construction in an attempt to resolve this matter.

Contract Awarded for Bid 00-56: Ductile Iron Pipe and Fittings

Mr. Conner moved to authorize award of a third PPI contract renewal for an estimated \$2,370,551 to US Pipe and Hughes Supply for Ductile Iron Pipe and Fittings. Upon second and vote, the motion carried.

Contract Awarded for Project 03-524: Lead Service Renewals - Various Locations

Bids were recently received to renew a total of 245 lead services on portions of South 20th Street, South 23rd Street, North 29th Street, South 32nd Street, South 41st Street, and South 42nd Street. The water mains in this area were previously cleaned and cement-lined, and these streets have been identified for re-paving by Metro Public Works in 2004/2005. Mr. Bond moved to award a contract in the amount of \$196,400 to Southern Pipeline Construction Company to renew the lead services associated with this project. Upon second and vote, the motion carried.

Minimum Pressure Design Standard Issues Discussed

Mr. Huber stated that last year, Louisville Water Company raised its minimum design standard for pressure from 30 psi to 40 psi. The previous 30 psi design standard matched the state regulatory requirement. The Federal Energy Policy Act of 1992 required all plumbing fixtures manufactured after January, 1994 be low flow plumbing fixtures. The low flow characteristics of these fixtures are created by inducing significant pressure loss through the fixture. As a result, a minimum 30 psi pressure standard no longer meets customer needs. Several issues have arisen following implementation of the higher minimum design standard.

Staff met with representatives of the Home Builders Association on December 19 to address these issues. After receiving the input of these key constituents, staff has determined that we need to migrate to the 40 psi minimum pressure standard rather than adopting it as a hard and fast requirement. The Louisville Water Company is not a regulator of development, but rather its role is to ensure its activities are in conformance with the development plan and to streamline its processes for extending water facilities so as not to create barriers for community growth.

Staff will be meeting with the Home Builders Association representatives again this month to outline our approach for addressing the pressure issues and also to discuss possible alternatives for procurement of materials for developer-financed main extensions. Currently, these materials are purchased by the Louisville Water Company with the developer reimbursing the Company for its cost of the material, sales tax, and warehousing charges.

2004 Cost Reduction Plans – Status Update

Mr. Miller provided a status update of the cost reduction plans. As reported at the December 2003 meeting of the Board of Water Works, staff is targeting three areas to reduce costs by \$2,000,000 in 2004:

- Depreciation Expense \$150,000 to \$200,000
- Operations and Maintenance Non-Labor Expense \$800,000 to \$1,000,000
- Operations and Maintenance Labor Expense \$1,000,000 to \$1,200,000

Staff has reviewed the 2004 Capital Budget and identified internally-financed projects that had the shortest depreciable lives to be cancelled or deferred. Externally financed projects funded by developers and projects with an anticipated construction schedule longer than one year were not considered. Also excluded were any safety or security related projects. This allows for an expected reduction in 2004 Depreciation Expense of approximately \$160,000.

Staff has also reviewed the 2004 Operations and Maintenance Budget and identified non-labor expenses to be reduced or eliminated. Implementation plans are being developed to achieve actual reductions in each of these areas. The estimated reduction in 2004 Operations and Maintenance Non-Labor Expense is approximately \$1,000,000.

Following approval by the Board of Water Works at the December 2003 meeting, management commenced a voluntary early retirement incentive program for non-union employees with 20 or more full years of service with Louisville Water Company. There were thirty-nine employees eligible for the program. The severance calculation is (1.5 times the number of full years of LWC service, up to a maximum of 52) times the weekly base salary. If elected, benefits would continue through the end of February 2004. The program provides a 45 day consideration period, allowing an additional 7 days after signing the agreement for the employee to revoke the decision. For employees signing by December 31, 2003, the severance cost will be recognized as a 2003 expense. The remaining severance costs will be recorded in 2004. Management expects that a portion of the severance costs will be offset by not filling certain positions vacated by these employees. Management also anticipates that an involuntary workforce reduction will be needed following the voluntary early retirement incentive program. The estimated reduction in 2004 Operations and Maintenance Labor Expense is approximately \$1,000,000 to \$1,200,000.

Since the 2004 Budget was adopted, there have been several adverse changes to anticipated revenues and expenses. The combined effect of these items will require additional cost reductions of approximately \$390,000. Management is continuing to review workload requirements to determine an optimal workforce size and is evaluating alternative organization structure designs.

Clean and Cement Mortar Line Project Year-End Update

Ms. Teasley reported that by letter agreement dated April 4, 2002 between Louisville Water Company and Southern Pipeline Construction Company, the Company amended and renewed the Clean and Line contract for 2002. At that time it was agreed that the amendment resolved some, but not all, of the outstanding issues, and that the parties would resolve the remaining issues by July 1, 2002. The April 4th amendment required Southern Pipeline to reline designated sections of cast iron pipe that did not receive a minimum thickness of 1/16-inch. As previously submitted, Southern has completed all the required re-lining work.

At the completion of the cleaning and lining operations, each run is video inspected for quality of the lining (surface finish, honey-combed texture, and fallen or missing lining). Exposed ends of the pipe, at pull-holes and from cut-out sections, are also visually inspected and checked for lining quality and measured for lining thickness. Dependent upon the condition of the lining, sub-standard sections of lining are over-sprayed, cleaned and re-lined, or the pipe is replaced prior to acceptance. During the period referenced above, pipe sections totaling just over 2,000 feet were identified for re-spraying. This footage represents less than 4% of the total pipe footage lined. No instances of fallen lining or bare pipe have been observed in 2003.

Renewal of 2000 Clean and Cement Mortar Line Contract and Approval of 2004 Clean and Cement Mortar Line Program

Ms. Teasley stated that in January 2000, Louisville Water Company entered into a contract with Southern Pipeline Construction Company for cleaning and cement mortar lining of cast iron water mains in the LWC distribution system. The contract provides for a maximum of four annual extensions of the agreement, with the unit prices adjusted in accordance with the Bureau of Labor Statistics Consumer Price Index - All Urban Areas (CPI-U).

On January 9, 2001, the Board of Water Works (BOWW) approved an initial renewal of the Clean and Line contract for 2001, with a 3.4% increase in unit prices. A second renewal was approved by the BOWW in March 12, 2002. As part of the renewal negotiations, the Contractor agreed to forgo the unit price increase for 2002. A third renewal, with a 2.4% increase in unit prices, was approved by the BOWW in January 14, 2003. A fourth and final renewal is currently requested that will increase unit prices by 1.8% over the 2003 level. The proposed increase matches the increase in the CPI-U over the same period. The attached table provides a summary of the proposed unit prices for the 2004 Clean and Line Program.

Similar to 2003, an adjustment to the clean and lining unit prices in 2004 is needed to compensate the Contractor for additional work items that were not included in the original scope of work. The Contractor has been directed to install 2-inch meters with back-flow prevention at each tie-in location for the temporary by-pass system and to connect the by-pass system directly to customer's services, thus allowing for better accountability of water used during the cleaning and lining operations. The Contractor has also been required by Public Works to provide enhanced customer notification of temporary changes in the parking status within the work zones. This often requires door-to-door notification by the Construction personnel. The proposed adjustment will add approximately \$85,000 to the contract amount.

Based on the estimated footage for the project areas and the contract unit prices, a contract cost and a total cost have been calculated for each proposed area. The estimated contract cost is \$2,021,050. The total project cost is estimated to be \$2,435,000. Mr. Bond moved to approve a fourth and final, one-year renewal of the Clean and Line contract with Southern Pipeline Construction Company for the 2004 Annual Clean and Line project scope, at an estimated contract cost of \$2,021,050. Upon second and vote, the motion carried.

Bashford Manor Lane Water Facilities Relocation Project Approved

Ms. Teasley stated that a letter was submitted to the BOWW in June 2003 requesting authorization to enter into an agreement with Louisville Metro Public Works (LMPW) to design and construct the distribution water facility relocations for the "Bashford Manor Lane Road Improvement" project in Jefferson County. LMPW intends to widen Bashford Manor Lane from Newburg Road to Mayo Drive, at which time LWC staff proposes to relocate and upsize the existing water main from Newburg Road to the 12" water main just north of Gladden Drive.

Previous information indicated that this project was state and federally funded, so LWC would only be responsible for the cost of upsizing its facilities estimated at \$30,000. However, we have since learned that state funds were not allocated specifically for this project. Rather the monies are in a general "pool" to pay for all current LMPW projects. As such, LMPW will only reimburse LWC for "direct conflicts". ("Direct conflicts" are instances where the water main is physically in conflict with proposed road improvements, such as when a storm sewer is proposed in the same location as an existing water main. "Direct conflicts" do not include instances where the water main currently lies behind the curb and/or sidewalk but will be under the pavement when the roadway is widened.)

The total relocation project cost is estimated to be \$255,500, of which \$135,500 is proposed to be paid by LWC. This cost is betterment for upsizing from an 8" water main to a 12" water main and moving the water main out from under the proposed pavement. Engineering/supervision is estimated to be \$21,000, materials are estimated to be \$50,000, and contract labor is estimated to be \$184,500.

Mr. Conner moved to authorization the Vice President of Serving Customers and Business Development to enter into an agreement with Louisville Metro Public Works to design and construct the distribution water facility relocations for the aforementioned project. Upon second and vote, the motion carried.

Change Action Approved for Financial Information System Implementation Services Contract

Mr. Miller stated that the Oracle Financial Information System went live on September 29, 2003 as scheduled. The system replaces a number of legacy applications and provides the Company with capabilities identified within the scope of the project. During the project, staff and the Solbourne implementation team performed a detailed business process analysis and re-engineered several key business processes to gain the efficiencies offered by the system. The Oracle system also positions the Company to implement additional modules and functionality to meet changing business needs and gain further efficiencies and benefits.

The current project budget of \$4,982,784 was approved by the Board of Water Works in January 2003. This amount includes both Capital and Operations and Maintenance expense funding. Several areas of the project have come in at or under budget. However, additional time and services were required of Solbourne for post go-live support, development of key business reports, training and technical workshops, custom modifications to meet specific business needs, and creation of data layers for end users. The additional amount to cover

implementation services and post go-live support is \$172,650 and the additional associated travel expenses are estimated to be \$120,831 for a total amount of \$293,481. This represents an increase of 13.2% over the approved contract amount. Staff is required to obtain approval by the Board of Water Works for contract changes greater than ten percent.

Mr. Bond moved to increase the contract with Solbourne by \$293,481 for a total of \$2,513,591 and that the Financial Information System project be increased to by \$17,289 for a project budget amount of \$5,000,073. Upon second and vote, the motion carried.

Amendment of Apportionment Warrant Register
Dawson Hill Rd: Brush Run Rd to Back Run Rd

The Board of Water Works approved a resolution for the issuance of Apportionment Warrants for Dawson Hill Rd: Brush Run Rd to Back Run Rd at its August 12, 2003 meeting in accordance with KRS 96.265. Staff received a request from Lee Horelick, a real estate attorney, to release the lien placed on Tax Block 58 Lot 177; a lien was placed on said property as a contiguous parcel to Tax Block 58 Lot 63 which fronts the water main placed in Dawson Hill Rd. Tax Block 58 Lot 177 is located at the rear of Tax Block 58 Lot 63 and does not have road frontage on the water main in Dawson Hill Rd. It was legal staff's opinion to release the lien on Tax Block 58 Lot 177 for the purposes of a real estate transaction; a Louisville Water Company lien remains on Tax Block 58 Lot 63. Mr. Conner moved to the adopt the amended resolution for Dawson Hill Rd: Brush Run Rd to Back Run Rd (Exhibit B); thereby removing Tax Block 58 Lot 177 as a contiguous parcel to Tax Block 58 Lot 63 on the official register. Upon second and vote, the motion carried.

Project 10240: Replacement of the Orcom Customer Information System AS/400
Computer Systems Authorized for Final Design and Bid

Mr. Miller stated that the current technical platform for the Orcom E-CIS includes two IBM AS/400 servers to provide for production processing and testing of new releases, patches, bug fixes, new programs, and interfaces for integration with other systems. These servers were installed in July 1999 as part of the Customer Information System implementation project. The servers were sized to support the system based on the defined scope of the project and to allow for normal growth. In 2002, the systems were added to the LWC Storage Area Network to provide additional storage capacity and improved processing times.

The systems have been expanded to support additional functionality, growth, new custom programs, and interfaces with other strategic Information Technology projects such as the Interactive Voice Response (IVR) and Mobile Dispatch System (MDS). With this expansion, the production system is at maximum processing capacity. The test system continues to provide an environment to install and test new releases, patches, programs for additional functionality, and interfaces; however, it can no longer provide a production platform for disaster recovery. The replacement systems will provide additional processing power and scalability and both systems will be capable of running a production environment, providing better recoverability in the event of failure or disaster. The replacement hardware and installation services are estimated at \$175,000.

The maintenance agreements required to support the current technical platform are \$105,000, \$75,000 for hardware and \$30,000 for software. The replacement systems will allow LWC to eliminate several components of the existing configuration and place the equipment in a lower maintenance category. The annual maintenance for the proposed replacement systems is estimated to be \$35,000 for hardware and \$12,000 for software for a total cost of \$47,000. This results in an annual reduction of Operating and Maintenance cost of \$58,000. In addition, the current version of the end-user interface software for the E-CIS will no longer be supported in 2004. Orcom has provided an upgrade path for the Company and will support our current environment through March 2004. The software and implementation services are estimated at \$25,000.

Mr. Bond moved to approve authorization for final design and bid of the project for a budgeted amount of \$200,000. Upon second and vote, the motion carried.

There being no further business to come before the Board, the meeting was adjourned at 2:50 p.m. Actions taken at this meeting will require ratification by a quorum of the Board of Water Works.

Respectfully submitted:



Robert K. Miller
Vice President - Treasurer
and Acting Corporate Secretary

**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

January 26, 2004

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on August 12, 2003, directing the issuance of Apportionment Warrants against properties located on Dawson Hill Rd: Brush Run Rd to Back Run Rd, to remove Tax Block 58 Lot 177 as a contiguous parcel to Tax Block 58 Lot 63 on the official register approved on the aforementioned date.

CERTIFICATION

I, the undersigned, hereby certify that the foregoing Resolution is a true copy of a resolution duly and unanimously adopted at the Special meeting of the Board of Water Works of Louisville, on January 26, 2004 a quorum being present.

Signed,



Robert K. Miller
Vice President - Treasurer
Acting Corporate Secretary

**BOARD OF WATER WORKS
MEETING MINUTES
JANUARY 26, 2004**

Board Members Present:

Mr. Phillip Bond
Mr. Stewart Conner
Mr. Gerald Martin
Ms. Marita Willis

Board Members Absent:

Mayor Jerry Abramson
Ms. Wendy Welsh
Dr. Joseph Wise

Others Present:

Mr. John Huber, President
Mr. Robert Miller, Vice President, Treasurer & Acting Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Susan Lehmann, Vice President, Human Resources & Organizational Development
Ms. Kathy Holder, Acting General Counsel
Mr. Bryan Cavan, T+C Contracting, Inc.

A special meeting of the Board of Water Works was held on Monday, January 26, 2004 in the Board Room of Louisville Water Company. Mr. Huber called the meeting to order at 4:40 p.m., noting that a quorum was not present for the January 13, 2004 regular meeting of the Board of Water Works. Mr. Miller distributed a draft copy of minutes from that meeting. He also distributed a copy of materials from the previous meeting covered under Special Issues:

- Employee Health, Dental, Life and Disability Insurance
- Project 03-625: Renovation of South Coagulation Complex at Crescent Hill Filter Plant
- Projects 10039 and 10040: Community Development Block Grant Phase I Water Main Extension Project

Recommendations from Previous Meeting Approved

Mr. Conner moved for approval of recommendations from the January 13, 2004 meeting excluding those topics covered under Special Issues. Upon second and vote, the motion carried.

Employee Medical, Dental and Life Insurance Policies Renewed

Mr. Miller reviewed recommendations for renewal of employee medical, dental and life insurance policies.

Mr. Bond moved to approve renewal of the medical insurance coverage with Humana at an annual premium of \$3,627,800. Upon second and vote, the motion carried.

Mr. Conner moved to approve renewal of the dental insurance coverage with Delta Dental at a projected premium, net of employee contributions, of \$264,000. Upon second and vote, the motion carried.

Ms. Willis moved to approve renewal of the life insurance coverage with Monumental at a projected premium, net of employee contributions, of \$158,000. Upon second and vote, the motion carried.

Closed Session Discussion

After proper motion and second, the Board went into closed session at 4:50 p.m. for the purpose of discussing potential litigation. The Board returned to open session at 5:20 p.m. after taking no action.

MAC Construction Bid Settlement

Mr. Conner moved to allow MAC Construction to withdraw their bids for Project 03-625: Renovation of South Coagulation Complex at Crescent Hill Filter Plant and Projects 10039 and 10040: Community Development Block Grant Phase I Water Main Extension Project and return their bid bonds due to material mistakes made in the compilation of their bids and in consideration of payment of \$60,000 by MAC Construction to Louisville Water Company for damages and other costs. Upon second and vote, the motion carried.

Contract Awarded for Project 03-625: Renovation of South Coagulation Complex at Crescent Hill Filter Plant

Mr. Heitzman recommended award of a contract to Kelley Construction & Excavating in the amount of \$2,878,522 for construction of facilities for Project 03-625: Renovation of South Coagulation Complex at Crescent Hill Filter Plant. Mr. Martin moved for approval of this recommendation. Upon second and vote, the motion carried.

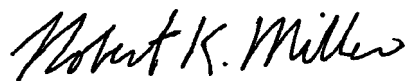
All Bids Rejected for Projects 10039 and 10040: Community Development Block Grant Phase I Water Main Extension Project

Ms. Teasley recommended that all bids be rejected for Projects 10039 and 10040: Community Development Block Grant Phase I Water Main Extension Project. She stated that staff intends to review the design for opportunities for value engineering and to re-bid the work in whole or in parts. She noted that MAC Construction is not eligible to participate

in subsequent bidding for this project. Mr. Bond moved for approval of this recommendation. Upon second and vote, the motion carried.

There being no further business to come before the Board, the meeting was adjourned at 5:25 p.m.

Respectfully submitted:



Robert K. Miller
Vice President - Treasurer
and Acting Corporate Secretary

**BOARD OF WATER WORKS
MEETING MINUTES
FEBRUARY 23, 2004**

Board Members Present:

Mr. Phillip Bond
Mr. Stewart Conner
Mr. Gerald Martin
Ms. Wendy Welsh
Ms. Marita Willis
Dr. Joseph Wise

Board Members Absent:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President
Mr. Robert Miller, Vice President, Treasurer & Acting Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Susan Lehmann, Vice President, Human Resources & Organizational Development
Ms. Kathy Holder, Acting General Counsel
Mr. Rudy Davidson, Louisville Metro Government

A regular meeting of the Board of Water Works was held on Monday, February 23, 2004 in the Board Room of Louisville Water Company. The regular February 2004 meeting, originally scheduled for February 10th, had been postponed to accommodate board member's schedules. Mr. Huber called the meeting to order at 3:05 p.m.

Mr. Martin asked for clarification on criteria for the consent agenda. Mr. Huber reviewed standing instructions from the Board for each item.

Consent Agenda Reviewed and Approved

The minutes from the January 13, 2004 regular meeting and the January 26, 2004 special meeting of the Board of Water Works were approved.

The List of Claims Paid for January 2004 was filed.

The following Petitions and Applications for Water Main Extensions and Relocations were approved:

Developer Installed Refunding Main Extension Projects

03-075	G584M	Chenoweth Park Patio Homes	\$50,080.00
03-094	G586M	Keeling Place Section 3	\$29,650.00

10070	G583M	Winding Creek Section 1	\$169,660.00	\$18,000.00
10093	G587M	Bannon Crossings Section 1	\$102,870.00	\$13,300.00
10101	G555M	Lake Forest Section 39A	\$65,030.00	\$3,425.00
10068	G605M	Autumn Gardens Phase 1	\$20,850.00	
10082	G603M	Woods of Landis Lakes Section 3	\$59,780.00	
10090	G600M	Middletown Village Condominiums	\$27,650.00	
10077	G604M	Stone Lakes Section 4	\$67,910.00	
10108	G610M	Smyrna Place	\$35,230.00	
10076	G602M	Hillpark Townhomes	\$8,080.00	
10078	G601M	Village of Wildwood Phase 5	\$59,780.00	

Developer Installed Tapping Fee Main Extension Projects

02107	G611T	Maureen Drive	\$73,800.00	\$13,900.00
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Administrative Report

Mr. Huber stated that the company is analyzing components affecting lower water sales: lagging national economic conditions, weather, and conservation. He noted that there had been significant job loss from the local economy. He reviewed the Federal Energy Policy Act, which mandated low flow water fixtures. He stated that recent low flow water fixtures were more effective than earlier models. In addition, household appliances have become more water efficient. It will be difficult to determine the effect of each of the components which affect sales until further staff analysis is performed.

Mr. Huber noted that staff has developed plans to reduce expenses in 2004 by \$2,000,000. However, if water sales continue to decrease in 2004, there are few "shock absorbers" remaining. He stated that an interim water rate increase may be needed in order to fully fund the 2004 revenue requirement. He noted that the last interim rate increase occurred in early 1990 following high winter related expenses. A recommendation on any interim rate increase would be needed early in the second quarter of the year. Based upon water pumping statistics, water sales may be 2.0% to 2.5% below levels anticipated in budget.

Financial Report Filed

Mr. Miller presented financial results for January 2004. Total Operating Revenues for January were \$445,499 or 5.1% less than budgeted. Residential water sales were \$255,625 or 6.9% less than budgeted and commercial water sales were \$243,533 or 8.1% less than budgeted. We sold 3.9% less water in January 2004 than the same period in 2003. Operation and Maintenance Expenses for January were \$45,939 or 1.4% more than budgeted. Sick leave and vacation for participants in the early retirement incentive program was paid out in January. Total Operating Expenses for January were \$126,257 or 2.3% more than budgeted. Water Service in Lieu of Taxes was \$85,200 higher than budgeted. Gain/Loss on Disposition of Assets did not include \$60,000 budgeted for January. Net Operating Income for January was \$571,756 or 18.4% less than budgeted. Other Income and Deductions for January was \$890,644 or 250.3% more than budgeted. Early retirement incentive costs of \$947,000 were recorded for employees signing the

agreement after year-end. Net Income for January was \$1,462,401 or 53.1% less than budgeted.

2004 Cost Reduction Plans – Status Update

There were 39 employees eligible for the recent early retirement incentive program. At the conclusion of the eligibility period, a total of 30 employees elected to participate, with their last day of employment on January 30th. The total amount of the severance payments was \$1,247,700, with approximately \$300,000 of that amount recorded as a current expense in 2003. The remaining amount is a current expense in 2004. The Early Retirement Incentive Program is expected to increase expenses in 2004 by approximately \$150,000. However, beginning in 2005, it is expected to result in annual savings of approximately \$1,000,000 per year. Mr. Huber noted that a portion of the incentive program costs would be funded through a reduction in funding in the Infrastructure Replacement Reserve by \$500,000 in 2004, but that this funding would be restored in 2005.

Staff is working to minimize the number of positions that will need to be replaced among those vacated through the Early Retirement Incentive Program. Likewise, as staff backfills those positions, we are intending to create a net reduction of 30 positions as a result of the 30 retirements. In addition, staff is eliminating the use of all temporary positions and has significantly reduced the number of seasonal employees that will be hired during the summer. The number of part-time positions has also been slightly reduced. It has been determined that an involuntary workforce reduction is not planned. Management has realigned the organization structure, resulting in three fewer business systems. It will be necessary to update operating plans to reflect the new structure. Beyond the workforce reductions, management will also be focused on the successful execution of plans to reduce non-labor operations and maintenance expenses.

Additional Financial Information Provided

Mr. Miller reviewed benchmarking results for 2002 comparing Louisville Water Company to fourteen investor-owned utilities whose annual operating revenues exceed \$50,000,000. The data used for this comparison is furnished in the annual NAWC Investor-Owned Water Utilities Financial & Operating Data Summary. Louisville Water Company continues to rank number one in Operations and Maintenance Cost per Customer. We increased in Return on Net Utility Plant, Return on Total Assets, Customer per Employee, Return on Common Equity, Dividend Payout Ratio, and Employees per Thousand Customers. We ranked the same as last year in Gallons Sold per Employee, Operating Revenue per Employee, Operating Revenue per Customer, Operations and Maintenance Cost per Customer, Employees per Billion Gallons Sold, and Net Utility Plant per Dollar of Revenue. We declined slightly, from 8th to 9th position, in Net Utility Plant per Customer and from 1st to 2nd position in Debt to Equity Ratio.

Mr. Martin raised questions about how the comparable companies were selected, how the relative performance ratios were calculated, whether the LWC return on investment should be adjusted for a tax effect, and the computation of owner's equity. He suggested getting independent input from accountants, financial analysts, rating agency staff or investment bankers on which performance indicators should be most useful and which return rates or ratios that the board or senior management may rely on to make decisions about capital spending, staffing, management performance, compensation, return on investment targets, and prudent dividend policy. Mr. Miller agreed to provide additional information on these questions and recommendations.

Warehouse Record Keeping Procedures Discussed

Mr. Miller noted that, as a result of the recent implementation of the new Financial Information System, certain previously automated record keeping tasks at the Warehouse have been discontinued and have been replaced with manual processes. This includes bar-code reading and inventory count entry into handheld units that have reached the end of their useful life and were not integrated into the new inventory system. We have revived the old "pen and paper based, tag and manually count" procedures while we develop and analyze the business case for an Oracle-based warehouse management system. We do not anticipate significant difficulties while we continue to operate the warehouse with these less efficient, less automated procedures.

Operations and Engineering Report Filed

Mr. Heitzman presented the Operations and Engineering report.

The water production in January of 116.2 MGD was 7.6 percent lower than the January production of 125.8 MGD, and was 2.4 percent lower than the five-year average January production of 119.8 MGD. The lower than average production may be attributed to 117 fewer main breaks in January 2004 compared to January 2003. Staff collected 296 regular distribution samples in December. All samples met the water quality standards. Distribution water quality complaints decreased 40 percent in January as compared to January 2003. The decrease may be attributed to the new coagulant application strategy implemented by water quality staff in the 4th quarter of 2003 and the reduction in main breaks. Staff will continue to monitor the trend and assess the impact of treatment changes implemented in 2003.

The new security fence for the Crescent Hill reservoir is now being installed. Chain link fencing along the east boundary is complete, while crews have begun installation of ornamental fencing along Frankfort Avenue. An informational meeting with the neighborhood residents was held on February 3 to inform residents of Pennsylvania Avenue about the project impact. The project will continue through June (weather permitting), with installation of the fence, sidewalks, and lighting for the reservoir. Staff also met with representatives of Metro parks and the Crescent Hill Gold Course to explore plans to upgrade the parking lot north of the Reservoir. Current plan is to complete a design in 2004, and begin work this fall, for completion in spring 2005.

LOJIC GIS Partnership – A LOJIC steering team has been established with representatives from LWC, Metro Louisville, MSD, and PVA to develop a long term operating strategy for LOJIC, the local geographic information consortium. LWC is a 20 percent equity owner in the LOJIC GIS data sets. Metro Louisville owns 40 percent, MSD 35 percent, and PVA 5 percent. Annual operating expenses for LOJIC are \$1.3 million, with LWC contributing \$72,000 annually to support the operations. The steering team is evaluating the investment over the past 15 years by each of the partners to determine the future operating and investment strategy. The steering team is also evaluating the LOJIC governance structure. LWC can expect its operating share to increase from the current \$72,000 to approximately \$250,000, based on the current 20 percent ownership share. The impact to the Company may begin as soon as July 1, the beginning of MSD's fiscal year. With a larger share of the operating expenses, LWC will become a more active participant in operating decisions of LOJIC. Since 1987, LWC has limited its participation to the Policy and Technical Committees of the LOJIC governance structure at MSD.

Regarding the funding for the Center for Infrastructure Research Funding, Mr. Heitzman noted that in January of this year, the federal government passed the FY04 (October 2003 - September 2004) budget. Included in the budget of the Omnibus bill is a \$500,000 line item for the University of Louisville Center for Infrastructure Research. The purpose of the funding is to provide research into methods and technology to address aging water and wastewater infrastructure. EPA Region IV will administer these funds upon submittal of a detail of planned expenditures by the Center.

Serving Customers Report Filed

Ms. Teasley presented the Serving Customers Report.

The January 2004 call abandonment rate was 4.9% compared to 5.02% in December 2003, and 3.69% in January 2003. The year-to-date abandonment rate is 4.9%.

The Bullitt County Advisory Board maintains a keen interest regarding the number of customers along a two-thirds majority main extension who signed a letter of intent to apply for water versus those customers that actually apply for and receive water service following the completion of the main extension. The Advisory Board is looking forward to the results achieved from the recently implemented reminder letter procedure for those customers who signed a letter of intent, but have not yet applied for service within six months of notification of project completion.

A draft contract is under legal review for the new Refunding Cost of Installation Main Extension Method approved by the BOWW in October 2003. The proposed buyout of the contracts executed with the 20-year pay-out plan is prepared, but can not be executed until the new contract is available for use. Staff anticipates the finalization and the implementation of the new contract by early March.

Staff is working with the Home Builders Association of Louisville staff to obtain current addresses for holders of Refunding Cost of Installation Main Extension Method 20-year

pay-out contracts for whom staff does not have a current address. A meeting was held on February 12 to meet with representatives of the Home Builders to outline our approach for addressing the pressure issues and to discuss possible alternatives for procurement of materials for developer-financed main extensions.

Closed Session Discussion

Pursuant to K.R.S. 61.810c, Board went into closed session at 4:10 p.m. for the purpose of discussing pending litigation. The Board returned to open session at 4:35 p.m. after taking no action.

Audit Committee Report

Mr. Bond presented the Audit Committee report. A meeting of the Audit Committee was held on Tuesday, January 6, 2004. Regarding the Capital Budget Audit, Mr. Bond stated that process improvements were underway for the Capital Budget process, so Internal Audit has approached the audit in two parts: first, auditing the as-is process, and then auditing the post-improvement changes. The Audit Committee has expressed interest in reviewing the capitalization policy. Mr. Bond noted that staff performance measurements were focused on amount of capital spending accomplished, so staff seemed to accomplish easier projects first before tackling higher priority projects. The Audit Committee intends to follow up on improvements in this area.

Mr. Bond reviewed the 2004 Audit Plan, noting work for: continued annual review of Procurement Cards; expense reports; timekeeping; project inspection; and, fleet management. Mr. Huber noted that there has been a reduction in the Internal Audit staff, and the 2004 Audit Plan was being revised to reassign the system certification audits.

It was the consensus of the Committee to issue a Request For Proposal for selection of an outside auditor for the coming year, allowing Crowe Chizek to participate in bidding but must change the audit partner. The Committee emphasized that they are satisfied with Ed Olliges and that this decision was not a reflection on this work. Mr. Miller stated that Crowe Chizek has previously provided pricing for the coming year.

The Committee members agreed to prepare individual responses to the Audit Committee Self-Assessment Guide and will send the results to Mr. LeMaster for compilation.

Mr. Bond noted that many outstanding audit issues were resolved with the implementation of the Financial Information System. Mr. Martin expressed compliments toward the completeness of follow up on audit recommendations. Mr. Davidson stated that the City is interested in the results of the fleet management audit when it is completed.

Compensation Committee Report

Mr. Bond also presented the Compensation Committee Report. A meeting of the Compensation Committee of the Board of Water Works was held on Monday, February 9, 2004.

Regarding the 2003 Incentive Plan Goals Results, he stated that the Light Switch Goal for Net Income was not met, but most of the component goals within the incentive plan had been met. He stated that the overall weighted score for the 2003 President and Vice Presidents Shared Goals results was at level 3.2 on a 5.0 point scale.

Regarding the 2004 Draft Corporate Performance Award Criteria, he stated that staff accomplished 62.5% of the goals. The amount of the proposed payout is \$300.22 per eligible employee, for a total payout of \$129,995. Mr. Bond made a motion to pay the Corporate Performance Award as proposed. Upon second and vote, the motion carried.

Mr. Bond reviewed the 2004 Draft Corporate Performance Award criteria and the 2004 Draft Incentive Plan Goals. He stated that the Light Switch Goal for Net Income would be set at \$350,000 and that the Net Operating Income goal would be set at \$350,000 for Level I and at \$700,000 for Level II. He also noted that the Internal Customer Satisfaction goal was established at an increase in composite score for Internal Customer Satisfaction survey results. Regarding the 2004 Draft President and Vice Presidents Shared Goals, Mr. Huber stated that the Cost of Risk goal methodology had been revised to include Legal Staff Labor and Labor Related Overhead. It was the consensus of the Board to accept the 2004 Incentive Plan Goals and the President and Vice Presidents Shared Goals.

Mr. Huber discussed contemplated adjustments to the salary scale in 2004. He noted that the 2004 Annual Budget included funding for up to a 3% increase in salaries. Based on the local labor market, it appears that the overall market movement for salaries has increased 2.5%. He stated that management intends to adjust the control point for each job grade by 2.5%, but that salary increases would be based on merit and that employees would not automatically receive an increase.

Contract Renewed for Bid 02-67: Detector Check Valves – 1st PPI Renewal

Mr. Conner moved to award a one year contract totaling an estimated \$135,143 to Hersey Meter Company for Detector Check Valves. Upon second and vote the motion carried. This PPI renewal represents a 0.9% increase from previous unit prices.

Contract Awarded for Bid 04-01: Tapping Saddles

Mr. Conner moved to award a two year contract totaling an estimated \$266,681 to Smith Blair Manufacturing Company for Tapping Saddles. Upon second and vote, the motion carried. This represents a 14.3% increase from previous bid pricing in 2002.

Contract Ratified for Bid 03-65: Copper Tubing

Ms. Willis made a motion to ratify the award of a six month contract totaling a \$268,212 to Water Works Supply Company for Copper Tubing. Upon second and vote, the motion carried. This represents a 44% increase from previous bid pricing. The price of copper has been on an upward trend since October 2003 due to increased demand in China and growing strike threats at copper mines.

Contract Awarded for Bid 04-03: Gate and Wheel Valves

Mr. Bond made a motion to award one year contracts for an estimated \$742,491 to Mueller Company and an estimated \$136,575 to U.S. Pipe and Foundry Company. Upon second and vote the motion carried. These contracts are renewable for up to three additional one year periods. All renewals will utilize the Producers Price Index. This represents a 12.8% decrease from previous bid pricing.

Contributions in Aid of Construction

Mr. Miller reported that Contributions in Aid of Construction provide critical funding necessary for the expansion of the Louisville Water Company distribution system. In 2003, Louisville Water Company received \$13,249,414 in contributed capital from developers, home builders, government agencies and other customers. The contributions in aid of construction were in the form of distribution system extensions, pipeline relocation costs, system development charges, apportionment warrant collections, tapping fees, surcharge collections, and service and fire hydrant fees. Total Contributions in Aid of Construction of \$227,321,636 represent approximately one-third of the total asset value of Louisville Water Company.

Contributions in Aid of Construction have increased significantly over the past twelve years. Between 1992 and 2003, Contributions in Aid of Construction totaling \$150,547,173 were received. There are several key drivers for this increase, dating back to the implementation of the Jefferson County Water Extension Program in 1992:

- Apportionment Warrant Main Extension Method authorized
- System Development Charge implemented
- Tapping Fee increased from \$1,000 to \$5,450
- Jefferson County Government contribution of Community Development Block Grant funds and other funds

Also, merger of Kentucky Turnpike Water Districts #1 and #2 into Louisville Water Company in 2002 included significant contributed capital. New development brought over three-fourths of the new customers of Louisville Water Company during the past twelve years. Property developers and home builders are key constituents in providing capital and customers for new growth.

Louisville Water Company implemented a System Development Charge in 1992 as part of a "growth helps pay for growth" strategy. Since that time, through year end 2003 the System Development Charge has provided a revenue stream totaling \$19,258,815 towards funding growth related improvements that occurred during that same time. System Development Charge collections during 2003 were \$2,535,000.

Water sales from the retail service area are expected to remain relatively flat in the next several years. Demographic shifts require investments that gain little or no additional sales. It is important to provide every cooperation possible in working with property developers and home builders in order to assure our continued sales base.

Human Resources Information System

Mr. Miller stated that one of the key objectives in the 2004-2006 Information Technology Strategic Plan is the replacement of the Human Resources Information System. The existing Human Resources System was provided by Ceridian and installed in 1994. The system also included payroll as part of the application set. In 1996, the human resources application was upgraded to the version currently being used by LWC today. The payroll application was not upgraded at that time due to application bugs and has resulted in duplicate data entry of several key data sets to ensure information integrity. Both applications have been heavily customized to meet LWC business needs.

The current applications are DOS-based and present significant technical challenges to maintain and support. As technology has evolved, the current applications have limited the Human Resource and Payroll department's capabilities to streamline processes and expand or improve service provided to employees and customers. In addition, Ceridian support resources for these applications are minimal and no further investment is being made to enhance the applications in use by LWC. This has led to the purchase of additional software and creation of separate databases to maintain, track and manage its processes. This results in operational inefficiencies and duplication of work. Other functions within the organization, including OSHA compliance and Training, are also impacted by the limited functionality of the current application and are using other processes and applications to manage their information needs.

Replacement of this system was originally scheduled to occur in conjunction with the Financial Information System project, but management determined that selection of the financial software provider should not impact the selection of the human resource system provider. Although the systems must be integrated with each other, the major providers of human resources systems are compatible with the Oracle Financial System. It was also determined that the new Human Resources management team should participate in steering the selection and implementation of the new system.

There are many solution providers in the market that can offer integrated products or services to meet the business needs and objectives of LWC. This may involve the procurement of a software package or a contractual arrangement with an applications service provider. The current estimate for the annual cost of ownership is approximately

\$250,000. Management is assembling a team to analyze the current business processes, identify functionality needs, and evaluate potential technology solutions that will meet these needs. The analysis of the team and recommended business direction will be communicated to the Executive Leadership Team and the Board of Water Works in the coming month.

AM/FM/GIS Project and Budget Update

Ms. Teasley reported that Louisville Water Company is rapidly approaching the completion of the Automated Mapping/Facilities Management (AM/FM) System, a core information system designed to collect and convert LWC's pipeline infrastructure into a GIS format. At the end of 2003, 16 of the 17 data delivery areas for the AM/FM/GIS project had been submitted to LWC for at least primary quality evaluation. The overall quality of work from GRW Engineers has remained good. Completion of the data collection/conversion effort is contingent on delivery and quality assurance for the final data area, which encompasses the West Louisville portion of the LWC distribution system. While still in a state of development, the data from the AM/FM/GIS has already been used successfully to identify and analyze facility information for priority projects. It is anticipated that the AM/FM system will be accessible to LWC employees in early 2nd Quarter 2004.

Through the end of the 3rd Quarter 2003, internal labor expenses for the AM/FM project averaged close to the expected expenditure curve. The beginning of the 4th Quarter 2003 represented a departure from those expectations when labor costs rose significantly. This rise in costs is primarily attributable to the following factors:

- A greater than anticipated effort required to adequately assure the quality of data from some areas of the distribution system with extremely dense and complex facilities.
- The accumulation of multiple primary and secondary data deliveries resulting in no lulls in the QA/QC effort, with little decline in internal labor demands near the end of the project.
- An increase in internal work on the Web Browser application to incorporate alterations made by the vendors (ESRI and GRW).

While other components of the AM/FM project, including hardware and software purchases, have been completed for \$88,440 less than anticipated, the increase in labor costs outlined above will result in the total project cost exceeding the overall estimated budget of \$4,474,840. No action was required.

No Action Taken for Private Road off Broad Run Road (Segment 396): Broad Run Road to East 1,750 ft.

The Board of Water Works approved staff's request to proceed with a public hearing for Private Road off Broad Run Road (Segment 396): Back Run Road to North 2,600 at the November 2002 meeting. In accordance with KRS 96.265 a public hearing was held on

December 3, 2002 for the property owners along Private Road off Broad Run Road (Segment 396) to consider the extension of a water main along this private roadway.

Using the equal assessment method, three (3) eligible property owners on this private roadway were presented with the "equal share" cost per property of \$19,440. Two of three eligible property owners attended the hearing; one wishing to proceed (Clark) and one wishing not to proceed (Brown) at the presented cost.

Staff received a second petition requesting water service from property owners along Private Road off Broad Run Road (Segment 396) and held a public hearing as statutorily required on April 22, 2003. Information identical to the December 3, 2002 public hearing was presented. Three of three eligible property owners attended the hearing; two property owners wishing to proceed, Parsons and Clark, and one wishing not to proceed, Brown, at the presented cost.

Staff informed property owners attending the meeting on April 22, 2003 that the feasibility of the project would be determined by staff's ability to successfully negotiate easements with the declining property owner (Brown) and another property (Kushner.) Kushner owns the portion of the private road which connects to the public road (Broad Run Road) containing the water main needed to feed Private Road off Broad Run Road (see Exhibit "A".) The Kushner property has water service from the Broad Run Road water main and would not be benefited by the private road water main extension.

After extensive negotiations, staff was unable to obtain the easements required to construct the water main using the Apportionment Warrant method; therefore, Ms. Teasley requested that the Board of Water Works not refer the Private Road off Broad Run Road (Segment 396) water main extension to Louisville/Jefferson Metro Council due to the lack of required easements. The proposed main extension does not meet the feasibility criteria set forth by the Board to proceed to the ordinance stage. Property owners still interested in a water main extension have additional options available to them including the Refunding Tapping Fee method, the Applicant Financed Tapping Fee method, as well as the Apportionment Warrant method. No action was taken on this matter.

**Amendment of Apportionment Warrant Register Brush Run Rd:
Dawson Hill Rd to Routt Rd**

The Board approved a resolution for the issuance of Apportionment Warrants for Brush Run Rd: Dawson Hill Rd to Routt Rd at the November 11, 2003 meeting in accordance with KRS 96.265. The Apportionment Warrant Register approved at this meeting is attached as Exhibit A.

Ms. Sue Shearer contacted LWC staff to inform us that the two pieces of property she owns are contiguous to one another and she should have received one assessment instead of two. Property research was conducted and staff found that the Jefferson County Property Valuation Administrator's (PVA) records were incorrect and Ms. Shearer

should have only received one assessment. Staff contacted PVA to inform them of the error in their records.

Mr. Bond moved to adopt the amended resolution (certified copy attached to these minutes); thereby, removing account # 924547, Tax Block 59 Lot 127, and adding the aforementioned property to account # 924544 as a contiguous property to the Apportionment Warrant Register adopted by the Board of Water Works on November 11, 2003 in accordance with KRS. 96.265. Upon second, and vote, the motion carried.

There being no further business to come before the Board, the meeting was adjourned at 5:35 p.m.

Respectfully submitted:



Robert K. Miller
Vice President - Treasurer
and Acting Corporate Secretary

**RESOLUTION AMENDING PREVIOUS
APPORTIONMENT WARRANT RESOLUTION**

February 23, 2004

RESOLVED, that the Board of Water Works, by these presents, amends a previous resolution of this Board, adopted at its meeting on November 11, 2003, directing the issuance of Apportionment Warrants against properties located on Brush Run Rd: Dawson Hill Rd to Routt Rd removing the following account and including the subject property as contiguous property for account # 924544:

<u>Account</u> <u>Assessment</u>	<u>Name</u>	<u>Location</u>	
0924547	Sue Shearer	Brush Run Rd Deed Book 7656 Pg. 276 Tax Block 59 Lot 127	\$5,450

CERTIFICATION

I, the undersigned, hereby certify that the foregoing Resolution dated February 23, 2004, to amend a previous resolution of this Board, adopted at its meeting on November 11, 2003, directing the issuance of Apportionment Warrants against properties located on Brush Run Rd: Dawson Hill Rd to Routt Rd, is a true copy of a resolution duly and unanimously adopted at the regular meeting of the Board of Water Works of Louisville, on February 23, 2004, a quorum being present.

Signed,



Robert K. Miller
Acting Corporate Secretary

**BOARD OF WATER WORKS
MEETING MINUTES
MARCH 9, 2004**

Board Members Present:

Mr. Phillip Bond
Mr. Gerald Martin
Ms. Marita Willis
Dr. Joseph Wise

Board Members Absent:

Mayor Jerry Abramson
Mr. Stewart Conner
Ms. Wendy Welsh

Others Present:

Mr. John Huber, President
Mr. Robert Miller, Vice President, Treasurer & Acting Corporate Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers & Business Development
Ms. Susan Lehmann, Vice President, Human Resources & Organizational Development
Ms. Kathy Holder, Acting General Counsel
Mr. Rick Johnstone, Deputy Mayor, City of Louisville
Mr. Steve Greseth, Black & Veatch
Ms. Barbara Crow, Process Owner, Strategic Communications
Mr. Ed Chestnut, Assistant to the President

A regular meeting of the Board of Water Works was held on Tuesday, March 9, 2004 in the Board Room of Louisville Water Company. Mr. Huber called the meeting to order at 12:35 p.m. There was not a quorum present at that time.

Financial Report Filed

Mr. Miller presented financial results through February 2004. Total Operating Revenue of \$16,138,710 is \$504,573 or 3.0% less than budgeted and \$598,279 or 3.8% more than the same period in 2003. Operation and Maintenance Expenses of \$7,614,753 is \$489,719 or 6.9% more than budgeted and \$530,911 or 7.5% more than 2003. Total Operating Expenses of \$11,711,881 are \$21,788 or 0.2% more than budgeted and \$521,464 or 4.7% more than 2003. Net Operating Income of \$4,426,829 is \$526,361 or 10.6% less than budgeted and \$76,816 or 1.8% more than 2003. Total Net Non-Operating Expense of \$1,537,540 is \$825,832 or 116.0 % more than budgeted and \$780,923 or 103.2% more than 2003. Net Income of \$2,889,290 is \$1,352,193 or 31.9% less than budgeted and \$704,108 or 19.6% less than 2003. The year-end forecast for Net Income is \$31,465,500, which is \$1,279,200 or 4.2% more than budgeted. The year-end forecast for the Dividend is \$13,766,400, which is \$1,067,500 or 8.4% more than budgeted, in consideration of the cost reductions combined

with lower funding of the Infrastructure Replacement Reserve as shown in the revised 2004 financial plan.

Operations and Engineering Report Filed

The water production in February of 119.8 MGD was 3.5 percent lower than the February 2003 production of 124.2 MGD, and was 2.5 percent higher than the 5-year average February production of 116.9 MGD. The year-to-date production was 5.8 percent lower than 2003 and equal to the 5-year average production.

Mr. Heitzman reported that staff discovered a small quantity of mercury in the softening wastewater effluent stream at the Crescent Hill Treatment Plant on January 22, 2004.. The quantity discovered was less than one pound and, upon investigation, it was determined that the mercury was not released into the environment. The wastewater and finished water have been tested and found to be free of mercury. Air monitoring for mercury was conducted by an environmental consultant and found to be below reportable levels. As a precautionary measure, air ventilation was provided and the area of the spill has been isolated from routine operations. Risk Management is conducting a complete investigation of the incident to determine the source of the mercury release. An inventory of all mercury in the plant is being finalized. Mercury has historically been used in flow metering and temperature measuring devices throughout water production and distribution facilities. Over the past 20 years, the Company has slowly phased out the use of mercury measurement devices for temperature and flow. The incident will be documented, including recommendations regarding future handling, reporting, and monitoring of hazardous chemicals used in water production facilities.

Mr. Heitzman noted that Metro Louisville is receiving a Critical Infrastructure Grant of \$3 million that must be used for security infrastructure. The Company will receive \$400,000 of the \$3 million grant to enhance water system security. The grant comes through the Department of Homeland Security to the State Department of Emergency Management. The Company will use the grant for installation fencing and other security measures at the Crescent Hill Water Treatment Plant. Mr. Huber recognized the contributions made by Deputy Mayor Johnstone on this grant funding.

Mr. Heitzman reported on progress at the Payne Water Treatment Plant. The B.E. Payne improvement project is entering the second construction season with approximately 55 percent of the work complete. This \$15 million plant upgrade increases plant capacity from 45 MGD to 60 MGD, adds hydraulic surge protection, renovates the filters and backwash valves, upgrades the power supply, and adds on-site diesel power generation for 30 MGD capacity. The current scheduled completion date is June 2005, prior to the peak summer demand period. The scheduling and coordination of the project with on-going operations of the plant has presented significant challenges. The major issue has been the delivery of the main utility switchgear in accordance with contract specifications. After extensive review by the consulting engineer (CDM Engineers), the contractor (Judy Construction), and staff, there is now agreement among all parties to provide the switchgear specified in the contract documents. These deliberations have extended the project schedule by approximately nine

months to resolve the electrical switchgear issues. Further, a critical tie in to the 60-inch transmission main has been postponed, due to the inability to secure a tight, leak-free shut off on the existing transmission main and also comply with Kentucky discharge regulations of chlorinated water into Harrods Creek. To date, approximately \$90,000 has been authorized to change the electric supply feed to match LG&E power feed. Additional change order requests are being evaluated by staff, including a time extension of the contract completion date, additional electrical modifications, and additional consulting engineer services for extensive shop drawing review and construction inspection for an extended schedule. Staff is preparing a complete report of these issues for presentation and approval at the April Board meeting.

Mr. Heitzman reported on leakage at the Crescent Hill Clearwell. Over the past five years, staff have been working on evaluation of leakage into the Crescent Hill Pump Station Annex. This leakage has been identified in the Annual Inspection reports as a critical operating issue to resolve. The source of the water leakage is assumed to be the adjacent 25 million gallon clearwell reservoir, however extensive monitoring and testing have not pinpointed the exact source. Over the past six months, additional monitoring wells have been drilled on the exterior of the building to determine the underground geologic formations and water levels. The test confirms the leakage is primarily located around the annex and the source is either the clearwell or water from leaking discharge piping in the area. The water travel path into the pump station is likely along the soil-rock interface or around the suction piping that passes from the clearwell to the pump suction chamber. Over the years, the rate of leakage has increased significantly. The pump station foundation is non-reinforced concrete, and continued degradation will slowly undermine the stability of the foundation. The next phase of investigation will begin this month to dewater the clearwell chamber adjacent to the pump station and perform monitoring of the exterior test wells and interior leakage rates. This exercise will determine if the clearwell volume or pressure head is a major contributor to the leakage. Ultimately, the solution will be to repair the source of the leak (if possible) or to intercept the water source and divert it from the pump station foundation to an appropriate waste drain.

Mr. Heitzman reported on improvements to the Mary T. Meagher Aquatic Center Parking Lot. The scope of the project is to renovate and expand the existing parking lot north of the Crescent Hill Reservoir. The existing parking lot accommodates up to 150 vehicles. Metro Parks has documented over 500 vehicles park in the area during February swim meets. Staff is working with Metro Parks (golf and swimming) to evaluate expansion of the lot to a 250 vehicle capacity. An expanded lot will infringe upon hole number one of the Crescent Hill Golf Course. One alternative will be to evaluate expansion of the Golf Course parking lot near Brownsboro Road to accommodate overflow parking during the peak winter swim season. The preliminary schedule for this project is to request budget funding at the April Board meeting, finalize design in May, and bid the work in June for construction during the fall. Substantial completion is targeted by December in preparation for the peak indoor swim season.

Quorum Present

A quorum was present beginning at 12:45 p.m.

Consent Agenda Reviewed and Approved

Mr. Martin stated that the minutes from the February 23, 2004 regular meeting of the Board of Water Works did not reflect the questions that he had raised on benchmarking results for 2002 prepared by staff comparing Louisville Water Company to fourteen investor-owned utilities. Specifically, he had unresolved questions about how the comparable companies were selected, how the relative performance ratios were calculated, whether the LWC return on investment should be adjusted for a tax effect, and the computation of owner's equity. He suggested getting independent input from accountants, financial analysts, rating agency staff or investment bankers on which performance indicators should be most useful and which return rates or ratios that the board or senior management may rely on to make decisions about capital spending, staffing, management performance, compensation, return on investment targets, and prudent dividend policy. Mr. Miller agreed to revise the minutes to reflect the questions raised by Mr. Martin. The minutes from the February 23, 2004 regular meeting of the Board of Water Works were approved as revised.

The List of Claims Paid for February 2004 was filed.

The following Petitions and Applications for Water Main Extensions and Relocations were approved:

Developer Installed Refunding Main Extension Projects

01-111	G607M	Glenoaks Sec. 11D & Grid Tie Sec.12	\$93,900.00	\$14,450.00
03-017	G613M	Wilke Ridge Section 3B & 3C	\$59,460.00	\$3,300.00
03-082	G616M	Kellco Trade Center	\$13,200.00	
10053	G627M	Austin Park Phase 1	\$36,200.00	
10067	G619M	Woods of Farnsley Moorman Ph. 2A	\$15,750.00	
10081	G615M	Monticello Park Section 2	\$42,090.00	
10122	G624M	The Reserve at Glenmary Section 3	\$47,330.00	
10132	G614M	The Cotswolds	\$24,620.00	
10299	G617M	Shops of Forest Springs Phase 2	\$14,680.00	
10303	G612M	Windgate Meadows Section 3	\$58,780.00	
10353	G625M	Shelbyville Road Plaza	\$36,440.00	

Developer Installed Tapping Fee Main Extension Projects

10293	G618T	Finn Avenue Extension	\$3,350.00	
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Bullitt County Extension Projects

10349		Haley Avenue	\$22,275.00	
10350		Pine Valley Court	\$15,000.00	\$3,750.00
10362		Lobb Point Road	\$17,740.00	\$4,435.00

Serving Customers Report Filed

Ms. Teasley presented the Serving Customers Report. As a follow up to our wholesale meeting in November, LWC staff met informally with the Kentucky Public Service Commission (PSC) staff on January 15, 2003. We provided information regarding our proposed wholesale rate, and asked for guidance regarding the approval process and planned implementation. Among other documents, the PSC requested a letter from our regulated wholesale customers indicating they had no objection to the proposed rate increase. Staff subsequently sent letters to North Shelby and West Shelby asking them to forward this letter to the PSC. Staff also sent letters to our non-regulated wholesale customers, Mt. Washington and City of Taylorsville, reminding them of the proposed timeline for implementation. Staff has completed all internal work necessary to forward the PSC filing request to our outside counsel, Mr. James Park, with the Lexington office of Frost, Brown, and Todd. We anticipate the formal filing with the PSC regarding the wholesale customer rate increase to occur within the month of March, allowing our regulated customers adequate time to complete their pass through filing with the PSC before the May 1 effective date.

Ms. Teasley stated that Government Affairs has been monitoring the activities of the 2004 General Assembly. It has been a session dominated by discussions of the Budget and possible tax reform. Consequently, there have been very few issues that would impact the Louisville Water Company. Several retirement bills are being tracked including one that will reduce benefits for future employees and one that would require LWC to pay an additional fee to cover the cost of retiree health insurance. This bill has also been amended to reduce the actuarial impact so it is unclear whether it would have a negative impact on overall cost to the Company if enacted.

Ms. Teasley reported on a meeting with the Land and Development Committee of the Home Builders Association of Louisville on March 2, 2004. Previously, the committee had submitted a list of nine issues of concern to them. Staff presented a handout addressing eight of the nine issues. A stand alone draft "New Development Extensions Guidelines" was presented for review and comment to provide for continued development activity while assuring 40 psi pressure at the meter of each customer. Staff and a small subgroup of the Land and Development Committee will be meeting to refine these guidelines jointly and to continue to work on other issues of concern.

Closed Session Discussion

Pursuant to K.R.S. 61.810c, Board went into closed session at 1:05 p.m. for the purpose of discussing proposed and pending litigation. The Board returned to open session at 1:50 p.m. after taking no action.

Water Usage and Water Sales Data Discussed

Mr. Miller presented an analysis of water usage and water sales data prepared by Ed Chestnut. He noted that following the disappointing 2003 water sales results, staff has initiated a detailed statistical analysis of water usage patterns over the past five years in order to discern the stability of our water sales base following changes in the local economy, weather conditions, and water conservation practices. This analysis indicates that despite continued growth in customer accounts, our overall trend for customer water usage is declining. This synopsis is a work-in-progress, with additional information and forecasts forthcoming. Dr. Wise recommended consideration of changes to the rate structure given decreased water usage per household. Mr. Johnstone recommended trend analysis over ten years. He noted that recently added infrastructure should have lower maintenance costs. He also recommended consideration of additional marketing of irrigation services. Mr. Miller stated that staff intends to develop an intra-year forecasting tool in 2004 that will allow for better estimation of water sales based on pumping data.

Revised 2004 Financial Plan

Mr. Miller reported that Louisville Water Company has developed the attached revised financial plan for 2004 to achieve these objectives:

- Pay Dividend at 2004 Budgeted Target Level
- Fully Offset 2003 Dividend Adjustment
- Fully Offset Cost of Early Retirement Incentive Program
- Fully Offset Reduced Industrial Sales Revenues
- Fully Offset Unanticipated Operations and Maintenance Expenses

In order to achieve these objectives, management has developed and implemented cost reductions and recommends these changes to the 2004 Financial Plan:

- Reduce Operations and Maintenance Expenses by \$1,119,200.
(This requires an overall decrease of \$2,312,500 in order to partially offset Early Retirement Incentive Program costs of \$1,295,450 and fully offset Unanticipated Operations and Maintenance Expenses of \$550,700)
- Reduce Depreciation Expenses by \$160,000
- Reduce funding of the Infrastructure Replacement Reserve in 2004 by \$500,000.
(This funding will be used to offset the balance of the Early Retirement Incentive Program costs and will be replaced in the 2005 Annual Budget through savings that will sustained for multiple years.)

Mr. Miller recommended acceptance of the Revised 2004 Financial Plan. This will provide the basis for payment of the 2004 Dividend at the budgeted target level and will serve as the measurement standard for determining progress of the cost reductions. Dr. Wise moved for acceptance of the plan as recommended. Upon second and vote, the motion carried.

Declaration of First Quarter 2004 Dividend to City of Louisville

Section 508 of the Series 1992 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 the City. The dividend for 2003, paid based on budgeted 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 adjustments is to be paid with or deducted from the regular quarterly dividend payments. The annual audit has been completed. Net income of \$24,580,534 requires a total 2003 dividend to the City of \$11,251,319. The total dividends declared and paid during 2003 was \$12,318,832. This will result in an amount of \$1,067,513 to be deducted from the regular quarterly 2004 dividend payments.

Mr. Bond moved to adopt a resolution to recognize adjustment of the 2003 dividend and declare the first quarterly 2004 dividend in the amount of \$3,441,598. This resolution provides for a total quarterly payment of \$3,174,720. Upon second and vote, the motion carried.

Contract Awarded for Bid 04-09: Flanged Spool Pieces

Ms. Willis moved to award a two-year contract for an estimated total of \$146,842 to Derby Welding & Machine Company for Flanged Spool Pieces. This bid represents a 9.8% increase from the previous bid in 2002. Upon second and vote, the motion carried.

Contract Renewed for Bid 01-45: Locating Services

Dr. Wise moved to award a one-year contract renewal for an estimated total of \$275,906 to STS, LLC for Locating Services. The Consumer Price Index (CPI) represents a 2% increase over prior year. Upon second and vote, the motion carried.

Contract Awarded for Project 10288: Market Street Main Replacement

Bids were received and opened Wednesday, February 18, 2004 to install 3,910 feet of 12-inch Pressure Class 350 ductile iron pipe along portions of Market Street and Jackson Street. The low bid is approximately 34% over the Project Manager's Estimate, and the resulting total unit cost for this project is \$142.59/LF. Although the low bid was considerably higher than the Project Manager's estimate, the bid sequence was very competitive with all four bidders within 20% of the low bid. The higher than usual unit price is consistent with the unit prices received for previous MRRP projects in or near the Central Business District. Due to the sluggish economy, a more aggressive bid sequence had been anticipated from the contractor pool. The difficulty of the work and the proximity of the work site to the Central Business District likely kept the bids at a higher, more reasonable level.

Dr. Wise moved to award a contract in the amount of \$ 424,515 to MAC Construction and Excavating to install the water facilities associated with this project. Upon second and vote, the motion carried.

Contract Awarded for Project 03504: Mockingbird Valley Area Main Replacement

Bids were received and opened Wednesday, February 25, 2004 to furnish and install 8,400 feet of 4, 6, and 8-inch HDPE along private roads in the Mockingbird Valley Area including the Louisville Country Club. The low bid is approximately 33% under the Project Manager's Estimate, and the resulting total unit cost for this project is \$71.41/LF. Although the low bid was considerably less than the Project Manager's estimate, the bid sequence was very competitive with all three bidders within 4.5% of the low bid.

Ms. Willis moved to award a contract in the amount of \$ 496,880 to C-Squared, Inc. to install the water facilities associated with this project. Upon second and vote, the motion carried.

Contract Awarded for Project 02-632: Solids Lagoons Improvements - Payne Plant Residuals Piping System

Bids were received Wednesday, February 4 to construct new piping structures at BEPWTP for managing treatment plant residuals. The piping structures will allow diversion of plant waste residual from intake screening, coagulation, softening, and filter backwash processes to multiple lagoons. The improvements will provide flexibility to operation of the facility.

Dr. Wise moved to award a contract in the amount of \$249,000 to Louisville Paving Company, Inc. for installation of diversion piping structures at B. E. Payne Water Treatment Plant. Upon second and vote, the motion carried.

Strategic Plan 2003 Year End Results Reviewed

Mr. Miller reviewed the results for measurable goals for key constituent areas in the 2002-2006 Strategic Plan. He noted that the goals related to product quality and customer satisfaction were achieved while goals related to water sales and financial performance were not met.

Unaccounted for Water Results for 2003 Reviewed

Ms. Teasley reviewed Unaccounted for Water results for 2003. Unaccounted for water is a key performance indicator for the Louisville Water Company and measures the amount of water that is lost as unmetered within the distribution system. Generally, it is calculated by dividing the total gallons of water metered by the total gallons of water delivered to the mains. Late last year, it was discovered that the measure was not being consistently reported in 2003 across the organization and to the Board. When the discrepancy was discovered, LWC staff involved in the reporting of the measure including accounting, plant, metering/billing and leak survey personnel met to resolve the difference. As staff was resolving this discrepancy, they consulted industry best practices for calculating this

measure. They identified that water used within the treatment plant processes should not be considered as part of the unaccounted for water calculation. In recent years, LWC's calculation has included plant water use in both the totals for water delivered to mains and water metered. Thus to be consistent with industry best practices, staff recommends removing the water used in treatment plant processes from both the numerator and denominator of the calculation for improved water accounting. Making this change increases the annual unaccounted for water percentage from historic figures by approximately one tenth of one percent, which is due to rounding. For 2004, water used in plant processes will continue to be excluded from the unaccounted for water calculation. LWC's water use, both for domestic and plant purposes, will continue to be closely monitored and tracked. Further, LWC staff has clearly identified accountability for reporting the unaccounted for water measure in order to minimize the potential for any future reporting discrepancies.

Apportionment Warrants Issued for Vista Hills Blvd: Bardstown Road to End

With the completion of this public water main extension, the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265. In accordance with the recommendations of the Task Force Report the cost of the extension will be by the equal assessment method for the cost of \$5,450 for each lot or tract abutting this extension and currently not served.

Ms. Willis moved to adopt a resolution for the issuance of Apportionment Warrants and liens against 3 benefited properties along Vista Hills Blvd: Bardstown Rd to End. Upon second and vote, the motion carried.

City of Lebanon Junction Wholesale Water Purchase Agreement Authorized

Ms. Teasley noted that staff is currently negotiating a new water purchase agreement with the City of Lebanon Junction to replace the existing emergency water supply contract executed in May 2000 with the KT Water District. The existing agreement calls for utilizing LWC water as an emergency backup supply to Lebanon Junction's primary water supply purchased from the City of Bardstown. The rate specified by the 40-year contract was \$1.40 per thousand gallons, with no minimum usage required. Due to the rate differential between the existing contract with LWC (\$1.40 per 1,000 gallons) and rates for water purchased from Bardstown (\$1.25 per 1,000 gallons), Lebanon Junction has not purchased any water from LWC. The City of Lebanon Junction has expressed concern over the capacity and reliability of their water line from Bardstown and desires to utilize LWC water to routinely supply the portion of their community west of I-65. Water use for this part of their system is estimated to be 150,000 to 200,000 gallons per day, which would result in approximately \$70,000 to \$80,000 of additional annual revenue for LWC. A draft contract proposal submitted to Lebanon Junction this month calls for selling water to the City at our standard wholesale rate of \$1.16 per thousand gallons prior to May 1, 2004 and \$1.27 per thousand gallons after May 1, 2004.

Dr. Wise moved to authorize the President to enter into a standard wholesale contract to supply water to Lebanon Junction at LWC's wholesale rate for the general service area. Upon second and vote, the motion carried.

There being no further business to come before the Board, the meeting was adjourned at 2:40 p.m.

Respectfully submitted:



Robert K. Miller
Vice President - Treasurer
and Acting Corporate Secretary

LOUISVILLE WATER COMPANY
 REVISED FINANCIAL PLAN and
 COMPARISON OF TWO YEAR DIVIDEND TOTALS
 (In Thousands of Dollars)

		2003 BUDGET	2004 BUDGET		2003 ACTUAL	2004 REVISED TARGET
1	Sale of Water	\$94,120.9	\$99,166.4		\$93,324.6	\$99,666.4
2	Infrastructure Replacement Reserve	2,825.0	2,600.0		0.0	2,100.0
3	Total Water Revenue	\$96,945.9	\$101,766.4		\$93,324.6	\$101,766.4
4	Other Operating Revenue	4,400.0	4,510.0		4,362.5	4,510.0
5	Total Operating Revenue	\$101,345.9	\$106,276.4		\$97,687.1	\$106,276.4
6	Operation & Maintenance Expense	\$43,664.5	\$45,816.0		\$44,076.1	\$44,696.8
7	Taxes including Water in Lieu of Taxes	8,628.2	8,115.8		7,984.2	8,115.8
8	Depreciation and Amortization	16,062.2	16,600.0		15,496.2	16,440.0
9	Retirement of Assets	850.0	1,378.4		1,424.4	1,378.4
10	Total Operating Deductions	\$69,204.9	\$71,910.2		\$68,980.8	\$70,631.0
11	Net Operating Income	\$32,141.0	\$34,366.2		\$28,706.3	\$35,645.4
12	Non-operating Income	\$3,700.0	\$2,286.0		\$2,988.0	\$2,286.0
13	Non-operating Expenses	\$6,603.0	\$6,465.9		\$7,113.8	\$6,465.9
14	Net Income	\$29,238.0	\$30,186.3		\$24,580.5	\$31,465.5

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15	Net Income	\$29,238.0	\$30,186.3		\$24,580.5	\$31,465.5
16	-Bond Principal Payment 2001	3,495.0	3,655.0		3,495.0	3,655.0
17	-Bond Principal Payment 2000	990.0	1,425.0		990.0	1,425.0
18	-Infrastructure Replacement Reserve	2,825.0	2,600.0		0.0	2,100.0
19	-Goshen Water Reserve	207.0	199.4		105.7	199.4
20	-Bullitt County Water Reserve	1,189.7	1,142.1		1,237.6	1,142.1
21	Net Income Available for Dividend	\$20,531.3	\$21,164.8		\$18,752.2	\$22,944.0
22	Dividend	\$12,318.8	\$12,698.9		\$11,251.3	\$13,766.4

Two Year Dividend Total	Budget	\$ 25,017.6	Actual	\$ 25,017.7
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**RESOLUTION TO DECLARE FIRST QUARTER DIVIDEND
TO THE CITY OF LOUISVILLE**

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 1992 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 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 \$12,318,832 for 2003 was paid in 2003 based on budgeted annual net income, and the annual audit for 2003 has now been completed which establishes the full dividend for 2003 as \$11,251,319 based on actual annual net income of \$24,580,534, it would be in order at this time to amend the Board resolution of December 9, 2003 to decrease the 2003 annual dividend by \$1,067,513, from \$12,318,832 to \$11,251,319 the difference to be deducted in installments to the quarterly 2004 dividend payments, and

WHEREAS, the 1992 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 2004 Louisville Water Company revised financial plan contemplates the 2004 annual dividend to be \$13,766,393, it would be in order at this time to declare a regular first quarter dividend of \$3,441,598;

RESOLVED, the 2003 annual dividend is decreased from \$12,318,832 to \$11,251,319 and the difference of \$1,067,513 will be deducted in quarterly installments from the regular 2004 quarterly dividend installments, and

RESOLVED, the regular first quarter 2004 dividend of \$3,441,598 is hereby declared, and further

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,174,720 to the Louisville / Jefferson County Revenue Commission on March 31, 2004, this being the first quarterly dividend for 2004 less one quarter of the dividend adjustment for 2003, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

APPORTIONMENT WARRANT RESOLUTION

March 9, 2004

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for the cost of **Vista Hills Blvd: Bardstown Rd to End** main extension project authorized by Ordinance No. 31, Series 2003 of the Louisville/Jefferson County Metro Council, adopted on March 13, 2003 such warrants to be against three (3) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute the apportionment warrants with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

ACCOUNT	NAME	LOCATION	ASSESSMENT	PAID IN FULL	RELEASE OF LIEN
0936925	JOHN & BILL DURBIN 10311 VISTA HILLS BLVD LOUISVILLE KY 40291	10311 VISTA HILLS BLVD DEED-BK 5432 DEED-PG 783 TAX-DST TAX-BLK 88	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	8	
0936990	FERN CREEK FIRE PROTECTION DIS C/O C/O CHARLES J. BAUER JR PO BOX 91025 LOUISVILLE KY 40291	10100 VISTA HILLS BLVD DEED-BK DEED-PG TAX-DST TAX-BLK 88	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	21	
0936997	ADRIENNE K WALKER 5385 HWY 60 VINE GROVE KY 40175	10310 VISTA HILLS BLVD DEED-BK 3798 DEED-PG 389 TAX-DST TAX-BLK 88	5,450.00 LIEN-DT LIEN-BK LIEN-PG LOT-NO.	10	

**BOARD OF WATER WORKS
MEETING MINUTES
APRIL 13, 2004**

Board Members Present:

Mr. Phillip Bond
Mr. Stewart Conner
Mr. Gerald Martin
Ms. Wendy Welsh
Ms. Marita Willis
Dr. Joseph Wise

Others Present:

Mr. John Huber, President
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Robert Miller, Vice President, Treasurer
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers and Business Development
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Development
Mr. Rick Johnstone, Deputy Mayor, Metro Louisville

The Regular Meeting of the Board of Water Works was held on Tuesday, April 13, 2004 in the Board Room of the Louisville Water Company. Mr. John Huber called the meeting to order at 12:45 p.m.

Consent Agenda Reviewed and Approved

With regard to the minutes from the previously approved February 23, 2004 Meeting, the BOWW reviewed the minutes again because they did not include a revision requested at the March 9, 2004 meeting by Gerald Martin. Mr. Robert Miller summarized why the minutes from the February 23, 2004 did not ultimately show this revision and his recommendation that they be revised to include the following:

"Mr. Martin raised questions about how the comparable companies were selected, how the relative performance ratios were calculated, whether the LWC return on investment should be adjusted for a tax effect, and the computation of owner's equity. He suggested getting independent input from accountants, financial analysts, rating agency staff or investment bankers on which performance indicators should be most useful and which return rates or ratios that the board or senior management may rely on to make decisions about capital spending, staffing, management performance, compensation, return on investment targets, and prudent dividend policy. Mr. Miller agreed to provide additional information on these questions and recommendations."

Mr. Huber recommended that the consent agenda be approved with the change in the minutes to the February 23, 2004 minutes and also with the suggested change included in the agenda for the draft March 9, 2004 minutes. Dr. Wise made the motion, seconded by Ms. Welsh, and the motion carried.

The minutes from the March 9, 2004 were approved.

The List of Claims Paid in March 2004 was approved.

The following Petitions and Applications for Water Main Extensions and Relocations were approved:

Develop Installed Refunding Main Extension Projects

10328	G669M	American Red Cross	\$ 9,000.00	
10304	G622M	Arbor Creek Pike Property	\$ 7,770.00	
10328	G672M	Locust Creek Section 4	\$81,420.00	\$17,500.00
10356	G670M	Indian Falls Section 8A	\$63,220.00	\$ 7,400.00
10330	G647M	Woods of Farnsley Moorman 2B	\$75,680.00	
10359	G668M	Billtown Farms Section 4	\$78,780.00	\$11,200.00
10365	G671M	Wildwood Phase 4	\$69,620.00	\$ 7,100.00
10361	G675M	Old Brownsboro Gardens Phase 3	\$17,820.00	
10353	G625M	Shelbyville Road Plaza	\$36,440.00	
10089	G608M	Mansfield Estates	\$40,070.00	
10367	G673M	Little Spring Farm Section 2A	\$71,070.00	\$ 7,900.00

The Board received the report of Contracts less than \$100,000.

Administrative Report

Mr. Huber stated that, pursuant to an advisory issued by the Department of Homeland Security, the Federal Government is beginning to provide grant funds for assisting water utilities in dealing with threats of terrorism. The Federal Government is also pursuing online monitoring devices to be placed in the distribution system and is reviewing its regulatory authority for requiring such devices throughout the distribution system.

Mr. Huber stated that other updates, such as water sales, will be provided along with other portions of the agenda.

Financial Report

Mr. Miller advised that the title of reports in the financial statements is different under the new GASB 34 requirements. Mr. Miller reviewed the Statement of Revenues, Expenses, and Changes in Net Assets with budget and prior year comparisons for financial results through March. Total Operating Revenue of \$23,995,581 is \$858,366 or 3.5 less than budgeted and \$927,223 or 4.0%

more than the same period in 2003. Operation and Maintenance Expenses of \$11,325,673 is \$516,447 or 4.8% more than budgeted and \$387,058 or 3.5% more than 2003. Total Operating Expenses of \$17,488,773 are \$166,562 or 0.9% less than budgeted and \$553,274 or 3.3% more than 2003. Net Operating Income of \$6,506,808 is \$691,805 or 9.6% less than budgeted and \$373,948 or 6.1% more than 2003. Total Net Non-Operating Expense of \$1,851,774 is \$784,217 or 73.5% more than budgeted and \$693,847 or 59.9% more than 2003. Net Income of \$4,655,034 is \$1,476,021 or 24.1% less than budgeted and \$319,899 or 6.4% less than 2003. Mr. Miller advised that expenses are higher, in part, as a result of high gasoline prices and legal fees due to the lack of in-house legal staff.

Operations and Engineering Report Filed

Mr. Heitzman presented the Operations and Engineering Report.

The water production in March of 112.5 MGD was 7.1 percent lower than the March 2003 production of 121.1 MGD, and was 1.7 percent lower than the 5-year average March production of 114.4 MGD. The year-to-date production was 6.1 percent lower than 2003 and 0.5 percent lower than the 5-year average production.

On March 4, 2004, Water Quality staff initiated a two-week period of operating the BE Payne Plant with 100 percent supply from the riverbank filtration demonstration well. The test was completed on March 19, 2004. During the test period, staff collected valuable information on radon levels and water hardness that will allow design for water softening and pH adjustment. From the analysis, aeration of the well supply will not be required, since radon levels are below regulatory limits. Further, the test results indicate that existing plant facilities can be easily modified to treat the riverbank filtered water through softening and pH adjustment. Staff is evaluating the impact on operations and maintenance budgets, considering changes in chemical use, power and maintenance schedules. Water quality will be significantly enhanced as a result of the additional treatment processes.

On March 24, 2004, LG&E attempted another start of the gas turbine generator at Zorn Pump Station. The generator failed to start again. This is the third attempt to run the emergency generator. Production staff is requesting a written report from LG&E on why the generator failed to run and what steps can be taken to resolve the problem. Staff will continue working with LG&E to get the issue resolved and plan to conduct future testing on a regularly basis.

Louisville Water Company acquired the Goshen water system in August 2002. The acquisition of the system included two elevated storage tanks: the Spindletop 250,000-gallon tank and the Harmony Landing 50,000 gallon tank. Due to its age, the Spindletop tank required structural reinforcement to the roof to assure stability of the tank. The project is complete and the tank returned to service. The existing Goshen storage tanks provide adequate volume for average day water demands; however do not have adequate volume for peak summer demands or for the planned residential growth in this area of Oldham County. Staff is working with the Oldham County School District and area developers to locate suitable property for a one million gallon water storage facility that will ultimately replace the two Goshen storage tanks. Plan is to have this new regional storage facility in service by summer of 2006.

A recent article in the March 22 edition of Engineering News Record profiles the recent increase in material prices for steel (20 to 60 percent), ductile iron (17 percent), copper tubing (16 percent), and plywood lumber (41 percent). In addition, local vendors have advised the company of expected increases for cement and concrete. The recent rise is being attributed to high energy prices and the strong demand for building material commodities in China. Although these high construction prices have not yet impacted broad inflation rates, these prices are making their way through suppliers to owners on major construction prices. This wave of price increases can be expected to impact our costs for all metallic piping and steel structures, such as water tanks.

Serving Customers and Business Development Report Filed

Ms. Teasley presented the Serving Customers Report.

Customer Satisfaction dropped moderately in the first quarter of 2004 from a fourth quarter 2003 Total Customer Satisfaction Index (CSI) high of 855 to a Total CSI of 845. This result is consistent with the 2003 annual average Total CSI score of 845. This exceeds the corporate Level 1 goal for the Total CSI of 840. Factors which went down in satisfaction levels included water quality, reliability, price/value and information, while customer service satisfaction levels increased to a new high (876 for residential non-service). Customer satisfaction for the Service CSI continued to climb in the first quarter of 2004 to 805, a new high for serviced accounts. This exceeds the Level 3 goal for customer satisfaction for the Corporate Performance Award of 800. Satisfaction increased in the areas of water quality, information and price/value for serviced customers.

As mentioned last month Louisville Water Company staff met informally with the Public Service Commission staff on January 15, 2004, to discuss the proposed water rate increase for regulated wholesale customers of LWC. Based upon direction from the PSC staff, LWC worked closely with our outside attorney, Mr. James Park, with the Lexington office of Frost, Brown, and Todd to meet the filing requirements. Mr. Park filed a request for a wholesale water rate increase with the PSC on March 12, 2004. A new wholesale agreement for North Nelson to obtain water service at LWC wholesale rates was also filed with the PSC. Assuming there is not an inquiry or intervention, the PSC advised LWC staff that upon filing the rate request, the PSC would respond within 30 days, which was April 12, 2004. LWC staff had not received documentation from the PSC prior to the BOWW meeting, but it appears that the wholesale rate increase will be accepted by the PSC and LWC will be able to implement the rate increase within the originally budgeted timeline of May, 2004.

LWC staff met with the Oldham County Water District Advisory Board on March 31, 2004. The Advisory Board reviewed the status of reserve funds, system improvements and progress on the Oldham County extension program. The Advisory Board approved disbanding on June 30, 2004 following completion of all projects and spending the remainder of the reserve funds. The Board also approved forming a new Oldham County advisory board composed of five representatives from various constituencies in LWC's Oldham County service area. The existing members of the Oldham County Water District Advisory Board will continue to serve on the new Board.

Compensation Committee Report

Committee Chairperson Stewart Conner provided a report of the Compensation Committee meeting held on Wednesday, April 7, 2004 and attended by board members Mr. Conner and Ms. Welsh. Mr. Conner discussed that the Compensation Committee would have a proposed charter for the entire Board to review at the next regular meeting.

With regard to Director compensation, Mr. Conner stated that the committee felt the current Director compensation was appropriate at this time, and the Committee recommends that it stay the same, especially given our current financial issues. However, Mr. Conner agreed that with the addition of Mr. Martin to the Compensation Committee, he would put it back on the next Compensation Committee meeting to be discussed.

Vice President Susan Lehmann presented the board with the employee Compensation Program, emphasizing that these were enhancements to the current program rather than a complete re-design of it. Ms. Lehmann explained that the 2004 Merit Matrix will allow managers discretion on decisions of merit based on the employee's performance rating. The revised program provides a merit increase only, rather than the merit increase plus the market movement or cost of living increase under the previous administration of the program.

Closed Session

At 1:50 p.m., Mr. Huber recommended the Board go into closed session pursuant to KRS 61.810(1)(b) to discuss real estate, KRS 61.810(1)(c) to discuss proposed or pending litigation, and KRS 61.810(1)(f) to discuss personnel matters. Mr. Martin moved that the Board go into closed session, Mr. Conner seconded, and the motion carried.

Open Session Resumed

The Board resumed open session at 2:30 p.m. and Mr. Bond moved that the Board approve the following salaries effective April 1, 2004:

Greg Heitzman, Vice President-Chief Engineer	\$136,750.00
Robert Miller, Vice President-Treasurer	\$130,500.00
Karla Teasley, Vice President-Serving Customers	\$132,600.00
Susan Lehmann, Vice President-Human Resources	\$120,000.00
John Huber, President	\$189,284.00.

Ms. Willis seconded the motion, and the motion carried. This concluded the action coming out of closed session.

Audit Committee Report Given

Committee Chairperson Phillip Bond provided a report of the Audit Committee. The Audit Committee met on April 5, 2004 with Ed Olliges and Laurie Haun of Crowe Chizek. Mr. Olliges and Ms. Haun reviewed the Management Letter from the company-requested Walkthrough of Revenue, Expenditure and Payroll Cycle, and Amber Halloran provided the company's response,

which included actions taken to correct the items noted in the letter. Ms. Haun reviewed the Management Letter from the Annual Audit and Ms. Halloran and Robert Miller provided the company's response, which included actions to correct any reportable conditions item. The Audit Committee felt that the company's response was adequate. The Audit Committee also reviewed the Financial Statements, and it was determined that the dividend prepayment would be shown as a separate line item.

The Audit Committee received a report from Roger Lemaster, Internal Auditor, on Risk Assessment and Control Evaluation, and Mr. Miller provided the company response, including the actions that the company is taking to improve controls and manage risks: examine staffing levels related to performance against system objectives; establish goals in each business system operating plan to improve communications between systems; continue the Executive Leadership Team's examination of corporate policies and consider training managers in policy application; develop procedures for preventive maintenance of transmission valves; and organize facility safety teams and conduct regular field and facility safety audits. Of all these, Mr. Bond stressed that the Committee wanted to ensure that there are adequate staffing levels related to performance against system objectives.

Mr. Bond advised that the Committee had fully considered the auditor selection for the 2004 annual audit. Because of the start-up time for the next audit being in April after the prior year audit report is given, and because the process to request proposals would take until about June, the Committee felt it appropriate to extend the current audit contract with Crowe Chizek for one additional year based on last year's pricing. The Committee felt that if the Board continues for another year with its current auditor, that a different partner at the audit firm should oversee the audit.

Mr. Martin moved that the Board delay consideration of a new independent auditor until the 2005 audit year. Mr. Bond stressed that any recommendation for a different auditor is simply in the spirit of Sarbanes Oxley (SOX) Regulations and in no way a negative implication toward Ed Olliges. Ms. Willis seconded, and the motion carried.

Special Issue Regarding Water Rate Usage

Mr. Huber initiated discussion of Dr. Patricia Cerrito's analysis of water usage. Mr. Miller provided an overview of Dr. Cerrito's report, which provides details on water usage in gallons. The report indicates the trend for residential water sales is stationary, despite the increase in residential customers. The forecast for residential water sales is approximately 740 million gallons below the budgeted amount. Mr. Huber noted that the decline appears to be a result of a wider use of conservation-type plumbing fixtures and the fact that sales related to irrigation are dependent on the weather conditions. Commercial water sales have been steadily decreasing since 1999 for three reasons: 1) the economy; 2) the fact that multi-residential communities are considered a commercial account and the data shows high vacancies in those type communities; and 3) the use of conservation type plumbing fixtures. The forecast for commercial water sales is approximately 400 million gallons below the budgeted amount. The forecast for industrial water sales is approximately 450 million gallons above the budgeted amount. The forecast for total water sales is approximately 150 million gallons above budget due to increase water

provided in lieu of taxes. Mr. Miller noted that this information should be considered to determine if the Board should enact a mid-year rate adjustment. Mr. Huber noted that we would realize only half the benefit of a rate increase because it would be ramped in and only be in effect for half the year. The Board also may want to consider a Rate Equalization and Risk Mitigation fund to better respond to revenue issues. Such funds have been implemented in the Western United States, for example. Mr. Huber noted that we have instituted cost saving measures, which helps, but additional cost saving measures might threaten the service and quality we provide. Our customer base is growing by one and a half percent (1 ½ %), but water sales have still decreased. New customers are very important to the long-term picture. New customers outside of Jefferson County represent approximately one-fourth (1/4) to one-third (1/3) of all new customers. More information regarding a mid-year rate adjustment will be on the May 2004 Board agenda.

Contract Renewed for Bid 00-66: Small and Large Meter Vault Frames and Lids

Mr. Conner moved to award a one-year contract to Bingham & Taylor in the amount of \$211,817.00 for Light and Heavy Frames and Lids and \$32,381.00 for Light and Heavy Lids; to General Foundries in the amount of \$28,950.00 for Monitor Casting and Lids and \$3,369.00 for Monitor Lids; and to Ford Meter Box in the amount of \$9,250.00 for ¼ Turn Lids. Ms. Welsh seconded, and the motion carried.

Contract Awarded for Bid 04-11: Aluminum Hatches

Mr. Martin moved to award a two-year contract to Cierra/Babcok-Davis in the amount of \$120,500.00 for aluminum hatches to concrete meter vaults. Mr. Bond seconded, and the motion carried.

Contract Awarded for Project 02-528: Old Floydburg Road Main Replacement

Mr. Conner moved to award a contract to Tom Brown Construction in the amount of \$290,420.00 to install the water facilities for this project. Dr. Wise seconded, and the motion carried.

Contract Awarded for Project 02-618: Crescent Hill Reservoir Site Improvements Phase IIIB

Mr. Bond moved to award a contract to Mac Construction and Excavating, Inc. in the amount of \$474,900 for the installation of sidewalks, lighting and other facilities at the Crescent Hill Reservoir. Ms. Welsh seconded, and the motion carried.

Draft Principles of Corporate Governance

Mr. Huber discussed the proposed Draft Principles of Corporate Governance. Although LWC is not governed by Sarbanes Oxley, we want to follow some of those same principles. Mr. Miller advised that we had previously adopted the framework from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) regarding guidelines to manage internal

controls. Mr. Miller reviewed the elements of the governance and management. Adoption of the Draft Principles of Governance will be considered at an upcoming board meeting.

Legislative Update

Mr. Vince Guentner provided a legislative update. Mr. Guentner noted that the activity in the session resulted in very little impact to LWC. As of this meeting, the state has not passed a budget.

Construction Inspection Coverage and Quality Assurance

Ms. Teasley provided this report. LWC staff analyzed our construction inspection coverage and developed a Quality Assurance Program to provide appropriate levels of consistent and quality inspection services. This program will increase inspection coverage, thereby ensuring a longer life for our water system, and will also provide support to our Internal Auditor for audits relating to pipeline construction. The board was advised that five (5) Construction Inspectors accepted the early retirement offer. Two positions will be filled with employees moving from other roles. It will be necessary to retain the services of at least three (3) additional construction inspectors through a contract previously approved by the Board with Quest Engineers

Human Resources Information System (HRIS)

Mr. Miller provided this report. Mr. Miller states a HRIS is part of an important set of integrated computer applications to help the company manage information, benefits, payroll, training, tax filing and recruiting. The current system used for payroll applications is outdated and incompatible with our servers and desktops, thereby requiring us to maintain an outdated operating system for the sole purpose of managing payroll. Further, there is limited functionality, access, ability to upgrade, and ability to interface systems with the current system. Extensive benchmarking has occurred to determine an appropriate solution for LWC. The current budget for this project was \$250,000, but this amount was simply to move to a supported release of our existing software, and did not provide for additional functionality. A more appropriate base funding level is between \$750,000 and \$1,000,000 although the eventual recommended budget may need to be even higher. Staff is evaluating four options and will present the business case and request authorization to proceed with final design and solicitation of proposals at an upcoming Board meeting.

Contract Change Action Approved for Project 99-414: Crescent Hill South Reservoir Liner Installation

Dr. Wise moved to authorize the increase of contract F695 with Hall Contracting to a maximum of \$264,000 and increase the total project budget for this project from \$2,850,000 to \$3,332,582. Mr. Martin seconded, and the motion carried.

Apportionment Warrant Issued for Lonesome Hollow Road: Jefferson Hill Road to North 765 Feet

Dr. Wise moved to adopt the following resolution for the issuance of Apportionment Warrants and liens for 2 benefited properties on Lonesome Hollow Road in accordance with KRS 96.265:

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for the cost of **Lonesome Hollow Rd: Jefferson Hill Rd to North 765 feet** main extension project authorized by Ordinance No. 31, Series 2002 of the Jefferson Fiscal Court, adopted on November 12, 2002 such warrants to be against two (2) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute the apportionment warrants with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

Mr. Bond seconded, and the motion carried.

Budget Change Approved for Project 10028: Shawnee Area Clean and Line

Mr. Bond moved to approve an increase in the budget amount for the Shawnee Area Clean and Line Project from \$1,845,373 to \$1,972,262.34 and to proceed with final close-out of this project. Ms. Willis seconded, and the motion carried.

Authorization Given to Proceed with Final Design and Advertisement for Bids for Montana Avenue Area Main Replacement Project


Dr. Wise moved to authorize staff to proceed with final design and advertisement for bids of the revised scope for the Montana Avenue Main Replacement Project in the projected budget amount of \$1,557,000. Mr. Bond seconded, and the motion carried.

Authorization Given to Proceed with Final Design and Advertisement for Bids for the Mary T. Meagher Aquatic Center

Mr. Bond moved to authorize staff to establish a capital project budget in the amount of \$400,000, proceed with design, and solicit bids for the parking lot improvements at the Mary T. Meagher Aquatic Center. Ms. Willis seconded, and the motion carried.

There being no further business to conduct, Mr. Huber recommended that the meeting adjourn at 4:25 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel
and Secretary to the Board of Water Works

**BOARD OF WATER WORKS
ANNUAL MEETING MINUTES
APRIL 23, 2004**

Board Members Present:

Mr. Phillip Bond
Mr. Stewart Conner
Mr. Rick Johnstone, designee for Mayor Jerry Abramson
Mr. Gerald Martin
Ms. Wendy Welsh
Ms. Marita Willis
Dr. Joseph Wise

Others Present:

Mr. John Huber, President
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Robert Miller, Vice President, Treasurer
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers and Business Development
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Development

The Annual Meeting of the Board of Water Works was held on Tuesday, April 13, 2004 in the Board Room of the Louisville Water Company. Mr. John Huber called the meeting to order at 12:35 p.m.

Election of Officers

Mr. Huber relinquished the chair to Barbara Dickens, General Counsel, to conduct the election of the Company President. Ms. Dickens asked for nominations for the position of President. Ms. Welsh nominated John Huber. Mr. Conner moved to approve John Huber as President, and Dr. Weis seconded that nomination. Dr. Weis clarified that we should accept other nominations, if there were any. There were no other nominations. The motion carried unanimously, and Mr. Huber was named President.

Mr. Huber resumed Chair of the meeting and recommended Phillip Bond as Vice-President of the Board (serves without compensation). Mr. Conner made the motion for Phillip Bond as Vice-President, seconded by Ms. Welsh, and the motion carried unanimously.

Mr. Huber recommended Mr. Gregory Heitzman for the position of Vice President-Chief Engineer. Ms. Welsh made the motion for Gregory Heitzman as Vice-President, Chief Engineer, seconded by Dr. Weis, and the motion carried.

Mr. Huber recommended Mr. Robert Miller for the position of Vice President-Treasurer. Dr. Weis made the motion for Robert Miller as Vice President-Treasurer, Ms. Welsh seconded, and the motion carried.

Mr. Huber recommended Barbara Dickens as Vice President-General Counsel and Corporate Secretary of the BOWW. Mr. Conner moved to approve Barbara Dickens as Secretary, Dr. Weis seconded, and the motion carried.

Mr. Huber recommended Ms. Karla Teasley for the position of Vice President-Serving Customers and Business Development. Dr. Weis made the motion for Karla Teasley as Vice-President-Serving Customers and Business Development, Mr. Gerald Martin seconded, and the motion carried.

Selection of Auditor

Mr. Huber advised that the selection of the auditor would be discussed at a future meeting of the BOWW.

Committee Appointments

Mr. Huber stated that he had talked with members of the BOWW, and all had agreed to serve on the various committees.

Mr. Huber recommended that the Audit Committee be comprised of Mr. Phillip Bond, Chairperson, Dr. Joseph Wise and Ms. Wendy Welsh for the ensuing year. Mr. Conner made the motion for those members to serve on the Audit Committee for the ensuing year, Mr. Martin seconded, and the motion carried.

Mr. Huber recommended that the Compensation Committee be comprised of Mr. Stewart Conner, Chairperson, Mr. Gerald Martin, and Ms. Wendy Welsh for the ensuing year. Dr. Weis made the motion for those members to serve on the Compensation Committee for the ensuing year, Ms. Willis seconded, and the motion carried.

Mr. Huber recommended that the Public Affairs and Customer Satisfaction Committee be comprised of Ms. Marita Willis, Chairperson, Mr. Stewart Conner and Dr. Joseph Weis for the ensuing year. Mr. Martin made the motion for those members to serve on the Public Affairs and Customer Satisfaction Committee for the ensuing year, Ms. Welsh seconded, and the motion carried.

There being no further business, Mr. Huber recommended the BOWW adjourn. Dr. Weis made a motion to adjourn, seconded by Ms. Willis, and the motion carried. The Annual Meeting adjourned at 12:45 pm.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Secretary

**BOARD OF WATER WORKS
MEETING MINUTES
MAY 11, 2004**

Board Members Present:

Mr. Phillip Bond
Mr. Gerald Martin
Ms. Wendy Welsh
Ms. Marita Willis
Dr. Joseph Wise
Not Present:
Mr. Stewart Conner
Mayor Jerry Abramson

Others Present:

Mr. John Huber, President
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Robert Miller, Vice President, Treasurer
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers and Business Development
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Development
Mr. Rick Johnstone, Deputy Mayor, Metro Louisville

Visitors:

Barbara Crow, Process Owner, Providing Strategic Communications
Vince Guenther, Process Owner, Providing Governmental Relations
Steve Greseth, Black & Veatch Consulting Engineers

The Regular Meeting of the Board of Water Works was held on Tuesday, May 11, 2004 in the Board Room of the Louisville Water Company. Mr. John Huber called the meeting to order at 12:35 p.m.

Consent Agenda Reviewed and Approved

Regarding the April Annual and Regular Meeting minutes, Ms. Welsh noted that both minutes incorrectly reflect the day of the meetings as Monday instead of Tuesday. Also, there was an error in referring to Ms. Welsh as Mister. Other than those changes, there were no changes to the consent agenda and Ms. Welsh made the motion to approve, seconded by Dr. Wise, and the motion carried.

The minutes from the 2004 Annual Meeting held April 13, 2004 and the Regular Meeting minutes from April 13, 2004 were approved.

The List of Claims Paid in April 2004 was filed.

The following Petitions and Applications for Water Main Extensions and Relocations were approved:

Developer Installed Refunding Main Extension Projects

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
02-056	G739M	The Plaza at Hurstbourne Green Ph. 2	\$33,570.00	\$8,600.00
03-081	G678M	Bridle Bend Way Extension	\$18,550.00	
03-088	G626M	Polo Fields Section 16	\$55,700.00	\$8,100.00
10062	G681M	Worthington Place Section 2	\$114,180.00	
10091	G741M	Valhalla Vista Condominiums	\$66,200.00	
10109	G620M	Wyndemere Condominiums	\$61,300.00	
10113	G621M	Claymont Springs Subdivision	\$154,080.00	
10117	G740M	Gardiner Park Section 3	\$34,630.00	
10131	G745M	Family Medicine Associates	\$28,500.00	
10136	G683M	Bethany United Methodist Church	\$17,500.00	
10137	G686M	Tucker Lake Estates Condo. Sec. 3	\$54,220.00	
10332	G684M	Arlington Meadows Section 2	\$89,770.00	\$16,700.00
10333	G623M	The Gardens at Claymont Springs	\$37,120.00	
10342	G677M	Farmstead Subdivision Ph. 1	\$18,950.00	
10343	G680M	Seminary Woods Res. Condo. Ph. 2	\$46,520.00	\$9,000.00
10358	G744M	Prologis Park Phase II	\$33,650.00	
10375	G688M	Silver Oaks Section 5A	\$60,480.00	
10379	G746M	Fountain Avenue Phase 3	\$5,830.00	
10380	G742M	Bridlewood Trails Section 3B	\$52,450.00	\$700.00
10381	G743M	Bridlewood Trails Section 3C	\$35,730.00	

10396	G749M	Valencia at the Summit	\$15,570.00
<u>Tapping Fee Main Extension Projects</u>			
G748T		Nall Avenue	\$12,400.00

The Board received the report of Contracts less than \$100,000 as follows:

Operations And Maintenance

04-33	Inspection, Maintenance and Repair of HVAC Systems	
	ACCO, Inc.	\$24,920

Procurement Of Materials And Services

03-55	Employee Assistance Program Service (Three Stuecker & Associates	\$38,004
03-LW01-B	Lawn Maintenance of LWC Grounds Creationist Company	\$41,860
03-LW01-B	Lawn Maintenance of LWC Grounds Ward Brothers Mowing	\$73,833
03-LW01-B	Lawn Maintenance of LWC Grounds Quality Lawns	\$54,075

Administrative Report

John Huber explained that he has nothing to report that is not contained in the other reports that will be given. Mr. Huber advised that, in light of all the work being conducted at the B.E. Payne plant and the RBI project, he would like for the Board to hold one of its meetings there in possibly June or October to acquaint newer board members with the work there. He will provide more information to the Board later regarding meeting at the plant.

Financial Report

Mr. Miller presented the Financial Report.

Mr. Miller reviewed the Statement of Revenues, Expenses, and Changes in Net Assets with budget and prior year comparisons for financial results through April 2004. Usually, these results are compared against the budget that the Board approved, which is important, but it is also important to compare these results to the Revised Financial Plan, which was done. Total Operating Revenue of \$31,648,792 is \$979,920 or 3.0% less than budgeted and \$1,453,868 or 4.8% more than the same period in 2003. Total Operating Expenses of \$22,934,018 are \$688,744 or 2.7% less than budgeted and \$186,009 or 0.8% more than 2003. Net Income of \$6,488,217 is \$1,144,326 or 15.0% less than budgeted and \$454,713 or 7.5% more than 2003. Mr. Martin asked for clarification regarding the 2003 prepaid dividend, and Mr. Miller advised that this is reflected in the increased dividend target for 2004. Mr. Bond sought clarification regarding the depreciation and amortization and Mr. Miller stated that because staff is closing out some projects later than anticipated, and expenses for those projects will get booked later in the year. Therefore, the company's financial forecast is positively affected by depreciation at this time. Mr.

Martin asked for an explanation for the significant increase in accounts receivable – water. Mr. Miller will research this matter and report back later.

Operations and Engineering Report Filed

Mr. Heitzman presented the Operations and Engineering Report.

Production – The water production in April of 116.2 MGD was 5.2 percent lower than the April 2003 production of 121.4 MGD, and was 1.8 percent lower than the five-year average April production of 118.0 MGD. The year-to-date production was 7.0 percent lower than 2003 and 0.9 percent lower than the five-year average production.

Goshen Fluoride Incident – On April 16, water quality staff discovered that one of the four daily samples (the one near the ground storage tank) collected from the Goshen system had a fluoride concentration of 3.6 ppm, while the other three samples had normal concentrations (~1.0 ppm). An investigation is underway to determine the cause (system failure or operator error). Staff followed appropriate procedures in response to the incident including notification to the state agencies. As a result, no violation occurred.

Bank Filtration Well Pump Failure – In April, the second Riverbank Filtration well pump failed. As a result, the B.E. Payne plant is currently supplied from 100 percent Ohio River source water. Staff is in the process of investigating the causes of pump failure and collecting cost information for the repairs. It is important for the RBI project to make sure that the pump failure is not related to design, which could impact the overall project. The pump repair is expected to be complete by July and returned to operation.

Crescent Hill Pump Station, 48-inch Transmission Main Leak – During April, staff conducted a series of fluoride tracer tests on the pump station discharge header to validate the source of the annex leakage. These tests confirmed a major leak on the north 48-inch discharge header, outside of the building. Water has been leaking through the pump station annex walls for over 20 years. The leakage is estimated to be over 300,000 gallons per day. Finding the leak will reduce the total amount of unaccounted for water. The 48-inch main has been isolated and repair efforts initiated. Contracts have been executed with Miller Pipeline and Hall Contracting to install approximately 15 internal joint seals. FMSM Engineers are also being used to evaluate the external soil conditions in the area of the leak, to assure we do not have a major underground void that would impact the building foundation. The estimated costs for this internal repair and subsequent investigation are currently estimated to be approximately \$50,000. Completion of the work is anticipated by May 14.

Crescent Hill North-South Filter Building Slate Roof Replacement - This project was proposed in the 2003 Capital Budget at an estimated cost of \$2.0 million to cover slate roof replacement only. The Company retained Roof Resources, Inc. to perform a comprehensive analysis of the condition of the slate roofs and building structure at Crescent Hill. The final report was delivered to the Company in April 2004. The report documents significant deterioration to this 100 year old facility. The report recommends major corrective actions, including: replacing the slate roof and gutters; rebuilding dormers; removing ornamental cresting on the roof ridge; replacing and reinforcing roof deck and rafters; replacement of damaged windows; and repair of exterior building cracks. The revised estimated project budget for full building rehabilitation, including construction, consultant fees, and project management expenses, is \$3.5 million. Staff is evaluating the report to identify improvements that meet operating objectives, consider historic and architectural features, and extend facility life. Final recommendations and proposed budgets will be presented to the Board in June.

Derby Festival Security Preparations – Staff from across the company collaborated on planning and executing plans to ensure that appropriate field checks were made of key water supply facilities prior to

the major Derby Festival events. This effort included checking Derby Festival sites and routes for a variety of possible problems, including: loose or missing valve box lids, loose or missing caps on fire hydrants, water main leaks and street depressions, and any incomplete restoration work. For Oaks and Derby, the distribution system was thoroughly checked for proper valve operations, meter availability, and fire hydrant availability and security. LWC staff were on call and available for any emergency regarding water supply. There were no reported incidents with the Derby Festival this year.

Warehouse Inventory Preparations – Staff has begun the preparation process for the annual inventory which is to be performed in June. This year's annual inventory count will be performed manually, since the bar coding technology used in the past is not compatible with the new Financial Information System. Plan is to install a new warehouse management module in 2005 that will link to the new Financial Information System. The physical count process will be more labor intensive to conduct and will require overtime to complete. Actual results may show increases in absolute and net adjustments due to the manual count process.

Serving Customers and Business Development Report Filed

Ms. Teasley presented the Serving Customers Report.

Dispatch System - A project team has been working with Viryanet and Alliance on implementing the Mobile Dispatch System since June 2003. The system has been in production since March 4, 2004 when the fire hydrant maintenance system was implemented. The system will more effectively route service orders, thereby reducing fuel costs and employee time allocation. Ultimately it will interface with the Interactive Web Response System. The total cost for the system includes the individual unit costs, which include Global Positioning Systems. The most recent group to go-live was the repair leaders, who have been using the system since April 19th. Other groups that have recently started using the system include meter exchangers and the large meter repair team. The next group of users to move to production are the customer service representatives which is by far the largest group in terms of the number of mobile users and the number of service visits completed in a day. There is also a significant amount of testing and complexity involved with the multiple types of service orders and huge volume of this work. The current schedule anticipates having all 40 users in production by the second week of June 2004.

Automated Meter Reading - Installation of Automated Meter Reading (AMR) equipment in the three pilot areas of Goshen, Shepherdsville and Kentucky Turnpike #2 is progressing and AMR equipment will be installed in 100% of services in the pilot areas by the end of 2004. As of April 2004, Neptune Technology Group, Inc. has completed the installation of new AMR meters pursuant to the contract. The AMR technology is performing well and 5,765 meters were read remotely through the first billing cycle of 2004 with an accuracy of 98.51%.

Wholesale Rate Increase - LWC's wholesale rate increase for North Shelby, West Shelby and North Nelson Water Districts was reviewed and accepted by the Kentucky Public Service Commission in April. The new wholesale rates went into effect May 1, as originally scheduled for all regulated and unregulated wholesale customers. Staff has been notified of a rate increase by the City of Mt. Washington which passes on the cost of LWC's wholesale rate increase to the City's retail customers. Also staff is aware that our regulated wholesale customers are completing the filing requirements to pass the increase along to their retail customers.

Bullitt County Advisory Board - The Bullitt County Advisory Board met for its regular quarterly meeting on April 26, 2004. Staff provided financial information regarding the status of the Bullitt County Water Reserve as well as the status on the capital projects underway under the Bullitt County Water Improvement Program. The Advisory Board engaged in vigorous discussion regarding the number of

customers along a two-thirds majority main extension who signed a letter of intent to apply for water versus those customers who actually apply for and receive water service following the completion of the main installation. Data presented to the Advisory Board by staff indicates that 70% of those customers along a 2/3 majority main extension apply for and receive water service within 12 months as opposed to the 2/3 majority petition stipulation of 6 months. The Advisory Board requested LWC staff to devise a solution that will assure those residents who sign a 2/3 majority petition for a main extension will apply for and receive service. Bullitt County Judge-Executive Kenneth Rigdon also attended the meeting and expressed his opinion that those who sign a 2/3 majority petition should honor their obligation and apply for and receive service. The Advisory Board also expressed concern with the total price of the Community Development Block Grant Project, but indicated support for LWC to proceed with dividing the project into three separate bid proposals and implementing value engineering strategies to encourage vigorous bid competition. Staff is considering other approaches, such as a deposit or promissory note that potential customers along the water main extension might sign, to ensure they apply for service within the six months. The problem in Bullitt County is different than what LWC dealt with in Jefferson County because the Jefferson County Extension Program operated under a specific state statute allowing the Board to issue the Apportionment Warrants. LWC can consider that option as well, but it would require legislative action and may result in negative perceptions among those residents.

First Lady Laura Bush visited the Louisville Water Tower in conjunction with the Preserve America Program on April 20, 2004. This visit helps position LWC to seek funds from this program.

Closed Session

At 1:20 p.m., Mr. Huber recommended the Board go into closed session pursuant to KRS 61.810(1)(b) to discuss real estate and KRS-61.810(1)(c), to discuss proposed or pending litigation. Mr. Bond moved that the Board go into closed session, Ms. Welsh seconded, and the motion carried.

Open Session Resumed

The Board resumed open session at 1:30 p.m. There was no action coming out of closed session.

Special Issue Regarding Riverbank Filtration, Phase II

Kay Ball, RBI Project Manager provided this report.

As we near completion of the design of the project, it is necessary to revise construction estimates based on specific material and equipment requirements and the construction methods designated in the plans and specifications. Since the last update to the Board in April 2003, the tunnel alignment has increased from 8,000 feet to 8,600 feet. This design improvement relocates the entrance caisson from the floodplain to a secure area adjacent to the pump house. This change will eliminate the tunnel equipment and truck traffic across the lagoons and through residential neighborhoods. The construction requires specialized equipment for tunneling, material handling, and removal. This design will provide for secure access and will reduce the vulnerability of flooding during construction. The cost estimate based on 95 percent design plan completion has increased from \$28,000,000 to \$31,000,000. This revised budget estimate includes an 11 percent construction contingency.

Staff has successfully negotiated 13 (68 percent) of the 18 properties necessary to move forward with the project. Second appraisals have been completed on the remaining properties and offers have been made based on the higher of the two appraisals. Easement acquisition remains a critical component of this project and will have significant impact on the bidding schedule and cash flow. It is anticipated staff will

return to the Board in June to discuss the property acquisition and alternative acquisition methods. At this time, acquisition and legal fees remain within the \$1.0 million budget reservation.

As a result of the wellhead protection program and the easement acquisition, the Company proposes to install sanitary sewers along Transylvania Beach Road. The sewers will allow elimination of the existing septic tanks serving the residents. We are in the process of negotiating with MSD for the installation of the sewers at an anticipated cost of \$1,000,000. This will be included as a separate project in the 2005 budget.

Staff requests the Board establish a revised budget reservation in the amount of \$37,323,300 and grant authorization to proceed with the bid of Riverbank Filtration, Phase II. It is anticipated staff will return to the Board in the fall of 2004 with the bid and request for approval to proceed with the contract. Mr. Heitzman clarified that there will be no impact on this year's capital budget, but that the project will be spread out for the next three to five years. Mr. Martin moved to approve the revised budget reservation in the amount of \$37,323,300 and to proceed with bids for this project. Dr. Wise seconded, and the motion carried.

Ms. Ball presented the information regarding the Consulting Engineers Contract for the RBI project. Ms. Ball noted that the Board Agenda documentation indicating that the cost for the Consulting Engineer to handle the bidding is incorrect: it should state a cost of \$8,000 rather than \$30,000 for bidding. Ms. Ball reviewed the proposed time schedule, with the clarification that once the construction company is selected, it may want to change the project schedule. Ms. Welsh moved that the Board approve a contract with Jordan, Jones & Goulding on a per unit hourly basis in the amount of \$3,323,300. Ms. Willis seconded, and the motion carried.

Special Issue Regarding 2004 Water Sales and Revenue Forecast

Following the decreased water sales results in 2003 and early 2004, an Analysis of Water Usage for 1994-2004 was prepared to determine if the recent sales decrease indicated an erosion of our water sales base. The analysis forecasts that residential and commercial water sales will be lower than previously anticipated, offset only partially by higher than anticipated industrial sales. In order to offset the lower water sales and to ensure adequate recovery of the revenue requirements for the year, staff recommends consideration of two alternatives:

- Defer funding of the Infrastructure Replacement Reserve in 2004
or
- Increase in water rates of 4.0% effective June 1, 2004

Mr. Huber advised that, while those two options are available, it has become clear that a mid-year rate increase is not a favorable course of action. Mr. Huber advised that certainly cutting operating costs is important, and the company is already doing that. However, to cut any more costs will impact quality and service. Therefore, deferring the funding of the Infrastructure Reserve Fund appears to be a more desirable option at this time. This will move the time for borrowing forward and will increase the amount of the borrowing. Further, the usual year-end rate increase will need to be significant. Mr. Miller reviewed a spreadsheet setting forth these options, including the option of taking no action at this time.

Mr. Bond inquired as to how the Infrastructure Replacement Reserve Fund is usually funded. Mr. Miller stated that one-twelfth (1/12) of the budgeted amount each month is placed into the Fund. If LWC suspended this practice, it would stop placing this money into the Fund, which pays for infrastructure maintenance and is drawn on regularly for those costs, and it would also reverse current payments to the Fund for this year.

Mr. Huber clarified that we took \$2.3 million out of the budget last year but then had to add back in \$500,000 for unanticipated expenses, resulting in a net reduction of \$1.8 million from the budget.

Dr. Wise noted that since this Fund is used to keep our infrastructure maintained, suspending this practice of funding the Infrastructure Reserve Fund will impact our cash reserves since that is where the company will have to go to the funds for infrastructure maintenance needs. Mr. Miller agreed that this reduces the company's safety net. The budget would still contain a \$700,000 contingency in our Operations and Maintenance Budget. However, we would have to strictly scrutinize any projects scheduled.

Mr. Huber commented that sales are varying more and we are also carrying a \$1,000,000 self insured retention now, both of which mean that LWC is assuming more risk. As a result, the Board may need to consider a risk mitigation and stabilization fund in the future. He advised that the problem we are experiencing with eroding water sales is not unique in the water utility industry in the southeast region. Mr. Bond commented that this problem appears to be a more permanent problem and may force us to seriously consider a rate increase to deal with it.

Contract Awarded for Bid 04-34: Utility Locating Services

Dr. Wise moved to award a one-year contract, renewable up to three years, to Utility Locating and Mapping Services in the amount of \$454,310 for services to locate underground utilities. Ms. Welsh seconded, and the motion carried.

Contract Awarded for Bid 04-20: Restraint Joint Adaptors

Ms. Welsh moved to award a one-year contract to Viking Supply Company in the amount of \$127,452 for restrain joint adaptors used to join two pieces of water pipe. Mr. Bond seconded, and the motion carried.

Contract Awarded for Bid 04-13: Meter Setters

Dr. Wise moved to award a two-year contract to Hayes Pipe Company in the amount of \$194,337 for meter setters used for the installation of domestic services. Mr. Bond seconded, and the motion carried.

Report Given Regarding Lead and Copper Rule

The Board was advised that the issue of lead and copper in drinking water is one that has received considerable attention from the public lately due to the incident of elevated lead levels in Washington, DC's drinking water supply. LWC has always been in full compliance with the Lead and Copper Rule requirements. In 1993, LWC completed the initial LCR monitoring and treatment study as required by the Kentucky Division of Water (KYDOW), and was approved to use pH adjustment as the "optimal" corrosion control method for minimizing the dissolution of lead and/or copper from the plumbing materials. This treatment method provides stable water with balanced pH, alkalinity, and calcium carbonate. The stable water reduces the dissolution of lead and copper into the water.

Although not required by regulation, LWC implemented a proactive lead service line replacement program in 1985. This program is coordinated with the annual Main Replacement and Rehabilitation program (MRRP). Lead service lines were used by the Company from 1860 to 1937, when copper was introduced as the service line standard. Approximately 75,000 lead service lines were installed during this period. By 1985, approximately 40,000 lead service lines remained in the system. Replacement with the annual MRRP and upon customer request has reduced this number to approximately 22,000. The Company has adopted a goal to eliminate all remaining lead service lines by 2015. In addition to these efforts, the Company provides educational programs through our Pure Tap initiatives, coordinated with

the local school district to test all of its drinking water fountains, and coordinates with the local Health Department to test individual homes anytime there is a high lead reading for an individual.

The incident of elevated lead level in Washington, DC's drinking water has received considerable attention from the public. The incident occurred after a change in water treatment methods, when changing from chlorine to chloramine disinfection process to minimize the formation of disinfection by-products. There is no scientific evidence showing that chloramine disinfection promotes elevated lead levels in drinking water. The incident may have been caused by a treatment change impacting the corrosion control strategy (pH level). EPA is currently reviewing the case and sees that there are many lessons learned from the DC experience, particularly in the area of public education and notification. EPA is considering additional workshops in the area of corrosion control, lead service line replacement, public notification, and public education. At this time, there are no planned changes by EPA to the Lead and Copper Rule.

In summary, LWC has always been in compliance with the Lead and Copper Rule. The levels of lead and copper in Louisville's drinking water have always been significantly lower than regulatory standards (1/3 of the action level). LWC will continue to optimize the treatment process to meet all water quality regulations and to replace aging lead service lines from the distribution system. Public notification and education efforts on lead in drinking water will continue.

Change in Scope Authorized for Chapeze Lane Transmission Main Project

Dr. Wise moved to authorize staff to proceed with advertisement for bids for the Chapeze Lane Transmission Main Project with a project budget of record of \$363,802 from \$310,500 due to confirmation of a significant amount of shale and hard rock. Ms. Welsh seconded, and the motion carried.

Apportionment Warrant Issued for Lonesome Hollow Road: Joyner Hill Road to dead end; Joyner Hill Road: Lonesome Hollow Road to east 1,600 Feet; Tidwell Road; Lonesome Hollow Road to east 700 Feet

Mr. Bond moved to adopt the following resolution for the issuance of Apportionment Warrants and liens for 9 benefited properties on Lonesome Hollow Road, as described above, in accordance with KRS 96.265:

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for the cost of **Lonesome Hollow Road: Joyner Hill Road to dead end; Joyner Hill Road: Lonesome Hollow Road to east 1,600 Feet; Tidwell Road; Lonesome Hollow Road to east 700 Feet** main extension project authorized by Ordinance No. 31, Series 2002 of the Jefferson Fiscal Court, adopted on November 12, 2002 such warrants to be against two (2) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute the apportionment warrants with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

Dr. Wise seconded, and the motion carried.

Grant from Kentucky Infrastructure Authority Approved for Bullitt County Extension Program

Mr. Bond moved to approve the acceptance of Tobacco Settlement Fund Grants from the Kentucky Infrastructure Authority for the Bullitt County Extension Program for the projects listed below, authorizing the amendment of the 2004 LWC Budget to note receipt of grant funds, approving the grant agreement, authorizing the Vice President of Serving Customers and Business Development to sign all documents, and adopting the resolution set forth herein below:

<u>State ID No.</u>	<u>Project</u>	<u>No. Served</u>	<u>Proposed KIA Grant</u>	<u>Tapping Fee</u>	<u>Total</u>
WX21029104	Lebanon Junction Project	925	\$383,000		\$1,157,700
	Hwy 61 - Hwy 733 to Lebanon Junction Corp. Limit	23	\$60,323	\$39,348 (\$1,711 each)	\$182,700
	500,000 Gallon Storage Tank	925	\$231,715	N/A	\$700,000
	Booster Pump Station	925	\$91,963	N/A	\$275,000
WX21029020	Brooks Hill Rd. Extension	40	\$126,000	\$46,166 (\$1,154 each)	\$276,570
WX21029100	Knob Creek Rd. Extension	4	\$90,000	\$19,537 (\$4,884 each)	\$210,000
WX21029049	E Hwy 480 Storage Tank	1,000	\$300,000	N/A	\$891,000
WX21029101	Lake Elmo Rd. Extension	17	\$80,000	\$44,262 (\$2,604 each)	\$177,400
	TOTALS		\$979,000		\$2,712,670

RESOLUTION FOR PROJECTS:

WX21029020, WX21029049, WX21029100, WX21029101, and WX21029104

RESOLUTION OF THE LOUISVILLE WATER COMPANY (“Water Utility”) ACCEPTING THE GRANT, APPROVING THE GRANT AGREEMENT, AUTHORIZING THE AMENDMENT OF LOCAL BUDGET, AND AUTHORIZING A REPRESENTATIVE TO SIGN ALL RELATED DOCUMENTS

WHEREAS, the Water Utility has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Water System (the “Project”) and

WHEREAS, the Water Utility has made application to the Kentucky Infrastructure Authority (the “Authority”) for the purpose of providing monies to acquire and construct the Project; and

WHEREAS, the Kentucky Infrastructure Authority has approved a conditional commitment of funds for the project.

NOW, THEREFORE, BE IT RESOLVED by the Board of Water Works of the Louisville Water Company as follows:

SECTION 1. That the Water Utility hereby accepts the grant award and approves the Grant Agreement between the Water Utility and the Authority substantially in the form on file with the Water Utility for the purpose of providing a portion of the necessary financing to the Water Utility for the acquisition and construction of the Project.

SECTION 2. That Karla Olson Teasley is hereby authorized, directed and empowered by the Water Utility to execute the Grant Assistance Agreement and all other necessary documents or agreements, and to otherwise act on behalf of the Water Utility to implement the Project.

SECTION 3. That the Water Utility hereby amends its annual budget to allow for the receipt and expenditures of funds subject to the Grant Assistance Agreement with the Authority.

SECTION 4. This Agreement shall take effect immediately upon passage.

This agreement shall take effect immediately upon passage.

Ms. Welsh seconded, and the motion carried.

Authorization Given for Participation in the Technology Park Project

Dr. Wise moved to authorize \$370,000 participation to own, operate and maintain the future public water system in Technology Park and to authorize the Vice President of Serving Customers and Business Development to complete and execute the MOU and DFDI related to the project. Ms. Willis seconded, and the motion carried. Mr. Bond abstained from this vote because he served as a member on the Naval Ordinance Re-Use Board.

Change in Scope and Authorization Given to Advertise for Bids for Project 03-607: Westport Road Transfer Station Hydraulic Surge Tank

Mr. Martin moved to authorize staff to advertise for bids and establish a new project budget in the amount of \$376,000 from a previous budget amount of \$336,000 for the Westport Road Transfer Station Hydraulic Surge Tank. Mr. Bond seconded, and the motion carried.

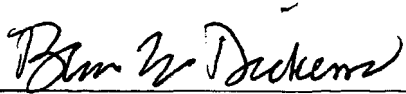
Authorization Given to Proceed with Final Design and Bids for Project No. 03-662: Louisville International Airport 60" Main Relocation (Phase III)

Ms. Welsh moved to authorize staff to proceed with final design and bids for the relocation of the 60" Main at the Louisville International Airport, to increase the project budget to the amount of \$3.91 million from \$3.82 million, and to seek reimbursement for a portion of the costs from the Regional Airport Authority. Dr. Wise seconded, and the motion carried.

Mr. Huber advised that Phillip Bond will be going off the board and that this may be his final meeting. Mr. Huber thanked Mr. Bond for his dedicated and valuable service to the Board of Water Works.

There being no further business to conduct, Mr. Huber recommended that the meeting adjourn at 3:10 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel
and Secretary to the Board of Water Works

**BOARD OF WATER WORKS
MEETING MINUTES
JUNE 8, 2004**

Board Members Present:

Mr. Stewart Conner
Ms. Margaret Harris
Mr. Gerald Martin
Ms. Wendy Welsh
Ms. Marita Willis
Dr. Joseph Wise
Not Present:
Mayor Jerry Abramson

Others Present:

Mr. John Huber, President
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Robert Miller, Vice President, Treasurer
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers and Business Development
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Development
Mr. Rick Johnstone, Deputy Mayor, Metro Louisville
Mr. Rudolph Davidson, Cabinet Secretary for Public Works and Services, Metro Louisville

Visitors:

Steve Greseth, Black & Veatch Consulting Engineers
Kay Ball, Program Manager, Riverbank Infiltration Project

The Regular Meeting of the Board of Water Works was held on Tuesday, June 8, 2004 in the Board Room of the Louisville Water Company. John Huber called the meeting to order at 12:35 p.m.

Barbara Dickens administered the Oath of Office to new Board member, Margaret Harris.

Mr. Huber advised that due to Phillip Bond coming off of the Board, the Board needed a Vice-President. He recommended Wendy Welsh as Vice-President of the Board. Stewart Conner made the nomination of Ms. Welsh as Vice-President, seconded by Gerald Martin. Mr. Huber asked for other nominations, and there were no other nominations. Motion carried.

Consent Agenda Reviewed and Approved

There were no changes to the consent agenda and Ms. Welsh made the motion to approve, seconded by Marita Willis and the motion carried. Rick Johnstone inquired whether the procurement cards are audited. Mr. Huber advised that they were regularly audited, and the most recent audit of them just occurred.

The Regular Meeting minutes from May 11, 2004 were approved.

The List of Claims Paid in May 2004 was filed.

The following Petitions and Applications for Water Main Extensions and Relocations were approved:

Developer Installed Refunding Main Extension Projects

<u>Project</u>	<u>Contract</u>	<u>Project Name</u>	<u>Total Project Cost</u>	<u>LWC Cost</u>
10337	G758M	Jefferson Trace Section 8	\$41,430.00	
10338	G754M	Falcon Crest Condominiums Ph. 1	\$47,750.00	
10345	G747M	Old Henry Crossing Section 1	\$76,670.00	\$24,500.00
10347	G757M	Landherr Estates Section 3B	\$32,100.00	
10360	G760M	Saddle Ridge	\$24,060.00	
10364	G685M	Beechwood Estates Section 4	\$72,500.00	
10374	G750M	Bannon Crossings Section 2A	\$57,740.00	\$8,300.00
10377	G756M	Norton Commons Section A Ph. 1	\$219,550.00	
10385	G759M	Harrods Crossing	\$122,250.00	\$1,300.00
10391	G751M	Woodridge Crossings Section 2	\$48,950.00	
10395	G755M	Memory Place-Martin House Lane Ext.	\$26,400.00	\$5,800.00
10399	G753M	Stonehaven Commons	\$15,450.00	

The Board received the report of Contracts less than \$100,000 as follows:

Procurement Of Professional Services

Professional Service	Roofing-Related Design and Management Services – Renewal Roof Resources	Unit Price Contract
Professional Service	2004 Annual Inspection and Report Black & Veatch	NTE \$32,435
Bid #00-48	Auditing Services Crowe, Chizek and Company, LL	NTE \$29,300

Procurement Of Goods And Services

Bid #04-27	Small Hand Tools	
	United Rentals	\$13,431.00
	Rayco	\$27,338.25
	United Rentals	\$23,367.50
	Best Products (CMBE)	\$ 8,284.50
	Rayco	\$57,631.25

Bid #03-36	Pipe Repair Couplings, Sleeves and Bell Joint Clamps – 1 st PPI Renewal	
	Viking Supply Company	\$71,056.02
	Water Works Supply	\$22,869.90
	Harco, Inc.	\$20,740.71
	Hughes Supply	\$18,601.28
	Smith Blair Company	\$ 6,456.91
	Mueller Company	\$ 190.17
Bid 04-39	Steel Casing Pipe	
	Pittsburgh Pipe Company	\$41,918.20

Administrative Report

Mr. Huber called attention to our capital program, which has grown extensively and will be discussed in more detail in Robert Miller's report. Mr. Huber stated that any other issues he has will be covered in other reports.

Financial Report

Mr. Miller presented the Financial Report.

Mr. Miller reviewed the results through May 2004. Year-to-Date total operating revenue of \$39,769,424 is \$1,508,461 or 3.7% less than budgeted and \$1,680,176 or 4.6% more than the same period in 2003. Water sales for the remainder of the quarter are expected to be below budgeted levels.

Operation and Maintenance expenses for May of \$3,064,655 were \$638,263 or 17.2% less than budgeted. Year-to-Date O&M expenses of 17,686,907 is \$481,832 or 2.7% less than budgeted and \$516,475 or 2.8% less than 2003. O&M expenses for the remainder of the quarter are expected to be well below budgeted levels due to cost reduction initiatives currently underway.

Year-to-Date Net Income of \$9,230,767 is \$1,388,340 or 13.1% less than budgeted and \$959,219 or 11.6% more than 2003. Net Income for the remainder of the quarter is expected to be at budgeted levels, with decreased operating revenue offset by decreased operating expenses.

Mr. Miller also reviewed Forecast of 2004 Financial Results. Mr. Miller advised that LWC is facing four key challenges to meet its 2004 earnings target: 2003 Dividend Prepayment of \$1,779,187; Revenue Forecast Shortfall of \$2,041,048; Early Retirement Incentive Program costs of \$ 949,266; and additional unbudgeted O&M expenses of \$ 631,517. This totals a potential shortfall of \$5,401,018. Mr. Miller advised that staff is executing five tactics that are expected to allow us to meet the earnings target: O&M expense reductions of \$2,407,081; depreciation expense reductions of \$ 182,250; revenue from the sale of surplus fleet vehicles brought in \$106,000; the assignment of the budget contingency in the amount of \$728,298; and the decision to reduce funding of the Infrastructure Replacement Reserve by \$1,977,289. The total of these reductions: \$5,401,018.

Staff has updated the forecast of 2004 financial results: 2004 Net Income: \$29,988,200; 2004 Infrastructure Replacement Reserve: \$622,711; and 2004 Dividend: \$13,766,400.

The net income forecast is \$1,477,300 below the targeted amount. However, with the reduced funding of the Infrastructure Replacement Reserve, the net income available for distribution as dividend is on target. The dividend forecast is also on target. Based on actual financial results through May 2004, Louisville Water Company is approximately \$197,800 ahead of schedule for meeting the 2004 earnings target. Dr.

Wise commented that, due to the variability of water sales, we need to do something to plan so that we are not relying on weather to improve our financial position. Mr. Huber advised that we had budgeted water sales conservatively, but perhaps should have been even more conservative. Mr. Huber also advised that the concept of a Rate Equalization and Risk Mitigation Fund is being evaluated and may be presented to the Board for consideration. This would be a reserve fund the Board could draw upon in a shortfall. Mr. Huber also advised that our rate base is behind 2 % of what it should be. He noted that we are dealing with the impact of the early retirement program, the benefits of which we will not realize until next year. In response, Gerald Martin noted that the two percentage estimate is a need-based estimate, not a market-based estimate. The Financial Report was filed.

Operations and Engineering Report Filed

Mr. Heitzman presented the Operations and Engineering Report.

Production – The water production in May of 126.3 MGD was 0.3 percent higher than the May 2003 production of 125.9 MGD, and was 2.0 percent lower than the five-year average May production of 128.9 MGD. The year-to-date production was 4.5 percent lower than 2003 and 1.1 percent lower than the five-year average production.

Distribution Water Quality – Staff collected 290 regular distribution samples in May and all internal water quality goals were achieved. There were five boil water advisories issued in the month due to main breaks, three of which were issued in the field due to site conditions and the other two were issued by lab staff based on water quality test results. All advisories were localized in the main break shut-off zone.

Severe Weather Conditions – The severe weather conditions on the evening of May 30 caused power supply interruptions at the Crescent Hill Treatment Plant, Zorn Pump Station, and several booster pumping stations in the distribution system. Power supply from LG&E's Clifton substation was interrupted causing partial power outages at Crescent Hill and Zorn facilities. Although the plant was not shut down, production levels were significantly reduced for a four hour period until pump units could be transferred to the Hillcrest power supply. Several chemical feed systems were impacted with the power feed interruption. The storms also disrupted power supply to major pumping stations, including Westport, Freys Hill, and Chamberlain. SCADA phone line signals were lost from a number of remote pump stations and storage tanks. This limited the ability to conduct remote operations of key facilities. Fortunately, backup power was restored and there was adequate storage in the distribution system that prevented loss of water supply. There were no water outages related to the storm and no boil water advisories were issued. Facility Management workers were brought in on Memorial Day to remove fallen trees at Crescent Hill on Reservoir Avenue and surrounding property.

EPA Risk Management Plan Submittal – EPA requires periodic update of Risk Management Plans (RMP). The existing Risk Management Plan was submitted in 1999, and an update of the plan is required by June 15, 2004. Risk Management Plans are required to be filed for any facilities that use or store large quantities of hazardous or flammable chemicals as defined by EPA. The requirement to perform Risk Management Planning and prepare a Risk Management Plan was established with the Clean Air Act of 1990. Dissemination of the information contained in Risk Management Plans is covered under the Emergency Planning and Community Right to Know Act (EPCRA - 1986). The two regulated chemicals used by the Company are chlorine and ammonia. The Company has conducted extensive reviews of the operations and management for chlorine and ammonia processes. Process improvements include installation of containment structures, chlorine scrubbers, automatic shutoff systems, and leak detection for the hazardous chemicals. Routine testing and monitoring is also performed on these systems. The Risk Management Plans provide documentation for emergency response personnel and the community regarding the presence and handling of hazardous chemicals.

LWC Wastewater Discharge Permit – On March 26, 2004 the Company applied to MSD for a wastewater discharge permit for the Crescent Hill Treatment Plant. The permit was requested as part of the Company's strategy to develop an overall management plan for handling treatment plant waste streams. MSD issued the permit on May 20. The permit allows up to 800 gallons per minute discharge into MSD's combined sewers at two CSO locations, #125 and #132. This permit provides relief in managing plant operations, especially during peak demand periods. The primary wastewater flows include: water from reservoir draining and cleaning operations; waste flows from the coagulation and softening processes; and filter backwash water. Prior to 1975, these waste streams were recycled in the plant treatment process or returned to either Beargrass Creek or the Ohio River under State discharge permit. With construction of the BE Payne Plant in the late 1970s, four large lagoons were constructed to handle the Crescent Hill waste flows. Discharge from the lagoons into the Ohio River is allowed under KPDES permit. The MSD permit becomes effective June 7, 2004 and expires June 1, 2009.

CHPS Annex Leak Repair – In April, staff determined that the source of the water leak was from the 48-inch discharge header on the north side of the pump station (Frankfort Avenue). Staff isolated the leak and conducted visual inspection inside the header on April 29. Miller Pipeline installed Weko seals on 15 internal joints from May 4 to May 6. After the repair, LWC crews conducted excavation from outside the building to expose voids around the pipe. Flowable cement fill (100 psi mix) was used to fill the voids around the pipe up to the spring-line. Voids were found on the east side of the pipe and close to the building foundation. Probing on the west side of the pipe concluded that there were no appreciable voids. The excavation was back-filled on May 12. The header was flushed, disinfected and placed in service on May 26. Inspection of the test wells has verified the leak has been completely stopped and the annex leakage problem resolved after many years of evaluation and investigation. Total estimate for this repair operation is approximately \$50,000. The diligence and creativity of an in-house team lead by Project Engineer Steve Tucker in developing the plan to identify and repair the joint leak in the 1926 transmission main was acknowledged.

Vehicle Auction – In an effort to streamline operations and reduce costs, 22 vehicles were sold at auction on May 8. The vehicles sold included pool cars, pick-ups, and dump trucks. The vehicles sold were selected based upon mileage, age, and maintenance history. Remaining vehicles in the fleet have been reassigned as necessary to ensure that there is minimal impact on operations. The auction brought net proceeds of \$106,000 to the Company. Rudolph Davidson inquired as to what the depreciation schedule is for vehicles. Mr. Heitzman responded that it is 5-7 years.

Mr. Davidson commented that LWC needs a representative on the Emergency Response Team, which met recently on Memorial Day due to severe weather. Mr. Huber responded that LWC used to have a representative but due to a retirement, will need to be replaced on the team.

Serving Customers and Business Development Report Filed

Ms. Teasley presented the Serving Customers Report.

Performance Measures – The May 2004 abandonment rate was 4.8% compared to 4.1% in April 2004, and 4.0% in May 2003. The year-to-date abandonment rate is 4.6%. Bad debt for the month of May was \$62,625 compared to \$44,621 in April 2004, and \$44,245 in May 2003. Bankruptcies are the highest they have been since April 2002. In 2001 Carbide Graphite filed bankruptcy within 90 days of making a water payment to LWC. The payment was considered a preference payment and \$5,625.67 was required to be reimbursed in May of 2004.

Annual Inspection - The 2004 Annual Inspection was conducted by Black and Veatch from May 19 to May 21. In accordance with the bond covenants for the Series 1992 Bonds, Black and Veatch performed an inspection and review of the water supply and treatment facilities, insurance policies, and financial management and rate methodologies. The inspection focused on the physical conditions of water supply and treatment facilities and review of facility operation and maintenance practices. Preliminary results of the inspection indicate LWC facilities and equipment have been maintained in good repair and sound operating condition and are capable of supplying high quality drinking water to LWC customers on a continuous basis. The final 2004 Annual Inspection Report will be completed and submitted to the BOWW at its September meeting.

Acquisition of Land for Storage Tanks - Substantial progress continues in acquiring land for construction of critical storage facilities. Tanks of note include the planned 1.0 MG elevated storage facility in Goshen to raise system pressures and fire flows to LWC standards; two, 1.0 MG elevated tanks to upgrade fire flows and equalization and emergency storage in the expanded 770 pressure zone (PZ); and two, 1.0 MG elevated tanks to improve fire flow and equalization and emergency storage in the expanded 900 PZ. Expansion of these pressure zones will provide improved customer water pressure and fire flows in the Hikes Point, southern Preston Highway, Middletown and eastern Taylorsville Road areas in Jefferson County. The Goshen tank site is in the final stage of negotiation and site evaluation phases. The planned 900 PZ tank for the Middletown area is entering the final site evaluation phase and Taylorsville Road 900 PZ tank is currently in the community facility review process. Potential sites identified for the tanks for the 770 PZ expansion are currently under review for final site selection.

Home Builders Association Update - Staff has finalized a draft for the new Refunding of Installation Cost Main Extension Contract. This new contract provides for the one time payment for twenty (20) years of monthly refund amounts based upon the number of services active on the selected anniversary date from when the main is placed in service. In addition, this contract implements the increased monthly refund amount per meter size. Staff has provided a draft of the new Refunding of Installation Cost Main Extension Contract to the Home Builders Association of Louisville (HBAL) for their review and our request for input on the contract language. The HBAL has agreed to form a small working group from the Land Development Committee with LWC staff to provide input to LWC on the new contract as well as other issues of concern to the development and homebuilder's community. When this group of HBAL representatives and LWC representatives develop a plausible solution to the various issues, then the full Land Development Committee will provide input on the "draft" solution developed by the small group.

LG&E Benchmarking - LWC staff are participating in an American Water Works Association Research Foundation project on customer service best practices. As part of this project, LG&E was selected as a good candidate for a site visit to obtain customer service best practices and benchmarking information from the electric and gas industry. LWC staff attended the session on May 27 which included other utility project members from Cincinnati Water Works. Topics included meter reading and meter services, credit and collections and call center operations. The information will be used to better understand customer expectations for service and to evaluate new approaches to improve service levels.

Public Information Initiatives - LWC staff appeared on National Public Radio's "State of Affairs" show. It was a chance to showcase LWC's 150 years of service to the community. Topics varied including LWC history, advanced treatment, infrastructure renewal, lead and home treatment devices. WLKY-TV's four-part series on lead also aired this month highlighting the company's aggressive lead abatement programs. Ford Motor Company used the company's historic Water Tower as a backdrop for a new Ford truck commercial.

Children's Health Partnership - Public Information will launch a new partnership this fall focusing on children's health issues. Working with area pediatricians and health professionals this education project will focus on exercise and nutrition for school age children.

Annual Water Quality Report - Customers are receiving LWC's annual water quality report. The 2004 Pure Tap report is included in water bills for the next two months. Nearly 300,000 informational reports will be distributed pursuant to this federal requirement.

The report was filed.

Closed Session

At 1:04 p.m., Mr. Huber recommended the Board go into closed session pursuant to KRS 61.810(1)(b) to discuss real estate and KRS 61.810(1)(c), to discuss proposed or pending litigation. Dr. Wise moved that the Board go into closed session, Mr. Conner seconded, and the motion carried.

Open Session Resumed

Ms. Welsh moved to return to Open Session, Mr. Conner seconded and the motion carried. The Board resumed open session at 1:10 p.m. There was no action coming out of closed session.

With regard to the committee items on the agenda, Mr. Huber recommended that they be deferred to another meeting, possibly a special-called meeting, prior to the July 13, 2004 meeting. Mr. Huber suggested that this be heard along with another item that Gerald Martin has asked the board to consider regarding Corporate Governance. Mr. Huber briefly described the statutory framework of the Board and LWC and the local ordinances governing the Board.

Special Issue Regarding Declaration of the Second Quarter Dividend

Mr. Miller discussed the declaration of the Second Quarter Dividend.

Section 508 of the Series 1992 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 the City. The dividend is to be paid in quarterly installments, such payments to be based on the estimated annual net income and as nearly equal in amount as possible. The estimated net income of \$31,465,500 for 2004 requires payment of an annual dividend of \$13,766,393 in quarterly installments of \$3,441,598. The quarterly dividend payment must be decreased by \$266,878 to reflect one quarter of the \$1,067,515 dividend prepayment in 2003. The Board will consider a resolution providing for a total quarterly payment of \$3,174,720. Mr. Martin moved to declare the Second Quarter Dividend, Dr. Wise seconded, and the motion carried.

Condemnation of Property for the Riverbank Infiltration Project

Ms. Dickens and Kay Ball provided this report.

Ms. Dickens briefed the Board on the necessity and basis for condemnation of some of the properties in the Riverbank Infiltration Project (RBI). There has been considerable research and planning to determine the course of action necessary to accomplish this project. RBI involves constructing an 8,600 foot tunnel, thirty-one (31) vertical collector wells, and a pump house, for the purpose of providing an innovative system of bank filtration utilizing the Ohio River aquifer.

The location of the facilities necessary for this critical project will be on undeveloped, private properties located along Transylvania Beach Road off of River Road, near the B. E. Payne Treatment Facility. Each property owner has a developed tract of land with a residence on it and an additional, undevelopable tract, the latter of which is the tract that LWC needs. In each of the situations, LWC has offered Fair Market Value for the property, based on two independent appraisals, and also has offered to install sanitary sewers to the remaining property at LWC cost, a value to the property owner of approximately \$30,000. Based on these offers, staff has negotiated property purchases for sixty-eight (68) percent of the needed properties. Negotiations regarding four of the remaining properties are at an impasse, and therefore, require the Board of Water Works to consider condemnation for fee simple acquisition of the properties. The Board was briefed on the efforts to reach an agreement in each of these four situations.

Dr. Wise asked Kay Ball to explain the need for fee simple purchases versus easements. Ms. Ball and Mr. Huber explained that, unlike most easements where only pipe is laid, these properties will contain a tunnel and more importantly, wells. It is of critical importance that the wells be protected from contaminants and this can only be accomplished in this area with total control over the property. Mr. Conner inquired why we are installing sewers as a part of this project. Ms. Dickens responded that, again, the focus on is preventing contamination to the wellheads by eliminating septic tanks, lateral fields, and seepage pits currently used for sanitary waste disposal.

Ms. Dickens stressed that with these four properties, the issue is not the purchase price, but that the owners simply refuse to negotiate a sale at all. Ms. Dickens and Mr. Huber recommended that due to the impasse, the Board resolve to obtain the properties through its powers of condemnation.

Mr. Conner moved to adopt the following resolution relating to the property owned by Gary and Margaret H. Fuqua located at 6404 Transylvania Beach Road:

RESOLVED, that it is hereby determined that it is necessary that the Louisville Water Company obtain fee simple title to certain land located along Transylvania Beach Road in Jefferson County, Kentucky (such land being more particularly described in the Exhibit attached hereto) for the purpose of using such land for installing, operating monitoring, maintaining, replacing, and protecting all facilities relating to the riverbank filtration well project system, which consists of a tunnel, piezometers, and a series of vertical collector wells thereon, necessary to be protected from direct introduction of possible contaminants, it being the Board of Water Works' determination that such land is needed from:

Gary and Margaret H. Fuqua, his wife; 6404 Transylvania Beach Road;
Prospect, KY 40059; Block 204 Lot 44

and any or all other lawful owners of such properties, the need for such land being to allow the Louisville Water Company to use such land in fulfilling the public purpose of providing purified water to the residents of the Louisville/Jefferson County, Kentucky and surrounding areas, the Louisville Water Company being hereby authorized, if reasonable efforts to purchase the necessary land have failed, to bring a condemnation action against the owners of such land.

Mr. Martin seconded, and the motion carried.

Dr. Wise moved to adopt the following resolution with regard to property owned by Mary Howard located at 6400 Transylvania Beach Road:

RESOLVED, that it is hereby determined that it is necessary that the Louisville Water Company obtain fee simple title to certain land located along Transylvania Beach Road in Jefferson County, Kentucky (such land being more particularly described in the Exhibit attached hereto) for the purpose of using such land for locating, installing, operating, monitoring, maintaining, replacing, and protecting all facilities relating to the riverbank filtration well project system, which consists of a tunnel, pizometers, and a series of vertical collector wells thereon, necessary to be protected from direct introduction of possible contaminants, it being the Board of Water Works' determination that such land is needed from:

Mary Howard, unmarried; 6400 Transylvania Beach Road; Prospect, KY 40059; Block 204 Lot 52

and any or all other lawful owners of such properties, the need for such land being to allow the Louisville Water Company to use such land in fulfilling the public purpose of providing purified water to the residents of the Louisville/Jefferson County, Kentucky and surrounding areas, the Louisville Water Company being hereby authorized, if reasonable efforts to purchase the necessary land have failed, to bring a condemnation action against the owners of such land.

Mr. Conner seconded, and the motion carried.

Mr. Martin moved to adopt the following resolution relating to the property owned by Stephen R. and Susan M. Miller, located at 6406 Transylvania Beach Road:

RESOLVED, that it is hereby determined that it is necessary that the Louisville Water Company obtain fee simple title to certain land located along Transylvania Beach Road in Jefferson County, Kentucky (such land being more particularly described in the Exhibit attached hereto) for the purpose of using such land for locating, installing, operating monitoring, maintaining, replacing, and protecting all facilities relating to the riverbank filtration well project system, which consists of a tunnel, pizometers, and a series of vertical collector wells thereon, necessary to be protected from direct introduction of possible contaminants, it being the Board of Water Works' determination that such land is needed from:

Stephen R. and Susan M. Miller, husband and wife; 6406 Transylvania Beach Road; Prospect, KY 40059; Block 204 Lot 53

and any or all other lawful owners of such properties, the need for such land being to allow the Louisville Water Company to use such land in fulfilling the public purpose of providing purified water to the residents of the Louisville/Jefferson County, Kentucky and surrounding areas, the Louisville Water Company being hereby authorized, if reasonable efforts to purchase the necessary land have failed, to bring a condemnation action against the owners of such land.

Dr. Wise seconded, and the motion carried.

Dr. Wise moved to adopt the following resolution relating to the property owned by Doris Thompson located at 6402 Transylvania Beach Road:

RESOLVED, that it is hereby determined that it is necessary that the Louisville Water Company obtain fee simple title to certain land located along Transylvania Beach Road in Jefferson County, Kentucky (such land being more particularly described in the Exhibit attached hereto) for the purpose of using such land for installing, operating monitoring, maintaining, replacing, and protecting all facilities relating to the riverbank filtration well project system, which consists of a tunnel, pizometers, and a series of vertical collector wells thereon, necessary to be protected from direct introduction of possible contaminants, it being the Board of Water Works' determination that such land is needed from:

Doris Thompson, unmarried; 6402 Transylvania Beach Road; Prospect, KY
40059; Block 204 Lot 43

and any or all other lawful owners of such properties, the need for such land being to allow the Louisville Water Company to use such land in fulfilling the public purpose of providing purified water to the residents of the Louisville/Jefferson County, Kentucky and surrounding areas, the Louisville Water Company being hereby authorized, if reasonable efforts to purchase the necessary land have failed, to bring a condemnation action against the owners of such land.

Ms. Welsh seconded, and the motion carried.

Contract Awarded for 04-35: Valve Boxes

Valve boxes are castings used to access gate valves. A total of five bids were submitted with the lowest, most responsive bid from General Foundries for an estimated total of \$105,154. This bid represents an approximate 35% increase in unit prices from the previous bid last year. The cost increase can be attributed to industry wide cost increases on iron and metal construction products. Dr. Wise moved to authorize the Process Owner, Procurement of Goods and Services, to award a one-year contract totaling an estimated \$105,154 to General Foundries. Mr. Conner seconded and the motion carried.

Contract Awarded for 01-11: Cold Water Meters – 3rd PPI Renewal

This contract, originally awarded on April 25, 2001, is renewable for up to four additional one-year periods utilizing the Producers Price Index (PPI), industry and product code 3824-23 – “Fluid Meters and Counting Devices, liquid meters” as a cost adjustment factor. This is the third PPI renewal and represents a 1.5% annual increase in unit pricing. Ms. Welsh moved to authorize the Process Owner, Procurement of Goods and Services, to award a one-year contract renewal totaling an estimated \$1,284,389 to Neptune Technology Group. Ms. Willis seconded. Mr. Martin asked about the PPI renewal. Mr. Miller advised it gives us the exclusive right to renew the contract up to the PPI only. The motion carried.

Contract Awarded for 03-20: Polyvinyl Chloride – 1st PPI Renewal

This contract, originally awarded April 16, 2003, is renewable for up to two additional one-year periods utilizing the Producers Price Index, Industry and Product Code 3084-104, “Plastic Pipe – Water” as a cost

adjustment factor. This is the first Producers Price Index (PPI) renewal and represents a 5.5% annual increase in unit pricing. Mr. Conner moved to authorize the Process Owner, Procurement of Goods and Services, to award a one-year contract renewal totaling an estimated \$1,089,015 to Extrusion Technologies. Ms. Welsh seconded, and the motion carried.

Contract Approved for Replacement of the Alliance Customer Information System

The Alliance E-CIS includes two IBM AS/400 servers, installed in July 1999, to provide for production processing and testing of new releases, patches, bug fixes, new programs, and interfaces for integration with other systems. The systems have been expanded to support additional functionality, growth, new custom programs, and interfaces with other strategic Information Technology projects such as the Interactive Voice Response (IVR) and Mobile Dispatch System (MDS). With this expansion, the production system is at maximum processing capacity and has been scheduled for replacement with funds allocated in the 2004 Capital Budget. The test system continues to provide an environment to install and test new releases, patches, programs for additional functionality, and interfaces; however, it can no longer provide a production platform for disaster recovery. The replacement systems will provide additional processing power and scalability and both systems will be capable of running a production environment, providing better recoverability in the event of failure or disaster. The maintenance agreements required to support the current technical platform are \$41,100 for hardware and \$28,000 for software for a total annual maintenance cost of \$69,100. The replacement systems will allow LWC to eliminate components of the existing configuration and place the equipment in a lower maintenance category. The annual maintenance for the proposed replacement systems is estimated to be \$35,000 for hardware and \$7,700 for software for a total cost of \$42,700. This results in an estimated annual reduction of operations and maintenance cost of \$26,400. The price includes all hardware components and installation services. The purchase will be from IBM through the KY State Contract C99000428 for this equipment.

In addition to the IBM servers, hardware and data migration services will be required to connect the new systems to the EMC Storage Area Network and migrate the data to the servers. This phase of the project has increased the scope of work and cost required to meet the business objectives of the upgrade. Mr. Huber advised that his nephew works for IBM with the education and state contracts. Mr. Huber wanted to disclose this information but was not aware of whether his nephew has anything to do with this particular contract. This phase of the project will be bid separately and is estimated at \$80,000. Ms. Welsh moved to award a contract to replace these systems with updated technology for an amount of \$175,441 and to increase the capital budget from \$200,000 to \$255,441 to cover the cost for the hardware, installation services, Storage Area Network connectivity and data migration. Mr. Martin seconded, and the motion carried.

Contract Awarded for Community Development Block Grant, Phase I

This project is a part of the Bullitt County Water Improvement Program. We have received a Community Development Block Grant (CDBG) in the amount of \$994,000 for extension of 26 miles of 8, 6 and 4-inch water mains in low to moderate income households of KTWD #2 and a Kentucky Infrastructure Authority (KIA) grant for \$206,500 for two routes on this project, Foley Rd and Ironwood Trail.

A total of four bids were opened on December 17, 2003 on the original bidding of the CDBG project. The apparent low bid was withdrawn and one bid was disqualified. The second low bid was 49% higher than the engineer's estimate. As a result, all bids were rejected and a value engineering analysis was conducted. Staff recommended splitting the project into three separate phases that would be bid separately to allow smaller contractors to bid on the individual project phases. Staff also recommended a series of value engineering modifications to the plans in an effort to reduce the project costs. The bid tabulation

presented is the result of re-bidding the first of the three CDBG projects. The remaining two phases will be bid this summer.

A total of two bids were received and opened from pre-qualified contractors. Southern Pipeline Construction submitted the lowest responsive bid in the amount of \$873,000. Alternate bids were submitted for the extension of 6-inch and 4-inch water mains on Slate Bluff Trail (a two-thirds majority petition has been received), which is contiguous to the CDBG routes but is not a part of the CDBG grant. Southern Pipeline Construction submitted a proposed Alternate Bid in the amount of \$27,774, which is below the engineer's estimate of \$34,100. Therefore, Slate Bluff Trail is recommended by staff for inclusion in the project resulting in a total project construction cost of \$900,774. The base bid is 6.6% higher than the Project Manager's estimate. The resulting total unit cost for this project is \$34.58/LF. This amount is consistent with other water main extension projects of this difficulty and scope. Dr. Wise moved to authorize the Vice President of Serving Customers & Business Development to establish a revised \$1,172,304 project budget of record for the CDBG Project Phase I and to award a contract in the amount of \$900,774 to Southern Pipeline Construction to install the water facilities associated with this project. Mr. Martin seconded, and the motion carried.

Contract Awarded for 04-26: Restoration and Construction of Asphalt and Concrete Paved Surfaces

A total of three bids were submitted with the lowest, most responsive bid from Stoll Construction & Paving, Co., Inc. for an estimated two-year total of \$1,253,060. This bid represents an approximate 13% decrease in unit prices from the previous bid two years ago. Mr. Conner moved to authorize the Process Owner, Procurement of Goods and Services, to award a two-year contract totaling an estimated \$1,253,060 to Stoll Construction & Paving Co., Inc. Ms. Welsh seconded, and the motion carried. Mr. Huber advised that we have been and will continue to evaluate whether it makes the best business sense to outsource this work rather than do it in-house.

Contract Awarded for 03-661 Chapeze Lane – 16-inch Transmission Main Project

A total of seven bids were submitted to supply and install 3,860 feet of 16-inch Pressure Class 350 ductile iron pipe along Chapeze Lane. The project will also include the supply and installation of 435 feet of 30-inch steel casing for the crossing of Interstate 65 and Highway 3219. Southern Pipeline Construction Company submitted the lowest responsive bid in the amount of \$448,000 resulting in a total project cost of \$517,032. The low bid is approximately 52% over the Project Manager's Estimate, and the resulting total unit cost for this project is \$133.95/LF. Although the low bid was considerably higher than the Project Manager's estimate, the bid sequence was very competitive with the four lowest bidders within 9% of the low bid. It appears that the volume of rock removal and the boring beneath I-65 are the major contributors to the high bids. The resulting unit price is consistent with the unit prices received for previous transmission main projects of this scope and magnitude. Dr. Wise moved to authorize the Vice President, Serving Customers & Business Development, to set a project budget in the amount of \$517,032 and award a contract in the amount of \$ 448,000 to Southern Pipeline Construction Company to install the water facilities associated with this project. Mr. Conner seconded, and the motion carried.

Board Advised of Mayor's Appointment and Reappointment of Board Members

Mr. Huber advised the Mayor has reappointed Wendy Welsh to a third term on the Board of Water Works. The Mayor has appointed Margaret Harris to the Board of Water Works. Ms. Harris will replace long-serving Board Member, Phillip Bond. Both Ms. Welsh's and Ms. Harris' terms expire April 30, 2008.

Report Given Regarding Accounts Receivable Balance

Mr. Miller provided this report. At the Board of Water Works meeting on May 11th, it was noted that the April 2004 balance for Accounts Receivable-Water of \$4,308,509 was \$1,108,411 or 34.6% higher than the April 2003 Balance and an explanation of the increase was requested. Staff has analyzed the water revenue and ending accounts receivable balances dating back to the beginning of 2002 and has determined the following: April is our lowest sales month each year and likewise, has the lowest accounts receivable balance each year; the balance of Accounts Receivable-Water for April 2003 was the lowest level of accounts receivable for the past 28 months; the balance of Accounts Receivable-Water for April 2004 was closer to the mean for the past 28 months and represented 16.9 average days of revenue; the month-to-month variance for the Average Collection Period is within expected control limits; and finally, on average, customers pay their water bill between 1.3 days and 7.5 days before the late payment penalty date (21 days after the billing date), when a 5% penalty is added to their bill. In summary, the increase in Accounts Receivable-Water from April 2003 to April 2004 was due to normal variation. The accounts receivable balance for April 2003 was unusually low, but within the expected range. Mr. Martin commented that the report was excellent and was presented well.

Report Provided Regarding Changes to Planning Assumptions in Ten Year Financial Plan

Mr. Miller provided the Board a report regarding the Ten Year Financial Plan. Louisville Water Company prepares a ten year proforma income statement and financial plan in conjunction with the long range Facilities Plan. The proforma income statement and financial plan are updated each year during the development of the annual budget. During the time since the ten year financial plan was last updated in October 2003, there have been significant changes to the assumptions upon which the plan was based: (1) water Sales were expected to increase by one-half of one percent annually over the planning horizon. It now appears that water sales will be flat to slightly decreasing over the next ten years; (2) expenses were expected to increase by three percent annually over the planning horizon and cost reductions have been implemented to reduce our long term cost structure, but materials and insurance expenses are increasing at a significantly higher rate; (3) Capital Project Budgets have increased by \$12,725,000 during January 2003 through June 2004 as a result of changes in the scopes of several large projects and all of these changes were reviewed in a list compiled by Mr. Miller; (4) deposits to the Infrastructure Replacement Reserve are \$5,425,000 below amounts contemplated in the 2003 and 2004 Annual Budgets; (5) the availability of return-on-equity information for investor-owned utilities has been reduced as a result of buy-outs by foreign corporations, and the standard reporting format for municipally-owned utilities has been revised; and (6) the advanced buyout of Developer Financed Refunding Contracts will be approximately \$4,300,000 if all developers accept the buyout offer.

As a result of these changes, it will be necessary to update the ten year financial plan in advance of the development of the annual budget. Mr. Miller advised that we will need to do a borrowing in the near future and he will be looking for an analyst to assist with that. Mr. Martin agreed that we need to get the right experts reviewing the right data and providing us advice on the plan. Staff anticipates that a revised financial plan will be available for consideration at the August 2004 Board meeting.

Change in Scope Approved for Crescent Hill Reservoir Improvements, Phase III

This project is being implemented in three separate phases: Phase A includes installation of security fencing at the Reservoir and LWC property boundaries north of Frankfort Avenue; Phase B includes improvements to the concrete sidewalk and lighting; and Phase C will address improvements to the Gatehouse. Phases A and B are in progress, with Phase C to be defined and designed for bid later this year. Under Phase A, fencing installation is approximately 45 percent complete and is projected to meet the July 31 completion date. Work on Phase B is underway, with demolition of the existing concrete surfaces ahead of schedule, and the project is also expected to be complete by July 31. As fencing

installation has progressed, several modifications to the work have been required. These include changes to the fencing materials and vegetation removal. Dr. Wise asked whether there were any permanent structures in the fence line and Mr. Heitzman advised there are not. Dr. Wise moved to authorize the Chief Engineer to increase the value of contract #G532 with T&C Contracting 10.2 percent, from \$401,000 to \$441,954 to complete security fence installation at the Crescent Hill Reservoir and LWC property north of Frankfort Avenue, and establish a new project budget of \$1,181,664. Ms. Welsh seconded, and the motion carried.

Change in Scope Approved for B.E. Payne Water Treatment Plant Expansion

The scope of work on this \$20.5 million project includes expanding the plant capacity to 60 million gallons per day. Major work elements include: a new electrical building and switchgear; installation of a standby power generator; additional pumping capacity; rebuilding filtration systems to provide high-rate filtration, air-water backwash, and filter-to-waste; and adding a second discharge header and pressure surge relief systems to distribute flow and protect the pumping and piping infrastructure.

Construction is approximately 60 percent complete. The construction contract allows 18 months for construction completion. At this point, the contractor is behind schedule and has requested a time extension to complete the work. The Company is considering adding nine months to the project schedule for a projected completion date of June 2005. The construction delays have been caused by disagreement between the contractor and the Company's engineer (CDM Engineers) regarding approvals for electrical equipment, delivery, installation, and testing. Judy Construction disagreed with specification regarding equipment in the contract. Specifically, it wanted to put in a more elaborate electrical system but our consulting engineering firm recommended against that and specified a system they felt was much suitable for our needs. The other reason for being behind schedule is that work on filters and critical piping is not allowed during peak summer demand periods (June through September).

The project budget and construction contract are \$20,500,000 and \$14,769,180 respectively. Approved change orders to date total \$84,574, representing 0.6 percent of the original contract value. Mr. Heitzman reviewed the change orders with the Board. Pending change orders for modifications to the electrical and instrumentation systems, pump motor wiring, SCADA monitoring, filter-to-waste piping, duct work in the generator building, block and curtain wall between the transformers and the electrical building, window panels, and painting total \$161,101. The total of change actions 1 and 2 is \$245,675 or 1.7 percent of the original contract value. Of this amount \$17,053 will be reimbursed to LWC from project consultant CDM Engineers (or their sub-consultant United Construction) for an error in specifying and approving the new window system. Ms. Willis moved to authorize the Chief Engineer to increase the value of contract #G167 with Judy Construction Company by \$245,675, from \$14,769,180 to \$15,014,855. Mr. Johnstone asked whether we would still be doing this project if we had been in the same financial condition we are in now at the time it was started. Mr. Huber emphasized that this plant is extremely important because our load has shifted to the east end and this plant supplies the east end, so he responded that we would be doing the project. Mr. Conner seconded, and the motion carried. Dr. Wise abstained from this vote.

Change in Scope Approved for B.E. Payne Water Treatment Plant Expansion Consultant Contract

The original consultant proposal depicted construction services over an 18-month schedule and included funds for contract administration as a percentage of the conceptual construction cost estimate. Several tasks have required more extensive oversight than the amount estimated by the consultant, resulting in an increase in the budget for construction administration. The increase is attributed to extensive pumping

equipment submittal and factory performance reviews for compliance with contract specifications; and extensive electrical equipment submittal reviews for compliance with contract specifications.

The consultant engineer expenses through March 2004 total \$1,050,816 or 98 percent of the \$1,075,512 contract value. Additional construction administration remains to be performed through the original 18-month construction period to assure adequate construction oversight, plus the construction contract schedule is expected to be extended nine months into June 2005. Based on historical construction administration requirements and the anticipated construction contract extension, the value of the CDM contract is requested to be increased \$316,449 to complete outstanding tasks.

The project budget includes a total of \$2,194,198 for LWC staff and consulting engineer fees. LWC costs are under budget and projected to remain below budget. The proposed new consultant contract value of \$1,391,961 represents 8.6 percent of the construction budget, and 6.8 percent of the total project budget. Even with this change, the total engineering cost is well within acceptable benchmark control limits (i.e. 10%) for a project of this magnitude and complexity. Dr. Wise questioned why the contractor was not advised that he had to adhere to the specs. Mr. Heitzman advised that the contractor was advised emphatically that he had to adhere to the contract specifications and this began the delay when the contractor ceased work in response to that demand. This will be the basis for the liquidated damages. Mr. Conner moved to authorize the Chief Engineer to increase the value of professional engineering services contract #F517 with CDM Engineers \$316,449 to \$1,391,961. Ms. Willis seconded, and the motion carried. Dr. Wise abstained from this vote.

Issuance of Apportionment Warrants for Mitchell Hill Road: Existing Water Main to South 1,000 Feet

Ms. Welsh moved to adopt the attached resolution for the issuance of Apportionment Warrants and liens against 2 benefited properties along Mitchell Hill Rd: Existing Water Main to South 1,000 ft in accordance with KRS. 96.265, as described.

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for the cost of **Mitchell Hill Rd: Existing Water Main to South 1,000 ft** main extension project authorized by Ordinance No. 26, Series 2002 of the Jefferson Fiscal Court, adopted on October 8, 2002 such warrants to be against two (2) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute the apportionment warrants with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

Dr. Wise seconded, and the motion carried.

Issuance of Apportionment Warrants for Lonesome Hollow Road: Joyner Hill Road to dead end; Joyner Hill Road: Lonesome Hollow Road to east 1,600 Feet; and Tidwell Road: Lonesome Hollow Road to east 700 Feet.

Mr. Conner moved to adopt the attached resolution for the issuance of Apportionment Warrants and liens against 20 benefited properties along Lonesome Hollow Rd: Joyner Hill Rd to dead end; Joyner Hill Rd: Lonesome Hollow Rd to east 1,600 ft; Tidwell Rd: Lonesome Hollow Rd to east 700 ft in accordance with KRS. 96.265, as described.

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for the cost of **Lonesome Hollow Rd: Joyner Hill Rd to dead end; Joyner Hill Rd: Lonesome Hollow Rd to east 1,600 ft; Tidwell Rd: Lonesome Hollow Rd to east 700 ft** main extension project authorized by Ordinance No. 6, Series 2002 of the Jefferson Fiscal Court, adopted on February 12, 2002 such warrants to be against twenty (20) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, the apportionment warrants to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute the apportionment warrants with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

Ms. Willis seconded, and the motion carried.

Final Design and Bid Authorized for Security Equipment

Of the original grant of \$115,000 in May 2002 from the United States Environmental Protection Agency, there are remaining unused funds because much of the work on the first two portions of the work was completed by staff, those being the vulnerability assessment and the emergency response plan. Therefore, the remaining unused funds from the USEPA grant are available to be applied to the security enhancements portion of the work which is just getting underway. LWC also received a pass-through grant from the Office of Homeland Security through the Commonwealth of Kentucky and facilitated by Metro Government in the amount of \$400,000 for the purchase, construction and implementation of surveillance and detection equipment for critical facilities. The equipment design and specifications by a consultant are to be funded under the EPA grant, and the actual purchase and installation of equipment will be funded under the broader Homeland Security grant. Ms. Welsh moved to authorize final design and bid of surveillance and detection equipment for critical facilities. Mr. Conner seconded, and the motion carried.

Bid Authorized for Production Facilities and Plant Waste Residuals Systems Improvement

This bid is a continuation of improvements approved in June 1999 for Crescent Hill and B. E. Payne Water Treatment Plants. The evaluation recommended \$22.5 million of improvements scheduled from 2002 through 2012. The concept of the work comprising the \$4.55 million budget was to construct two waste water storage tanks and pump stations at Crescent Hill and improve the Zorn lagoon. CH2M Hill has completed their final design for the Crescent Hill wash water tank. The original estimate for this portion of the work was budgeted at \$2.0 million. Extensive rock removal, equipment costs, construction material inflation, and scope additions have caused the final design estimate to increase to \$3.5 million. This project is critical to the Company for two reasons: through the ability to perform a series of filter backwashes to assure high water quality and assure regulatory compliance with management of plant waste residuals. The construction of a new one million gallon waste storage tank will improve filter backwash operations and provide a backup facility for operational flexibility. The additional storage and operating flexibility will also reduce the vulnerability of an emergency discharge to MSD's combined sewer system that may trigger a violation of the Clean Water Act. This project also includes installation of flow monitoring of all waste streams that will assist in managing overall plant water use and waste residuals.

The design and construction of a second wash water storage tank and pumps (99-416C) on Reservoir Avenue will be deferred. The \$2.0 million reservation for this work will be allocated to Project 99-416A/B. Further, staff recommends that CH2M Hill be directed to finalize design for upgrade of the Zorn lagoon as a temporary holding facility for discharge of plant waste residuals into the Ohio River under KPDES permit. The Zorn lagoon upgrade will allow the 24-inch waste water line to B. E. Payne lagoons to be taken out of service for cleaning operations. Cleaning is intended to remove suspected blockages and restore the pipeline capacity to 100 percent. This plan, along with the new MSD waste discharge permit, will defer (or eliminate) the need to invest in the second wash water storage tank and pump station on Reservoir Avenue. This strategy will, however, require a periodic allocation of O&M funding (every 3-5 years), to clean the 24-inch waste water line. Mr. Martin moved to revise the budget from \$3.5 million to \$4,125,000 and to proceed to advertise for Project 99-416A/B to construct the wash water tank and pump station, upgrade the Zorn lagoon and clean the 24-inch waste line. Mr. Conner seconded, and the motion carried.

Amendments Made to Services Rules and Regulations: 2.02.1 Tapping Fee Extension Method, Cost of Extension and 2.03.1 Refunding of Installation Cost Extension Method, Application

The Service Rules and Regulations for the *Tapping Fee Extension Method* and the *Refunding of Installation Cost Extension Method* currently require deposits for the estimated cost of the main extension to be made by certified or cashiers check or an irrevocable letter of credit from an institution on the Company's list of approved institutions.

Staff believes that it is no longer necessary to require a certified or cashiers check; instead, a personal or business check can be accepted since the check will clear or be returned before work on the main extension begins. Dr. Wise moved to amend the Service Rules 2.02.1 and 2.03.1, effective immediately, to reflect this change. Ms. Welsh seconded, and the motion carried.

Human Resource Information System

It has been determined that the existing Human Resource Information System does not meet current needs, is unsustainable for future business needs, and should be replaced. Mr. Miller reviewed the numerous issues we have that cause problems with our payroll. Management oversight and project teams have been established and a project plan and business justification has been developed for a Human Resource Information System that supports the LWC Strategic Plan objectives and tactics. An extensive benchmarking effort has been undertaken that has included meetings with local businesses and discussions with industry peers and vendors to determine the appropriate solution set for LWC. Staff reviewed mid-range providers such as Abra Suite from Best Software, Ultimate, ADP, and Ceridian as well as, high-end providers such as Oracle, PeopleSoft, and SAP. All of the organizations that participated in the benchmarking effort are using high-end Financial Information Systems and high-end Human Resources and Payroll applications that are integrated either through common software modules or database interfaces. These organizations have also implemented, or are in the process of implementing, employee self service functionality. Mr. Miller reviewed the pros and cons of high end versus low end systems.

As a result of the Benchmarking and Software Comparison efforts, staff recommends replacing the existing Human Resources/Payroll applications with an integrated, industry standard solution to meet the defined business requirements and mitigate the technical, operating, and business risks. Ms. Welsh inquired as to where we stand on our capital budget now, given that we have had a number of projects that have had increases in their capital budget. Mr. Huber advised that with everything recommended for approval today, our capital budget will be 9.8 million over. Mr. Johnstone advised that Metro Government has PeopleSoft and we may be able to piggyback on their contract. Ms. Welsh also advised

Oracle is trying to acquire PeopleSoft, and if this is successful, the support of PeopleSoft products into the future is a concern. Mr. Miller advised that this current request is only to approve authorization to bid, not approve a contract. Mr. Conner commented that this is a tough year already financially, and we are deferring other capital projects, so maybe we need to consider deferring this one as well. Mr. Miller and Susan Lehmann stressed that the aging payroll system is currently unsupported by Ceridian. They both stressed that this project has been deferred and further deferral will result in increased business risks. Mr. Heitzman commented that the Company did make a decision to defer the work order system, which had been on track for this year as well. Ms. Welsh moved to increase the Capital Budget for Project 10239: Human Resource Information and Payroll System to \$1.87 million, with a total five-year cost of ownership estimated at \$2.1 million, and to proceed with final design and solicitation of request for competitive negotiations for Project 10239: Human Resource Information and Payroll System. Mr. Conner seconded, and the motion carried.

Change of Scope Approved and Authorization to Bid and Proceed with Design Given for Crescent Hill Filter Plant North-South Filter Building Roof Replacement

The 2003 Capital Budget includes \$2.0 million for replacement of the slate roof on the 100-year-old North-South Filter Building at the Crescent Hill Filter Plant. This building houses 120 million gallons of filtration capacity. Consultant Roof Resources, Inc. was contracted to perform a comprehensive analysis of the 100-year building and slate roof. A report prepared by Consultant Roof Resources documents deterioration of the building elements, including: slate roof, dormers, windows, gutters, crestings, deck, rafters, trusses, and building walls. Mr. Heitzman provided photographs of the various roof problems. The consultant recommends corrective action to replace deteriorated roof and associated support elements and to rehabilitate concrete wall structures and surfaces. Implementation of this work will provide the required environment for filtration operations, extend the facility life, and retain the building's architectural features. The revised project budget to perform the comprehensive improvements to the facility total \$3.5 million. The original \$2.0 million budget did not include renovation of the concrete walls, windows, and roof sub-structure. Mr. Martin asked whether there is a risk that the roof may collapse. Mr. Heitzman advised that the structural engineer did not find any sign of imminent collapse. Mr. Conner said that there are historical and aesthetic reasons for replacing the roof with another slate roof, but given our financial condition, does not think this is the year to do it. Mr. Huber suggested we proceed with design only, which would amount to \$225,000, if we can proceed on the actual project within two years. Mr. Martin stated that we should include this in the next bond issue, which would occur within the next 12 months. Dr. Wise moved to establish a revised project budget for Project 03-638: Crescent Hill Filter Plant North-South Filter Building Renovation in the amount of \$3.5 million, and to proceed with engineering design. Ms. Welsh seconded, and the motion carried.

Mr. Huber advised that a special meeting may occur the Tuesday or Thursday of the last week of June and that he would contact Board members regarding their schedules. There being no further business to conduct, Mr. Huber recommended that the meeting adjourn at 3:15 p.m.

Respectfully submitted,



Barbara K. Dickens, Secretary to the Board of Water Works

**BOARD OF WATER WORKS
SPECIAL-CALLED MEETING MINUTES
JULY 20, 2004**

Board Members Present:

Mr. Stewart Conner
Ms. Margaret Harris
Mr. Gerald Martin
Ms. Wendy Welsh
Ms. Marita Willis
Dr. Joseph Wise
Not Present:
Mayor Jerry Abramson

Others Present:

Mr. John Huber, President
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Robert Miller, Vice President, Treasurer
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers and Business Development
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Development
Mr. Rick Johnstone, Deputy Mayor, Metro Louisville

Visitors:

Ron Green, Director, Minority and Women Business Enterprises Program
Terry Woosley, Team Contracting of Sellersburg, Indiana

The Special-Called Meeting of the Board of Water Works was held on Tuesday, July 20 2004 in the Board Room of the Louisville Water Company. John Huber called the meeting to order at 12:36 p.m. This meeting was called to consider items scheduled for the July 13, 2004 Regular Meeting, which was cancelled due to lack of a quorum available for that date.

Committee Appointments

Due to the expiration of Phil Bond's term on the Board and the appointment of Margaret Harris to the Board, Mr. Huber recommended new Committee Appointments. Mr. Huber accepted nominations for a new member of the Audit Committee and a Chair of the Audit Committee. Mr. Huber recommended Ms. Wendy Welsh as Chairperson and Mr. Stewart Conner to serve on the Committee. Mr. Huber asked for any additional nominations. There were no others. Dr. Joseph Wise moved to approve Ms. Welsh as Chair and Mr. Conner as a member of the Audit Committee. Mr. Gerald Martin seconded, and the motion carried. Mr. Huber nominated Ms. Margaret Harris to the Public Affairs and Customer Satisfaction Committee. There were no other nominations. Ms. Welsh moved to approve Ms. Harris as a member of the Public Affairs and Customer Satisfaction Committee. Mr. Conner seconded, and the motion carried.

Consent Agenda Reviewed and Approved

There were no changes to the consent agenda and Ms. Willis made the motion to approve, seconded by Dr. Wise, and the motion carried.

The Regular Meeting minutes from June 8, 2004, as submitted with changes from the Board book version, were approved.

The List of Claims Paid in June 2004 was filed.

The following Petitions and Applications for Water Main Extensions and Relocations were approved:

Developer Installed Refunding Main Extension Projects

<u>Project</u>	<u>Contract</u>	<u>Project Name</u>	<u>Total Project Cost</u>	<u>LWC Cost</u>
10069	G768M	Smithfield Greene Condominiums	\$65,350.00	\$1,800.00
10118	G765M	English Station Professional Park Ph. I	\$20,080.00	
10119	G769M	Renaissance LS Phase I	\$59,420.00	\$10,000.00
10291	G762M	Hamilton Property-Beta Way Extension	\$68,750.00	
10340	G766M	Heritage Creek West Section 2	\$168,160.00	
10341	G767M	Heritage Creek East Section 7	\$10,580.00	
10383	G763M	Dorsey Village	\$55,200.00	
10392	G764M	Air Hydro Power 2550 Blankenbaker	\$56,900.00	\$17,000.00
10397	G771M	Woodhaven Place Section 2	\$79,360.00	\$19,900.00
10401	G775M	Wal-Mart Supercenter #5417	\$142,830.00	
10405	G772M	Hardwood Forest Subdivision Sec. 3	\$81,060.00	
10408	G773M	Lake Forest Section 51B	\$24,380.00	
10418	G761M	Oak Grove Estates Section 1	\$63,630.00	

10424	G770M	Autumn Trace Condominiums Phase I	\$42,070.00
10427	G774M	Gene Paulin Way	\$7,500.00

The Board received the report of Contracts less than \$100,000 as follows:

Procurement Of Professional Services

Professional Service	Internal Customer Satisfaction (ICS) Survey Deyta, Inc.	\$20,205
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Administrative Report

Mr. Huber briefly discussed the issue of Corporate Governance. He advised that Mr. Martin, Mr. Conner and he met to discuss issues of corporate governance and that he subsequently reviewed issues with Rick Johnstone, on behalf of Mayor Jerry Abramson. Mr. Huber anticipates calling a Special-Called Board Meeting on August 5, 2004 to discuss this topic, if additional work on the subject can be completed in time. If it cannot, then the meeting would be held later in August. Mr. Huber advised that any other items he has are covered in the reports of other officers.

Financial Report

Mr. Miller presented the Financial Report. He reviewed the Statement of Revenues, Expenses, and Changes in Net Assets with budget and prior year comparisons for financial results through June 2004. The Reconciliation of Actual Results to the Revised Financial Plan shows progress towards meeting the revised net income and dividend targets for the year. Total Operating Revenues for June of \$8,732,019 were \$33,944 or 0.4% more than budgeted. YTD Total Operating Revenue of \$48,501,443 is \$1,474,517 or 3.0% less than budgeted, \$2,394,341 or 5.2% more than the same period in 2003, and \$194,100 more than the revised target amount for 2004. Operation and Maintenance Expenses for June of \$3,395,359 were \$419,464 or 11% less than budgeted. YTD Operation and Maintenance Expenses of \$21,082,488 is \$901,074 or 4.1% less than budgeted, \$561,951 or 2.6% less than 2003, and \$354,300 less than the revised target amount for 2004. Total Operating Expenses for June of \$5,428,098 were \$473,178 or 8% less than budgeted. YTD Total Operating Expenses of \$33,490,251 are \$1,290,538 or 3.7% less than budgeted, \$63,647 or .2% less than 2003, and \$546,700 less than the revised target amount for 2004. Net Operating Income for June of \$3,303,922 was \$507,123 or 18.1% more than budgeted. YTD Net Operating Income of \$15,011,192 is \$183,979 or 1.2% less than budgeted, \$2,457,989 or 19.6% more than 2003, and \$740,800 more than the revised target amount for 2004.. Total Net Non-Operating Expense for June of \$415,464 was \$59,614 or 16.8% more than budgeted. YTD Total Net Non-Operating Expense of \$2,892,190 is \$757,076 or 35.5% more than budgeted, \$703,077 or 32.1% more than 2003, and \$28,600 more than the revised target amount for 2004. Net Income Before Distribution s and Contributions for June of \$2,888,458 was \$447,509 or 18.3% more than budgeted. YTD Net Income of \$12,119,003 is \$941,055 or 7.2% less than budgeted, \$1,754,912 or 16.9% more than 2003, and \$712,200 more than the revised target amount for 2004. Capital Expenditures for the year are \$25,160,623 or 23.7% of the revised 2004 Capital budget of \$105,993,786.

Mr. Miller advised that the company recently provided offers to buy out the future payments for developer financed water main extension refunding contracts as previously authorized by the Board of Water Works. The computer application computing the buy out for all refunding contracts erroneously

counted fire services when computing the services eligible for refund. The contracts for water main installation specifically exclude fire services for the purpose of computing the refunds. This error affects 47 of the 621 buyout offers. He advised that we have rescinded and corrected the affected offers that had not yet been accepted. There were 18 offers that had been accepted before the error was detected. The amount of the overpayment was \$84,222 and we are working with the developers and contractors to have the overpayment returned. Mr. Miller reported that approximately \$12,000 of the \$84,000 that was overpaid has been repaid by developers.

Mr. Huber inquired as to whether contractors are submitting invoices timely. Mr. Miller stated that for the most part, they are submitting them timely. Mr. Miller advised that the favorable variance we have in Net Income can easily be reduced by additional rainy weather. Mr. Martin asked about our capital expenditures. He noted a significant drop in our Contributions In Aid in the last two months. He asked if those two things are tied together. Mr. Miller said that they could be connected. Mr. Huber advised it may be impacted by state contracts, but that we will look into this and report to the Board next month. In response to a question from Mr. Conner, Mr. Miller clarified that the non-operating expense was due to the early retirement costs. Mr. Huber advised, in response to a question from Mr. Martin, that this was not in the original budget.

The Financial Report was filed.

Operations and Engineering Report Filed

Mr. Heitzman presented the Operations and Engineering Report.

Production – The water production for June of 139.2 MGD was 3.8 percent above the June 2003 production of 134.1 MGD. The June production level nearly matched the 5-year June average production level of 140.1 MGD. The year-to-date production average of 121.7 MGD remains slightly below the 5-year average of 122.9 MGD. Higher pumping in June is attributed to a dryer June, with 3.75 inches of rain.

Distribution Water Quality – Staff collected 304 distribution water compliance samples in June. There was one positive coliform sample collected and the recheck samples were negative for coliform and E coli. There were 10 local boil water advisories issued related to main breaks. The 99 percent corporate goals for turbidity, chlorine, and bacteria were all achieved for the month of June.

Water Quality Complaints – Typically, LWC receives approximately one black water complaint from customers every month. A black water complaint is categorized as small particulate matter that settles in a glass of water, toilet bowl, sink, or pool. Upon investigation, the source of black water is often iron corrosion particles dislodged from pipe during hydrant flushing or a main break. During May and June, the number of black water complaints increased dramatically, with 12 complaints in May and 25 in June. Water Quality staff analyzed the water samples and determined the water had a high level of manganese, up to 40 parts per billion (ppb). Further investigation isolated the source to the Ferric Chloride chemical used in the coagulation treatment process at Crescent Hill. The Ohio River source water also has elevated manganese levels. This situation does not cause a problem with water quality compliance, but is a problem with customer satisfaction. We have reached a verbal agreement with Eagle Brook, our ferric chloride supplier, to reimburse us for costs associated with this problem up to \$10,000.

In response to the high manganese levels, a treatment strategy was developed and implemented to reduce manganese below 20 ppb in the finished water. Manganese does not pose a health threat, however it does present an aesthetic concern to customers. The federal EPA regulatory standard for manganese is 50 ppb. Best practice calls for finished water levels less than 20 ppb to avoid long-term discolored water and

customer complaints. Manganese is difficult to remove using conventional treatment methods. The process requires either micro filtration (such as membrane technology) or oxidation of the manganese to manganese dioxide that can be removed by either sedimentation or filtration. Staff performed chemical analysis to determine the optimal treatment method. On June 21, the free chlorine dosage was increased from 3.0 to 3.25 parts per million (ppm) to increase the oxidation potential of the water. On June 23, staff initiated a potassium permanganate chemical feed rate of 3 pounds per million gallons at the Zorn intake structure. After evaluation of the treatment results, a secondary permanganate feed was set up at the Crescent Hill coagulation effluent to optimize the oxidation process and reduce the dosage of permanganate. The feed rate was reduced to 0.2 pounds per million gallons. Through Wednesday, July 7, the treatment process has lowered the manganese levels to less than 20 ppb for finished water, and the customer complaints have reduced. Staff is working with the ferric chemical supplier Eaglebrook to improve the chemical quality and recover costs associated with the interim treatment strategy. The ferric chloride specification has also been updated to include a maximum manganese contaminant level for quality control. The increased chemical costs associated with the permanganate feed is estimated at \$5,000 for treatment through August 1, when the improved quality of ferric should be available from Eaglebrook Chemical. An exhibit of customer water quality complaints, including black water complaints is included for review.

Riverbank Infiltration Update – Since April 14, the River Bank Infiltration collector well at BE Payne plant has been out of service due to failure of the motors to operate the pumps. The constant speed RBI pump and motor was removed from service on June 9 due to excessive vibration. The pump has been completely disassembled, inspected, and is in good condition. There were some small items in need of repair, including the bearing inserts and impeller balancing. The motor had more extensive damage resulting in metal to metal contact and wear. Repairs are being made to bracket supports, upper and lower bearings, and the ratchet adapter assembly to stabilize the motor operation. Repairs will include new and re-machined parts. The variable speed RBI pump had electrical component failure in the variable frequency drive cabinet. The hardware was losing an electrical supply intermittently during operation. The damaged electrical component has been replaced. A wiring error was also found and corrected on the motor protection circuitry. Both units are planned to be back in service during the week of July 26. Estimated cost of repair is \$65,000.

Memorial Weekend Power Outage - On Sunday, May 30, there were two waves of storms that hit the Metro area, which caused many power outages. The first wave hit the area around 5:00 pm, but did not have any impact on operations. The second wave hit the Crescent Hill plant at 11:30 pm and caused power and phone outages at several pumping and storage facilities. Power supply was interrupted at Crescent Hill Treatment Plant, Zorn Pump Station, Frey's Hill Pump Station, Westport Pump Station, and Chamberlain Lane Pump Station. There was adequate storage on the system and therefore no customers were without water service. Following the event, staff conducted a follow up exercise to identify vulnerabilities in the power systems and develop recommendations. Staff will meet with representatives from LG&E to review the power supply and also consider a power system vulnerability assessment by outside consultant.

Memorial Weekend Storm Damage – The storm on May 30-31 damaged and brought down trees at various Company sites, including Claremont Avenue Jacobs School Road, Reservoir Avenue, Westgate Place, Westport pump station, Bardstown Road tank site, and Mitchell Hill tank site. A total of fourteen downed trees had to be removed and ten trees with damaged limbs had to be trimmed. The removal of the trees and trimming of tree limbs were outsourced to Creationist Tree Service for a total cost of \$7,240. Three additional downed/damaged trees at Reservoir Avenue were removed as part of the fencing capital project and the removal cost is \$2,285. Staff labor costs of approximately \$9,000 were incurred for the overall clean up. The total cost for the storm damage clean up is \$18,525. There was no structural or roof damage to Company facilities.

Pesticide Workshop in Prague – Dr. Jack Wang participated in a Pesticides Symposium held on June 4 in Prague, Czech Republic. This Symposium was sponsored by AwwaRF and the International Water Association's (IWA). The Symposium consisted of two components: a one-day public session and a two-day closed work session. The Symposium was attended by 50 international participants, including representatives from US EPA, USGS, and European water utilities. Nineteen presentations were given in the symposium, covering various topics including pesticide occurrence in water bodies, impact on water treatment, pesticide health effects and analytical methods. Dr. Wang presented the Company's experience on herbicide monitoring and treatment along the Ohio River.

Jefferson County Air Pollution Control District (JCAPCD) - LWC has been issued air permits by the Jefferson County Air Pollution Control District (JCAPCD) for the handling of various chemicals at the Crescent Hill and BE Payne treatment plants. The regulated chemicals are lime, soda ash, and carbon. The permits set limits on particulate emissions during chemical unloading operations and also require monthly documentation and inspections records. The JCAPCD inspected the CHFP and BEP facilities on June 8, 2004. The inspection focused primarily on equipment and recordkeeping associated with our air permits. There were no findings during the inspection and the JCAPCD inspector, Mr. Heil was impressed with the operations.

Billtown Road Area – 900 Pressure Zone Expansion: - On June 21, Infrastructure Planning and Distribution Operations executed a planned expansion of the 900 Pressure Zone in southeastern Jefferson County. The specific area is generally along Billtown Road, bounded by Watterson Trail on the north and Fairgrounds Road on the south. Although this area previously had water pressure that exceeds the regulatory requirement of 30 psi, the pressure was not adequate from a customer perspective. The purpose of the expansion was to increase water pressure for approximately 800 households in the area. As a result of the change, these customers realized an incremental increase in water pressure of approximately 30 psi. Following pressure zone expansion, there were nine main breaks caused by the increase in operating pressure. These mains will be reviewed for potential replacement with the annual main replacement program.

Annual Inventory Taken - LWC's annual inventory was conducted on June 18 and 19. The scope of the inventory included counting parts and materials at company facilities at Allmond Avenue, Middletown, Bullitt County, and also on Company trucks. Internal and external auditors participated to ensure the validity of the process. Results are being compiled and will be reported to the Board Audit Committee.

July 13, 2004 Storm – LWC lost power at both the B.E. Payne and Crescent Hill Plants, in addition to several tanks and pumping stations. We resumed power at both plants prior to initiating generator power, but we had to use generator power for several of our pumping stations. The PSC requires a Boil Water Advisory if a storage tank goes below a certain level, which occurred only at the Peaceful Valley tank in Bullitt County. Power was restored within the hour of the tank going empty and we refilled it. Power was restored everywhere by Friday, July 16th. LWC incurred costs of approximately \$20,000 for facility damage, overtime for employees and some clean-up costs.

Serving Customers and Business Development Report Filed

Ms. Teasley presented the Serving Customers Report.

Performance Measures – The June 2004 abandonment rate was 5.0% compared to 4.8% in May 2004, and 5.4% in June 2003. The call volume for the month, 37,664 calls, was at its highest level since October of 2003. The year-to-date abandonment rate is 4.6%. Bad debt for the month of June was

\$53,426 compared to \$62,625 in May 2004, and \$47,963 in June 2003. Bad debt is \$11,509 over budget for the month and \$20,446 over budget year-to-date.

Second Quarter 2004 Customer Satisfaction Results – Customer satisfaction dropped for the second quarter in a row and from the first quarter 2004 Total Customer Satisfaction Index (CSI) of 845 to 837. This eight point drop occurred primarily in the areas of customer service, information and price/value. Commercial non-service is the only segment of the index that increased during the second quarter. The year-to-date average for the Total CSI is 841 which is still slightly above the corporate Level I goal of 840. Customer satisfaction for the Service CSI decreased to 792 which is the lowest level experienced since the end of 2002. The year-to-date average for the Service CSI is 798.5 which exceeds the Level II goal for customer satisfaction for the Corporate Performance Award of 790. Satisfaction of these customers decreased in all areas except price/value.

Home Builders Update - Staff of LWC met on June 18th with a small work group of representatives from the Home Builders Association of Louisville (HBAL). The work group met to address issues such as the current authorization process for new development projects to proceed, development of an optional service sleeve engineering standard for selected new developments, acceptance of water mains prior to filing of the new development's Record Plat, damage to LWC meter vaults and valve key tubes, frames and lids, status of the System Development Charge (SDC) Funds including the external audit, and discussion of the proposed new Refunding of Installation Cost Main Extension Contract. As established at the start, this work group will develop possible solutions and working procedures to be submitted to the full Land and Development Committee of HBAL for their advice and comment.

Mobile Dispatch Project Update - The Mobile Dispatch Project continues to progress. There have been 11 mobile users live on the system in the areas of Fire Hydrant Servicing, Meter Repair, and Vault Maintenance since early May 2004. The interface that provides the data exchange and automation of information and work flow between the Mobile Dispatch system and the Alliance e-CIS applications has been the most complex and difficult. In efforts to streamline the testing and go-live procedures, the Customer Service employees were split into two groups:

- 1) Customer Service Representatives that handle non-pay service orders, eight users and
 - 2) Customer Service Representatives that handle general service order work, eight users.
- Testing is nearing completion for both groups and go-live for Group 1 is proceeding the week of July 5. Go-live for Group 2 is targeted for the week of July 12 pending any further testing issues and go-live of Group 1. The two groups account for 16 of the 41 projected mobile users and the largest volume of service orders that will be processed by the system.

Viryanet and LWC staff continue to work on the development of the interfaces to link the Mobile Dispatch and LWC work order system for handling the First Run Response work of the Emergency Turners. This phase of the project has undergone initial testing and updates are being programmed by Viryanet for further testing. This group represents an additional 14 mobile users. It is anticipated that this phase will be in production in late July or early August.

GIS Project Update - The construction of the Automated Mapping/Facilities Management (AM/FM) System is in the final stages. All data have been delivered by the vendor (GRW Engineers, Inc.) and checked for quality. Staff are in the process of completing final data loading and testing of the system components prior to making the full system available to LWC personnel beginning in August 2004.

Public Information Initiatives - The Courier Journal published a "special report" this month on companies who store hazardous materials that could impact public health if released. LWC's Crescent Hill and B.E. Payne water treatment plants were both profiled because of chlorine storage. The article

explored alternatives to chlorine use and the safety measures in place to protect the public from an accidental release.

LWC's National Championship Tapping Team was featured in a full page report this month in the Courier Journal. The women's team won their third national title at the American Water Works Association Conference in Orlando, Florida. They set a new record and broke the two minute mark. The team also made guest appearances on WHAS-TV's Good Morning Kentuckiana.

LWC launched its new "Tap into Fitness" partnership with area health, nutrition and fitness professionals in June. A kick-off dinner introduced the educational venture to potential partners. Two schools will pilot the program this fall. It will teach good nutrition, the value of physical fitness and the impact of consumerism on health choices.

LWC hosted workshops for 75 area teachers utilizing our "Adventures in Water" curriculum. Teachers receive an overview of the material, participate in hands-on experiments and tour LWC treatment facilities. 97% of the evaluations were rated excellent. Another workshop is planned in August for Bullitt County teachers. Since the curriculum was rolled-out in 2002 over 700 teachers have participated in the program.

The report was filed.

Closed Session

At 1:07 p.m., Mr. Huber recommended the Board go into closed session pursuant to KRS 61.810(1)(c), to discuss proposed or pending litigation. Ms. Welsh moved that the Board go into closed session, Dr. Wise seconded, and the motion carried.

Open Session Resumed

Mr. Conner moved to return to Open Session, Ms. Willis seconded and the motion carried. The Board resumed open session at 1:42 p.m. There was no action coming out of closed session.

Public Affairs and Customer Satisfaction Committee Report Given

Ms. Willis provided a report of the Public Affairs and Customer Satisfaction Committee. The Committee discussed the proposed charter, which will be considered in an upcoming meeting. The Committee is considering whether to revamp the Pure Tap Program or keep it as is. It is a costly program.

Special Issue Regarding Condemnation of Easement for National Turnpike Project

Ms. Dickens briefed the Board on the necessity and basis for condemnation of this easement needed for the National Turnpike main extension project. The location of the facilities necessary for this critical project will be near the front of the property owner's property, abutting the public right of way. LWC has offered greater than Fair Market Value for the easement property, based on two independent appraisals, and also has offered to relocate the property owner's above-ground pool. Staff has negotiated property purchases for ninety-five percent of the needed properties. Negotiation regarding this easement is at an impasse due to the amount demanded by the property owner as consideration for the easement. Therefore, staff recommended the Board of Water Works condemn the easement to allow the project to move forward.

RESOLVED, that it is hereby determined that it is necessary that the Louisville Water Company obtain an easement on certain land located along National Turnpike in Jefferson County, Kentucky (such land being more particularly described in the Exhibit attached hereto) for the purpose of using such land for installing, connecting, constructing, operating, maintaining, reconnecting, repairing, removing, reconstructing, and/or enlarging one or more water mains and appurtenances in said strip of land, including the right of ingress and egress to and from said strip, such easement to be located as described in the Exhibits attached hereto and at the site and width indicated on the plat attached thereto, made a part hereof by reference, it being the Board of Water Works' determination that such land is needed from:

Laura L. Bailey 9705 National Turnpike Block 1051 Lot 45
Fairdale, KY 40118

and any or all other lawful owners of such properties, the need for such land being to allow the Louisville Water Company to use such land in fulfilling the public purpose of providing purified water to the residents of the Louisville/Jefferson County, Kentucky and surrounding areas, the Louisville Water Company being hereby authorized, if reasonable efforts to purchase the necessary easement have failed, to bring a condemnation action against the owner of such land.

Mr. Conner moved to adopt the resolution relating to the property owned by Laura L. Bailey, located at 9705 National Turnpike, Block 1051, Lot 45, Fairdale, KY 40118. Mr. Martin seconded, and the motion carried.

Contract Awarded for 04-95: National Turnpike 16-inch DIWM Extension

Mr. Huber advised that a change action listed in the agenda is related to this project and will be discussed together with the bid tabulation in order to ensure that the Board has a full understanding of the entire project.

PEH Engineers (PEH) has held a contract with Louisville Water Company (LWC) since October 2001 to provide engineering services for the development of plans and specifications for the National Turnpike/South Park Road Project. In December 2001 PEH entered into another contract for the development of plans and specifications for the Highway 1020 project. The project design efforts were combined, making the original value of these two contracts \$292,517.81. Design and construction of the Highway 1020 project was completed in July 2003. Final design of the National Turnpike/South Park Road project was completed in early June 2004, thus allowing for advertisement of this project on June 16, 2004. The total contract amount was again approved as a result of the need to redesign a portion of the main planned for South Park Road, making the total revised contract \$299,832.35. Design of these two projects has not progressed as smoothly as expected, and as a result, design fees of \$443,564, (\$151,047 in excess of the original contract amount) have been generated by the consultant (PEH). Negotiations conducted over the past few weeks with PEH have narrowed the actual overage attributable to design changes to \$53,849, which increases the final contract amount approximately 21% to \$353,681.35.

This project is to extend water mains to serve the Fairdale area. Seven bids were received to furnish and install 15,675 feet of 16-inch and 1,805 feet of 12-inch ductile iron water main, and 75 feet of 6-inch PVC water main, including all necessary valves and fittings. The project also includes the furnish and install of

106 feet of 30-inch steel casing for a railroad crossing, and 201 feet of 24-inch steel casing for a combined railroad - roadway crossing. T+C Contracting submitted the lowest responsive bid in the amount of \$1,549,000 resulting in a total project cost of \$2,064,005. The low bid is approximately 3% over the Project Manager's Estimate, and the overall unit cost is \$117.57/LF. Although the low bid was slightly higher than the Project Manager's estimate, the bid sequence was very competitive with the five lowest bidders within 10% of the lowest bid. The escalating cost of contractor-supplied ductile iron pipe and steel casing materials kept the bids at a higher level than expected. Dr. Wise moved to authorize the Vice President, Serving Customers & Business Development, to increase the contract with PEH Engineers to \$353,681.35 to complete design of the referenced transmission main project. Ms. Willis seconded, and the motion carried. Ms. Welsh moved to authorize Vice President, Serving Customers & Business Development, to award a contract in the amount of \$1,549,000 to T+C Contracting to install the water facilities associated with this project. This action establishes a \$2,125,170 revised project budget of record for engineering and construction. Dr. Wise seconded, and the motion carried.

Bid Approval Tabled for 10294: Montana Avenue Main Replacement Project

This project is to install 15,610 feet of 6", 8", and 12-inch Pressure Class 350 ductile iron pipe in the Montana Avenue Area located northeast of Churchill Downs. This project piloted the use of the new MBE/WBE sub-contractor utilization program at LWC. Tom Brown Construction Company submitted the lowest responsive bid in the amount of \$994,265 resulting in a total project cost of \$1,428,265. The low bid is approximately 14% under the Project Manager's estimate. The overall unit cost is \$ 91.50/lf. This value is consistent with the unit prices received for MRRP projects in similar areas. Tom Brown Construction's participation was 5% for WBEs and 5% for MBEs. Dr. Wise asked if this meant they met the Disadvantaged Business Enterprises (DBEs) percentage. Ron Green, M/WBE Program Manager, advised we do not use a 10% DBE calculation, but consider the minimum participation levels separately. Mr. Brown submitted a MBE quote to satisfy the Good Faith Effort requirement, but did not use the minority subcontractor. Rather, Mr. Brown accepted a lower subcontractor quote three days after the minority quote, but still prior to our bid date. Ms. Willis inquired about the second lowest bidder's minority participation. Mr. Green advised it was 15% each for MBEs and WBEs. Dr. Wise advised he wanted staff to further explore the details of this bid and the bidder's Good Faith Effort and moved to table this bid until the next board meeting to allow staff an opportunity to do further investigation. Mr. Conner seconded, and the motion carried.

Contract Awarded for 04-41: Copper Tubing

Copper tubing is used throughout the distribution system in the installation, renewal and repair of domestic service lines. Viking Supply Co. submitted the lowest, most responsive bid for a four-month total of \$106,934. This bid represents an approximate 4.67% increase in unit prices from the previous bid six months ago. Mr. Conner moved to authorize the Process Owner, Procurement of Goods and Services, to award a four-month contract totaling \$106,934 to Viking Supply Company. Ms. Willis seconded, and the motion carried.

Contract Renewed for E-872: Construction Inspection and Technician Services – 4th and Final Renewal

In July 2000, the Board of Water Works approved a professional service contract with Quest Engineers, Inc. to provide Construction Inspection and Technician Services, including supplementing existing LWC in house inspector forces with Quest personnel, for the Constructing Capital Improvements Processes. These services provide quality assurance and insure adherence to LWC Standard Technical Specifications for work permitted by its pre-approved contractor workforce. This proposed renewal is the fourth and final renewal per the contract and will utilize three Inspector I positions and four Inspector II positions.

The proposed contract amount of a not-to-exceed amount of \$555,401 represents a 1.8% increase for the Inspector I and Inspector II hourly rate, an increase of 1 cent per mile for mileage reimbursement and no increase for equipment rates. This proposed increase is less than the current CPI that is allowed by the contract. This is an increase of four Inspector II positions from the previous year to maintain adequate inspection coverage with the retirement of five Inspectors in January of this year. Mr. Huber advised that Quest has primarily utilized former LWC employees for the inspector positions. Mr. Martin asked whether utilizing independent contractors costs LWC more than it would to hire them. Mr. Heitzman advised that the cost is fairly even in the end because the company has a variable need for these inspectors. Therefore, it is better to have them through a contract than to have them on staff because they do not work every day. Ms. Willis moved to authorize the Vice-President of Serving Customers and Business Development to renew the existing professional service contract for Construction Inspection and Technician Services with Quest Engineers a fourth year for the not-to-exceed amount of \$555,401. Ms. Welsh seconded, and the motion carried.

Contract Awarded for 03-607: Westport Road Transfer Station Hydraulic Surge Tank

LWC plans to install a hydraulic surge tank at the Westport Road Transfer Station for the purpose of providing protection to the pump station and piping infrastructure from high pressure waves created by an unplanned water supply interruption (power failure, pump failure, or main break). The apparent low bid is 10.9 percent above the engineer's estimate, prepared by consultant CH2M Hill, Inc. Comparison of the estimate to the apparent low bid indicates the difference lies in material costs, specifically steel, electrical, and piping materials. The engineering budget allocation has also been increased to \$44,000 for additional design expenses by staff and the consultant. Mr. Conner moved to authorize the Chief Engineer to award a contract in the amount of \$372,500 to MAC Construction and Excavating, Inc. for installation of a hydraulic surge tank at Westport Road Transfer Station. Ms. Willis seconded, and the motion carried.

Contracts Awarded for 04-42: Pipeline Design and Construction Engineering Consultant

LWC is moving toward outsourcing professional services and uses these consultants for engineering design, surveying, easement acquisition, and contract administration of various size distribution water mains (4" to 12"), water storage facilities, and pumping facilities to be installed throughout the LWC Distribution System in Jefferson, Bullitt, and Oldham counties. Mr. Heitzman summarized our procurement process for professional service contracts. We are moving to getting a pool of qualified consultants. Dr. Wise asked whether we use the same percentage for evaluating the M/WBE efforts in this situation, and Ms. Teasley advised that we do. However, at this stage, we were simply asking these consultants to commit to attempt to achieve the 15% MBE and 5% WBE goals. Dr. Wise inquired as to whether we want to give greater weight to those who meet goals. Mr. Heitzman advised that the evaluated bid program did give greater weight if the percentages were met, but that program was abandoned. For this Request for Proposals, nine engineering consultant firms submitted proposals. A team of LWC engineering staff evaluated the technical proposals and cost proposals. The MBE/WBE Program Manager evaluated the "Good Faith Effort" portion of the submittals. One firm was disqualified for failing to make a Good Faith Effort.

Based upon the evaluations, staff recommends that LWC retain the engineering consulting services of O'Brien & Gere, Qk4, and Quest, with the award of three professional service contracts renewable up to four years. Dr. Wise moved to authorize the Vice President, Serving Customers and Business Development, to execute these unit-price cost contracts. Individual design projects exceeding \$100,000 will be submitted to the Board of Water Works for approval and those exceeding \$20,000 will be submitted to the President for approval. Ms. Welsh seconded, and the motion carried.

Contract Awarded for 03-638: Crescent Hill Filter Plant North-South Building Renovations

During the June Board meeting, the Board authorized staff to initiate the project design for the renovation of the North-South Filter Building at the Crescent Hill Filter Plant. The 100-year old North-South Filter Building has significant deterioration of the slate roof, gutters, concrete wall surfaces, and windows. A Preliminary Engineering Report prepared by consultant Roof Resources, Inc. recommends a phased approach for corrective measures at an estimated project cost of \$3.5 million. A proposal was solicited from Roof Resources, Inc. (CWBE). A not-to-exceed cost of \$235,540 has been negotiated for engineering and architectural design, bidding services, construction administration, and construction inspection services. This proposed contract value of \$235,540 plus the \$53,753 expended for the Preliminary Engineering Report, represents 8.3 percent of the proposed project budget of \$3.5 million. Dr. Wise moved to authorize the Chief Engineer to award a professional services contract to Roof Resources, Inc. in the amount of \$235,540 for engineering and architectural design, bidding services, construction services, and construction inspection for the Crescent Hill Filter Plant North-South Filter Building Renovation. Mr. Conner seconded. Mr. Martin asked whether this will be added to the capital budget. Mr. Heitzman advised it will be placed in a suspense account for up to two years, under current accounting rules, during which time if the project is started, it would be added to the capital program. A vote was taken and the motion carried.

Report Given Regarding Minority and Women Business Enterprises Program

Ron Green, Director of Minority and Women Business Enterprises Program, reported regarding the status of this program. Mr. Green provided the Board a summary of his relevant work experience before joining LWC recently. The Company has recently transitioned our Minority and Women Owned Business Enterprises Development Program from an "evaluated bid" approach to a "good faith efforts" approach. This new approach has now been piloted on two recent projects that are being considered this month by the Board of Water Works. Mr. Green reviewed the company's M/WBE participation goals. He advised we normally exceed goals for WBE and are still working to increase MBE participation. We plan activities to bring together prime contractors and M/WBE subcontractors. We are also trying to attract new MBEs to Louisville. We educate the prime and subcontractors about the need for minority and women business enterprise participations. Mr. Green presented the total spending plan for M/WBEs. Mr. Green advised a 9% goal for this year will put us back on track to achieve a 15% goal by 2007. The current requirements for contractors are that they make an effort to have MBEs and WBEs as subcontractors. This must be demonstrated by contacts and receiving quotes. Mr. Green discussed certification as a MBE or WBE and various entities we recognize as certifiers. Since we have now piloted this new program on two projects, we will review the results, make changes, roll it out to include all capital projects in the 4th quarter of 2004 and out to include goods and service purchases in the 1st quarter of 2005.

Report given regarding the Methodology for Revisions to Planning Assumptions in Ten Year Financial Plan

Staff has begun the review and analysis for updating the ten year proforma income statement and financial plan. The methodology that will be used to revise the key assumptions upon which the plan is constructed will take into consideration: Water Sales Forecast, the Return on Investment and Dividend Growth, the Infrastructure Replacement Reserve, the Rate Equalization and Risk Mitigation Reserve, and the Capital Projects Budget. Staff anticipates that a preliminary draft update to the ten year financial plan will be available for consideration at the August 2004 Board meeting. Mr. Miller is talking to many different financial advisors. Mr. Martin expressed his concerns about establishing more reserves rather than management making budget decisions. Mr. Martin also stated that any financial advisor needs to be making recommendations based on the same assumptions. He feels we need the Mayor's input on this

issue. He requested that Mr. Miller make the RFP for the financial advisor available for review by any Board member that wishes to review it.

Change Action Approved for Watson Lane 16" and Orell Road 12" Grid Tie Project

The original professional service contract with Gresham Smith and Partners for design and inspection of this project was \$83,242 and was later increased to \$94,844.60 to compensate for additional design costs. Construction of the project is now essentially complete. GSP originally estimated a total of 250 hours for construction inspection services. As requested by Staff, this estimate was prepared prior to development of final construction plans and specifications and award of contract. The construction contract was awarded to DF Crane, a relatively new contractor with LWC. The contractor encountered difficult soil conditions and sewer connections that had not been anticipated. As a result of these site conditions, the Consultant spent a total of 770 hours on construction inspection and these additional hours have been verified. The proposed change exceeds the currently approved contract amount (\$94,844.60) by 24 %. Impact to the overall project budget is 12.3 %. Dr. Wise moved to authorize the Vice President, Serving Customers and Business Development to increase the contract with Gresham Smith and Partners to \$117,658.79, and to increase the project budget of record to \$827,585.86 to complete and close out this project. Ms. Willis seconded, and the motion carried.

Change in Scope Approved and Request to Proceed with Advertisement for Bid Granted for Bearcamp Road Booster Pump Station

The 2001 Capital Budget includes a project to install a booster pump station in the southwest area of Jefferson County to supply customers along Bearcamp Road. Water service is now available to this area by installation of 13,000 linear feet of 8" water main in Bearcamp Road under the County-wide Expansion Program. The main serves portions of southwestern Jefferson County and ties into northwestern Bullitt County. Several properties are at elevations that cannot be served by the hydraulic grade available from the 660 pressure zone. This project will install a dual-purpose booster pump station to provide domestic flow and pressure under normal system operating conditions, and fire flow under high demand conditions. The original project budget for the proposed work was \$150,000; a revised budget of \$175,000 is requested due to construction market inflation since the original budget of 2001, easement acquisition expenses, and scope revisions to satisfy the unique domestic and fire demand supply. Ms. Conner moved to increase the budget of Project 01-700: Bearcamp Road Booster Pump Station from \$150,000 to \$175,000, and to proceed with advertisement for bid for the project. Ms. Welsh seconded, and the motion carried (Mr. Martin was not present during this vote, but rejoined the Board immediately thereafter).

Bullitt County Water Improvement Program – Bullitt County Extension Program

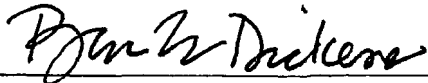
Proposed in the 2004 Capital Budget are funds for construction of a water main extension project on Licksillet Drive, West Indian Stone Road, Big Springs Drive, West Big Country Road, East Big Country Road, East Indian Stone Road and Thunder Road. Petitions have been received from a 2/3 majority of the residents along these roads. The project will provide water service and fire flow to a total of 82 customers along the roads. The budget for the proposed project is \$775,500. The source of funding for this project is 82 customer connection fees of \$5,450 for \$446,900 with the balance of \$328,600 funded from the Bullitt County Water Reserve. Ms. Welsh moved to authorize engineering design and advertisement for bid for this project. Ms. Willis seconded, and the motion carried.

Mr. Martin raised his concern that the Board was not able to meet last week due to a lack of a quorum. He asked other board members to look at all the dates for the remaining board meetings and advise at the next

meeting if there are any known conflicts so that any meeting that needs to be rescheduled can be rescheduled well in advance.

There being no further business to conduct, Mr. Huber recommended that the meeting adjourn at 3:02 p.m.

Respectfully submitted,



Barbara K. Dickens, Secretary to the Board of Water Works

**BOARD OF WATER WORKS
SPECIAL-CALLED MEETING MINUTES
AUGUST 5, 2004**

Board Members Present:

Mr. Stewart Conner

Mr. Gerald Martin

Ms. Wendy Welsh

Ms. Marita Willis

Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson

Ms. Margaret Harris

Others Present:

Mr. John Huber, President

Ms. Barbara Dickens, Vice President, General Counsel and Secretary

Mr. Robert Miller, Vice President, Treasurer

Ms. Susan Lehmann, Vice President, Human Resources and Organizational Development

Mr. Rick Johnstone, Deputy Mayor, Metro Louisville

Mr. Vince Guenther, Process Owner, Providing Governmental Relations

The Special-Called Meeting of the Board of Water Works was held on Thursday, August 5, 2004 in the Board Room of the Louisville Water Company. Mr. Huber called the meeting to order at 12:33 p.m. Mr. Huber discussed the issue raised by Gerald Martin at the last Board meeting regarding having a quorum present for the meeting. He asked that board members advise him regarding their availability of upcoming regular board meetings.

Corporate Governance Issues Discussed

Mr. Huber stated that a pressing issue for the BOWW is the issue of governance and whether, in light of regulatory changes and best practices, the BOWW should consider any changes to its structure and governing practices.

Barbara Dickens reviewed what laws define the BOWW by summarizing the content of the state charter, statutes, local ordinances, and By Laws that govern the BOWW and the Louisville Water Company as two separate entities. Ms. Dickens advised that the Louisville Water Company was created by Charter in 1854, and the charter was amended 7 times until 1890. An act of the legislature is needed to amend the charter. The Board of Water Works is created and defined by statute, KRS Chapter 96. Although normally any change to a Kentucky state statute would require an act of the legislature, there is a law, referred to as the Home Rule statute, KRS 83.520, which makes all of Chapter 96 permissive to the extent that any local ordinance conflicts with any provision of Chapter 96 and the state statute does not specifically prohibit the conflicting provision. We have local ordinances that pertain to the Board of Water Works. These local ordinances are City of Louisville ordinances. All city and county ordinances are in effect for five years after merger and sunset at that time if not re-adopted by Metro Government. Local ordinances have to be amended by a vote of the Metro Council. Finally, the company has its own By Laws, which set forth duties and responsibilities of officers and conduct of meetings. By Laws may be amended by majority vote of the full Board at any meeting.

Ms. Dickens advised that we believe that there are many significant controls in place to provide transparency, accountability and integrity in the governance of the Louisville Water Company. However, in light of the Sarbanes–Oxley Act of 2002, we feel it is appropriate to reconsider some governance issues. Sarbanes- Oxley Act of 2002 is an act that was passed by Congress to ensure accountability. While LWC is not required to comply with Sarbanes-Oxley, the standards set forth by the Act have grown to be considered best practice in the corporate world. Specifically, Title III and IV provide valuable guidance to LWC on corporate responsibility and enhanced financial disclosures and should be given consideration. The aspects of the Act which may be considered by the BOWW include:

- The necessity to have truly independent directors
 - Making independent decisions by holding executive sessions regularly and having independent nominating and compensation committees
 - Adopting corporate governance guidelines that address matters such as director qualifications, responsibilities and compensation and performance of the board
 - Having a Code of Ethics for board members
 - Making information regarding governance available to the public.
- These are just some of the considerations that should be weighed regarding corporate governance in order to adopt best practices that will enhance the public confidence and trust in the company and the BOWW.

Mr. Huber emphasized that LWC and BOWW are two different entities. He further reiterated that the local ordinances can in effect change state law according to the KRS 83.520 because that statute makes all of KRS Chapter 96 permissive in situations where a local ordinance is enacted to change the particular rule in state law and state law has not specifically prohibited that change. Dr. Joseph Wise asked whether we need to have the local ordinances approved by the new metro government and if the Code of Ethics BOWW members sign when appointed by the Mayor is sufficient to cover them. Ms. Dickens advised in the affirmative to both questions, and further stated that the local ordinances are being reviewed currently to take as a package to the Metro Council for approval.

Mr. Huber discussed the governance goals. Mr. Martin stated aligning the interests of the stockholder and the customers and balancing the short-term and long-term needs of the organization are key for the BOWW. Mr. Huber asked if anyone had anything to add to the goals as stated; there were no additions.

Mr. Huber discussed the actions to be taken to achieve the goals. The first action step will be to create and implement an expanded orientation for board members. Vice President Susan Lehmann will be responsible for developing the orientation, identifying the major business risks, explaining the financial structure, and discussing key operational issues. Mr. Martin recommended tours of the major facilities.

The second action step is to review the BOWW’s obligations annually and get the Mayor’s perspective in a meeting that would be without management present. Mr. Conner noted that this systematizes the contact with the stockholder.

The third action step is to create an Executive Committee. After some discussion, it was decided that this committee would consist of the Board chairperson, two board members and the President and CEO. The Executive Committee will review material and make recommendations and, in some cases, approve some items in lieu of full board action. Mr. Conner commented that publicly-held companies have often used executive committees effectively, but that board

members need to be cognizant that all action, whether taken by executive committee or the full board, is the responsibility of the full board. Mr. Conner stated that he feels many items take significant time without adding valuable input due to the board's lack of technical knowledge or experience with construction or materials. Mr. Conner believes that using an executive committee can be effective, but whatever process we put in place must be consistently implemented. Mr. Martin stated his desire that the Board provide effective oversight based on some threshold. He expressed his concern that the consent agenda is not discussed in detail and that the BOWW may want to consider giving the President more power to deal with those items rather than the BOWW. Mr. Conner stated that the responsibility of a director on a board is to be reasonably informed, acting in good faith in the best interest of the stockholder. Mr. Martin inquired as to whether we can change what the BOWW considers. Wendy Welsh advised that it has been changed before in her tenure. Currently, Mr. Huber considers authorizations committing funds up to \$100,000 for procurement of contracts. Only certain items meet the criteria for the consent agenda. Dr. Wise pointed out that any board member can ask to have something pulled off the consent agenda for a full discussion by the board. Mr. Martin has a concern regarding the board reviewing the list of claims given its depth. Ms. Welsh stated that giving careful consideration to what the board has to approve and consider will enable the board to spend more time on the big picture and critical items such as the River Bank Filtration Project. Mr. Huber advised that staff will prepare a review of what ordinances and By-Laws need amending given the desire to have an executive committee. Dr. Wise commented that having an executive committee will remove some of the decision-making authority for board members not serving on the executive committee.

Mr. Martin suggested that the BOWW should consider meeting frequency. Mr. Conner commented that many publicly-held companies meet only quarterly, with the executive committee meeting in between the regular meetings. Rick Johnstone noted that having monthly full board meetings results in the board being more involved in day to day operations rather than as a policy-making, strategic role. Mr. Martin noted that board members have an obligation to read the materials presented to them and understand them or get clarification from staff in order to meet their obligation of being a good and productive board member. With regard to the Officers' Reports, Mr. Huber commented that these take a long time in board meetings, and everyone agreed that they should be streamlined.

Mr. Huber advised that the staff will recommend changes in what is presented for board approval. He advised that all these meetings will be subject to the Kentucky Open Meetings Act, according to a recent Attorney's General Opinion that held that even a meeting of a board-created subcommittee of public agency has to be open and notice has to be given if any public business is discussed and if there is a quorum of that committee present. If the meetings are established on certain regular dates, notice to the media can be given one time and then further notification of any changed meeting dates.

The fourth action to be taken is to create a Nominating committee. It was discussed that the Nominating Committee will nominate the person to serve as Board Chair and the person to serve as Vice-Chair and also the individuals to serve on particular committees. After the nominating committee presents a slate of officers, the full board will consider approval of the slate.

The fifth action involves separating the role of President and CEO from Board Chair. Rick Johnstone stated that the Mayor believes this represents best business practices and wants the BOWW to consider this in order to make itself more similar to other corporations. Mr. Johnstone commented that no other entities associated with local government have the structure we

currently have. All of them have these two roles separated. The Mayor also suggested, due to his tenure on the board which gives him a greater knowledge of how the LWC operates, Stewart Conner should be considered for the role of Board Chair. Although normally the Mayor wants individuals that he has appointed to serve no more than three terms and Mr. Conner is in his third term currently, it was suggested the Mayor would extend his nomination to the BOWW one additional term if the BOWW elected Mr. Conner as Chair.

The sixth action to consider is whether, in light of moving toward separation of the President and CEO role from the Chair role, the Board should have additional individuals serving on the Board. Mr. Martin believes that in principle this is a good recommendation and suggested that if pursued this should be the company's chief financial officer. Mr. Conner commented that this would mean this individual would take on additional fiscal responsibility without additional compensation, and noted that this individual, Mr. Miller, attends all board meetings anyway. It was determined to keep the board as presently constituted and reconsider this topic in the future.

The seventh action step concerns making sure that appropriate, independent decisions are made for the period in which one person services in the combined role of Board Chair and President and CEO. Mr. Huber stated that he would be diligent in this regard until the transition to separated roles.

Mr. Huber inquired as to whether any board members had any other action steps for management or the BOWW to consider. There were no others. Mr. Huber reviewed the issues which will be coming to the BOWW in the next few months. He noted that the company has achieved many of the goals in the strategic plan such as extending the system throughout the county, replacing or rehabilitating all water mains older than 1931, and expanding the customer base and sales territory. Our debt structure and performance benchmarks will be topics to be addressed through the remainder of 2004.

Mr. Miller reviewed the history of our financial condition over the past 13 years. He noted that our assets have doubled, yet we have borrowed only twice. While our debt has increased, our debt as a percent of our capital structure has not increased. We are looking at financial advisors to help us validate the financial benchmark information we have and use it in the best way to set our profit goal and financial plan. Mr. Huber advised we will be getting into this work by the fourth quarter of 2004. Mr. Martin stated that there needs to be some review of whether the return on equity target is calculated before or after deductions from the Infrastructure Replacement Reserve and other deductions. Mr. Johnstone discussed the Metro Government's experience with Public Financial Management (PFM), the firm that works with the local government. Mr. Martin inquired whether this firm has water industry expertise. Mr. Miller responded that they are a very large firm and have extensive water industry expertise. This is one of the firms Mr. Miller has been reviewing. Mr. Huber advised that he will ask a few board members to assist management in developing the recommendation for selection of a financial advisor.

Mr. Huber inquired as to whether there were any additional questions regarding corporate governance and whether board members wanted to consider these guidelines for adoption now or later. Wendy Welsh recommended the board wait and do it in conjunction with revision of By Laws and local ordinances. There was consensus among the board to handle the corporate governance issue in this manner.

Compensation Committee Charter Approved

Mr. Conner advised that the Compensation Committee had met and thoroughly discussed this proposed Charter, making appropriate changes.. He moved that it be adopted. Dr. Joseph Wise seconded, and the motion carried.

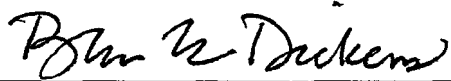
Public Affairs and Customer Satisfaction Committee Charter Approved

Ms. Marita Willis advised that this Charter has been thoroughly discussed by the Public Affairs and Customer Satisfaction Committee and moved that it be approved. Ms. Welsh seconded, and the motion carried.

Mr. Conner moved that the board go into executive session (open session without management present) to discuss corporate governance issues. Ms. Welsh seconded, and the motion carried.

There being no further business of the board, the meeting was adjourned at 2:22 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and
Secretary to the Board of Water Works

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
AUGUST 10, 2004**

Board Members Present:

Mr. Stewart Conner

Ms. Wendy Welsh

Ms. Marita Willis

Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson

Ms. Margaret Harris

Mr. Gerald Martin

Others Present:

Mr. John Huber, President

Ms. Barbara Dickens, Vice President, General Counsel and Secretary

Mr. Robert Miller, Vice President, Treasurer

Mr. Greg Heitzman, Vice President, Chief Engineer

Ms. Karla Teasley, Vice President, Serving Customers and Business Development

Ms. Susan Lehmann, Vice President, Human Resources and Organizational Development

Mr. Rick Johnstone, Deputy Mayor, Metro Louisville

Barbara Crow, PO, Providing Strategic Communications

Visitors:

Terry Woosley, Team Contracting of Sellersburg, Indiana

The Regularly-scheduled Meeting of the Board of Water Works was held on Tuesday, August 10, 2004 in the Board Room of the Louisville Water Company. John Huber called the meeting to order at 12:40 p.m. As result of Board Member Wendy Welsh not being present due to a conflict at the beginning of the meeting, Mr. Huber advised the BOWW that he would take the agenda out of its usual order to provide all reports not needing BOWW action at the beginning, since there was not a quorum at that time.

Administrative Report

Mr. Huber advised that he had no additional information to report other than the information that will be included in the reports of other officers.

Financial Report

Mr. Miller reviewed financial strategies that have been implemented since the beginning of the year. In March 2004, we revised the Financial Plan to offset the 2003 dividend adjustment, the early retirement incentive program costs, lower industrial water sales, and unanticipated O&M costs. We did this by reducing O&M expenses and depreciation expenses and reducing funding to the Infrastructure Replacement Reserve. In May 2004, we lowered the estimates for residential and commercial water sales. A mid-year rate increase was considered at that time, but we settled on a further reduction of funding to the Infrastructure Replacement Reserve. Through June 2004, we were approximately \$700,000 ahead of our revised Financial Plan. Now, in early August, the financial results have considerably worsened. Lower sales in July eliminated most of that amount and with pumping down nine percent in July, the results for August and September will cause us to miss our revised earnings target and dividend target. It appears that our options are to consider an earlier rate increase, further cost reductions,

Regular BOWW Meeting Minutes

August 10, 2004

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or carryover of another dividend pre-payment into 2005. Mr. Miller advised he will have a better picture of our financial condition in order to determine the best course of action within the next month. Mr. Huber advised that two things have really affected where we are at this point: we had 50% more rain in July than normal and water sales are 15MG less than normal. Dr. Wise asked how this compared to Dr. Cerrito's forecast of water sales. Mr. Miller advised that she forecasted water sales would be down about \$300,000 below budget, but in fact we are actually \$500,000 below budget. Dr. Wise asked if we could have Dr. Cerrito develop a forecast that does not consider seasonality or low rain. He believes that if we can get that baseline, we will have a better idea of where to set prices. He commented that he'd like to eliminate the variability due to weather. Mr. Huber agreed, but said that weather is a large variable and this is precisely why staff is recommending we create a risk mitigation and rate stabilization fund to deal with the variability. Mr. Conner inquired as to whether our financial condition has affected our bond covenants or rating in any way. Mr. Miller advised that it has not. Mr. Huber reminded board members that we have a bond rating in the top 15 of water utilities in the country. Mr. Johnstone stated that while the metro government and LWC are in difficult financial times, we compare very well to other cities and utilities.

Mr. Miller stated that the Developer Buyout overpayment has almost resolved itself. The balance of the overpayment has been reduced to approximately \$20,000 by developers repaying the overpayment.

Mr. Miller briefly reviewed the Statement of Revenues, Expenses, and Changes in Net Assets with budget and prior year comparisons for financial results through July 2004. There were no questions regarding Mr. Miller's written report on the Financial Results for July.

Operations Report

Mr. Heitzman presented the Operations and Engineering Report.

Mr. Heitzman noted that production was at the lowest level since 1992 due to the weather. The year-to-date production was 3.9 percent lower than 2003 and 2.4 percent lower than the five-year average production.

Mr. Heitzman noted that the black water complaints had resolved because the issue had been corrected.

With regard to the Riverbank Filtration well, Mr. Heitzman reported that it was returned to service on July 28 after repair of the constant and variable speed motors on the two pumping units. The constant speed pump experienced excessive vibration causing the shutdown. The motor was rebalanced, the soft start unit has been repaired, along with the pump impellers and HVAC system. Repair costs total \$71,000 for these activities.

He noted that the Army Corps of Engineers plans a scheduled closure of the McAlpine Locks from August 9 to 22 for an emergency repair of the gates. We have been working with them on any issues that may impact the company.

Mr. Heitzman reported on the status of the repairs to the Crescent Hill Reservoir. The Reservoir is scheduled to re-open on Monday, August 16. Hall Contracting has completed installation of the PVC liner on the Gate House drain structure and will demobilize the week of August 9. MAC Construction is completing the sidewalk and lighting work the week of August 2. T&C Contracting is working to complete the ornamental fencing along the Reservoir sidewalk by August 13. The plan is to begin filling the Reservoir the week of August 9 and monitor test wells in the area for any leakage. Staff is working with the Mayor's office, Metro Council, the Crescent Hill Neighborhood Association and residents to communicate the schedule of operations.

Mr. Heitzman asked if Board members had questions about anything else contained in his written report. There were no other questions.

Serving Customers Report

Ms. Teasley presented the Serving Customers Report.

The July 2004 abandonment rate was 6.5% compared to 5.0% in June 2004, and 3.3% in July 2003. The year-to-date abandonment rate is 4.96%. Ms. Teasley noted that there is some impact to the abandonment rate as a result of personnel changes in that area. We are working to fill the vacant positions and get staff trained. Bad debt for the month of July was \$48,959 compared to \$53,426 in June 2004, and \$66,190 in July 2003. Bad debt is \$7,059 over budget for the month and \$27,605 over budget year-to-date.

Staff of the Louisville Water Company met on July 27, 2004 with a small work group of representatives from the Home Builders Association of Louisville (HBAL). Staff discussed the current authorization to proceed levels for new development projects, a draft new Refunding of Installation Cost Water Main Extension Agreement, and LWC acceptance of water mains prior to filing of the new development's Record Plat. The group also discussed the status of the System Development Charge (SDC) Funds including the external audit, and a draft new Refunding of Installation Cost Main Extension Contract. The next meeting of the work group is scheduled for September 8, 2004.

The Bullitt County Advisory Board met on July 26, 2004. Staff provided a financial update on the water reserve and the program's capital projects. The Advisory Board reviewed a draft proposal to modify the procedures for executing a Two-thirds Majority Petition Main. These customers will now complete a Letter of Intent Application for Service, in which the customer must prepay their \$450 Service Installation Charge and select a tapping fee payment method. At least two-thirds of the customers on a road must prepay the Service Installation Fee and fully complete the Letter of Intent Application for Service for the project to proceed. The Advisory Board supported the proposal, and it will next be communicated to the Bullitt County Fiscal Court.

Ms. Teasley asked if Board members had any questions about any of these items or items in her written report that she did not highlight. There were no questions.

Strategic Plan 2004 Mid-Year Results Provided.

Mr. Miller provided this report. (The materials for this report were provided under separate cover). Seven of twelve goals are on target. This was a good year for employee safety and water quality. We are not on target for meeting the goal for vehicular accidents. Mr. Johnstone inquired as to why the second quarter results are worse. Mr. Miller stated that no correlation has been determined between the time of the second quarter and the frequency of accidents because, in fact, increased mileage usually correlates to increase accident frequency and our highest mileage is in the first quarter. Mr. Huber asked Susan Lehmann to advise regarding the Full Time Employee count even though that is not a goal. Lehmann advised we have lowered our FTE count to 446 with 10 current openings, which is a reduction of almost 50 employees or nearly ten percent (10%) of our total workforce.

Update Provided on Crescent Hill Filter Plant South Coagulation Basin Renovation

Mr. Heitzman provided this report. In January 2004, the Board authorized a \$2,878,522 construction contract to Kelley Construction for improvements to the South Coagulation system at Crescent Hill Filter Plant. To date, the project is approximately 15 percent complete. The scope of the project includes replacing

mechanical mixing equipment in one basin, replacing clarification equipment in two basins, concrete rehabilitation in four basins, and handrail, lighting, and miscellaneous improvements. The coagulation water treatment process is required for removal of sediment, organic chemicals, and other contaminants from the river water. Progress to date in the first basin (Unit #7) includes demolition and concrete rehabilitation. The clarification equipment that will be delivered this month and the flocculation mixing equipment has been fabricated and is ready for installation. The target for startup of Coagulation Unit #7 is November 2004. By contract terms, the project is to be complete December 2005. Additional work under consideration may extend this date. This communication provides an update on concrete basin wall sealing, Basin #7 floor failure, and the consulting fees. The preliminary findings from work on basin #7 will yield contract changes that will likely exceed 10 percent, requiring Board approval (\$288,000 for this contract). Further, timely decisions regarding change of scope will be required to minimize contractor delay claims, keep the project on schedule, and maintain plant operations. As staff quantifies the specific cost impact to the contract, the President will be advised, and Board ratification of a contract change may be necessary to assure timely resolution to these unforeseen events.

Report Given Regarding River Bank Filtration (RBF)

Ms. Kay Ball provided an update on the RBF project, of which the design is nearing completion and preparations are being made for advertisement and bid of the project this fall. Final plans are 95 percent complete, while specification and contract documents are 90 percent complete. There are no remaining issues related to design of the RBF tunnel system. The project requires acquisition of 18 property parcels and one easement. Fourteen parcels have been acquired or are under contract and four parcels are in the process of condemnation. For the four parcels in condemnation, right-of-entry is expected by December 2004. One easement remains to be acquired, and we are currently under negotiation. A critical decision will be required regarding the bid opening date, based upon the percentage of property available for construction.

In order to manage the project risk, total project cost, and maintain the project schedule, JIG Engineers recommends a method of conflict avoidance and dispute resolution for large, subsurface construction projects, such as the RBF tunnel. Several Alternative Dispute Resolution Methods have been developed for the construction industry, including various forms of structured mediation and arbitration. JIG Engineers has recommended the Company use a Dispute Review Board (DRB) process developed by the American Society of Civil Engineers (ASCE). The process involves establishing a panel of three independent, experienced individuals with substantial knowledge of underground tunneling construction. All members of the DRB must be mutually acceptable to the owner, contractor, and engineer. The DRB members are furnished with project documents, visit the site periodically, and provided with regular progress reports. When a dispute occurs that cannot be resolved by the owner and the contractor (typically above a defined dollar threshold), the DRB is activated to evaluate the situation and document their findings to the owner, contractor, and engineer. The decision is not binding or enforceable, but the findings are admissible in any future proceeding. It is considered a good faith process and results in bidders being more willing to bid the project. The DRB cost is estimated to be approximately \$200,000 for this project, which is 1/2 of 1 percent of the total contract cost. The owner and contractor share in the cost of the DRB process. Legal Counsel and Risk Management are also evaluating other structured methods for dispute resolution for the RBF tunnel project. The DRB process has merits from an engineering and construction perspective, however may not provide maximum protection to the Company should a major construction claim arise.

Mr. Conner stated that he has serious concerns about a non-binding process after which all the evidence in it is admissible in a future proceeding. He has further serious concerns because it is an engineer-developed process and the dispute would ultimately occur between the company and an engineer, i.e. the contractor. Mr. Heitzman advised legal counsel had raised the same exact concerns, but that we definitely

want some form of alternative dispute resolution for a project that is very large for us and will be hindered if it is tied up due to a dispute. This dispute method will resolve issues quickly. Mr. Conner agreed that we want to consider some form of alternative dispute resolution but wants staff to thoroughly investigate all options because he has grave concerns over industry professionals making decisions about their industry. He feels they have a long-term vested interest in their industry and therefore may not be impartial or independent in their decision-making. Ms. Ball advised that this appears to have been developed just for the tunneling industry, because in tunneling contracts it is almost a surety that issues will arise that were not contemplated in the bid specifications. Mr. Conner questioned how it is known that to use some other form of alternative dispute resolution will cost us more in the bid price. Ms. Ball and Barbara Dickens both stated that no one has been able to state with supporting evidence that this is the case, but it is the general belief in the industry that doing anything non-standard will make the bidder wary of risk and increase their bid price to cover it. Dr. Wise suggested we have bidders bid it with and without this process. Mr. Conner simply feels the benefits of this are not quantifiable and therefore bidders will not bid it both ways. Mr. Huber advised that staff will investigate all the options further and provide an update to the Board in the near future.

Long Range Financial Plan Update – Water Sales Projection

Mr. Bob Miller presented information on the water sales projection component of the long range financial plan. (This information was provided via separate cover, not as a part of the bound agenda). Water sales have averaged 37.7 billion gallons per year since 1986. A linear regression of the water sales for that period indicated that consumption for 2004 could likely be expected at or above 40 billion gallons. However, based on pumpage statistics through July, our current forecast for water sales is at or below 38.0 billion gallons. Mr. Miller reviewed revenue, costs, and profits over a range of sales quantities from 35 billion gallons to 42 billion gallons, noting that annual profits over that range of water sales can vary from \$6.8 million under budget to \$5.9 million over budget. Given the recent lower water sales results, it appears prudent to consider reducing the water sales basis for the 2005 Annual Budget and Water Rates from the current level of 38.7 billion gallons to perhaps 38.0 billion gallons. This would result in an additional revenue requirement of 1.8 percent. Mr. Conner asked if this would be in addition to other rate increases, and Mr. Huber advised that it would need to be. Louisville Water Company staff is currently working to improve the forecast of total annual water sales and the distribution of those sales by customer class. Staff is also evaluating the effective use of a Risk Mitigation and Rate Stabilization Reserve.

NOTE: Board member Wendy Welsh arrived during this discussion at 1:48 p.m.

Consent Agenda Reviewed and Approved

There were no changes to the consent agenda and Mr. Conner made the motion to approve, seconded by Dr. Wise, and the motion carried.

The Special-called Meeting minutes from July 20, 2004 were approved.

The List of Claims Paid in July 2004 was filed.

The following Petitions and Applications for Water Main Extensions and Relocations were approved, with the addition of specific project cost for the MSD project in the amount of \$12,400:

Developer Installed Refunding Main Extension Projects

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
03-016	G801M	Glen Oaks Section 11E	\$46,000.00	\$15,200.00
10055	G800M	Blankenbaker Station Business Tract 2	\$48,680.00	
10134	G776M	Yacht Club Estates Phase 2	\$68,350.00	
10357	G778M	Ledgerock Cove	\$39,760.00	
10373	G802M	Guelda Patio Homes	\$53,710.00	\$15,000.00
10376	G777M	Old Henry Business Park Phase I	\$26,590.00	
10404	G804M	Hickory Trace Condominiums Ph. I	\$14,150.00	
10464	G806M	Woods of Harrods Creek Phase I	\$87,620.00	
10474	G803M	Cliffwood Condos Phase 2	\$4,000.00	

Bullitt County Water Main Extension Projects

Project No.	Project Name	Total Project Cost	Customer Contributions	Net LWC Cost
10487	Old Brooks Hill Road	\$95,000.00	\$54,500.00	\$40,500.00

The Board received the report of contracts less than \$100,000 as follows:

00-495	National Turnpike, Farmers Lane, South Park Road Transmission	T & C Contracting, Inc.
03607	Surge Control System, Westport Road Transfer Station	MAC Construction & Excavating, Inc.
00-494	Wolf Pen Branch 36" Transmission Main - Phase I	MAC Construction & Excavating, Inc.
10398	Mary T. Meagher Aquatic Center Parking Lot Improvements	
10040 & 10453	CDBG Phase II Water Main Extension Project	

Contract Approved for 10294: Montana Avenue Main Replacement Project

This project piloted the use of the new MBE/WBE sub-contractor utilization program at LWC. Under this program, prime contractors are required to demonstrate a "good faith" effort in using minority and woman owned businesses when purchasing goods and services related to the construction of LWC projects. This bid was tabled at the July 20, 2004 Board meeting to allow staff more time to review the apparent low bidder's good faith effort toward achieving minority and women business enterprise participation.

We received six responsive bids from pre-qualified contractors to install 15,610 feet of 6", 8", and 12-inch Pressure Class 350 ductile iron pipe in the Montana Avenue Area located northeast of Churchill Downs. Tom Brown Construction Company submitted the lowest responsive bid in the amount of \$994,265 resulting in a total project cost of \$1,428,265. The low bid provided sub-contractor utilization of 5% each for minority and woman owned businesses. Current company spending goals are 15% for MBE and 5% for WBE.

Tom Brown Construction subsequently agreed to utilize a minority supplier for concrete and increase MBE spending by 9.5% for at total amount of 14.5%. The low bid is approximately 20% under the Project Manager's estimate. The overall unit cost is \$ 91.50/lf. This value is consistent with the unit prices received for MRRP projects of similar size and scope. Mrs. Teasley reiterated that the current process requires the bidder to use good faith in the utilization of minority and women owned subcontractors but not meet the W/MBE goals. Mr. Conner moved to authorize the Vice President, Serving Customers and Business Development, to award a contract in the amount of \$994,265 to Tom Brown Construction Company to install the water facilities associated with this project. Ms. Welsh seconded, and the motion carried.

Contract Approved for Projects 10040 and 10453: Community Development Block Grant Phase II Water Main Extension Project

We received four bids from pre-qualified contractors for furnishing and installing approximately 53,084 lineal feet of 8, 6 and 4-inch water mains, one (1) Hydropneumatic Booster Pump Station, forty-seven (47) fire hydrant assemblies, and associated appurtenances. This project is part of the Bullitt County Water Improvement Program and partially supported by a grant in the amount of \$994,000 for extension of 26 miles of water mains to low to moderate income households. This is Phase II. The project will be constructed in LWC easements, Kentucky Highway Department right-of-way and Bullitt County public right-of-way. Team Contracting submitted the lowest responsive bid in the amount of \$1,699,000. Alternate bids were submitted for the upsizing of water mains from 8 to 12-inch on Collings Hill Road and Horsefly Hollow Road. Team Contracting submitted a proposed Alternate Bid in the amount of \$241,000, which is below the engineer's estimate of \$377,625. Therefore, the upsizing of water mains from 8 to 12-inch is recommended by staff for inclusion in the project resulting in a total project construction cost of \$1,940,000. The base bid is 0.84% higher than the Project Manager's estimate. The resulting total unit cost for this project is \$35/LF, excluding the hydropneumatic booster pump station but including the upsizing on Collings Hill Road and Horsefly Hollow Road. This amount is consistent with other water main extension projects of this difficulty and scope. Mr. Conner moved to authorize the Vice President of Serving Customers & Business Development to establish a \$2,593,535 project budget of record for the CDBG Phase II Project and to award a contract in the amount of \$1,940,000 to Team Contracting to install the water facilities associated with these projects. Dr. Wise seconded, and the motion carried.

Contract Approved for 00-494: Wolf Pen Branch 36-inch Transmission Main, Phase I

This project is the first phase of an effort to provide a secondary feed and some redundancy for the 60-inch main along US-42. Phase II of this project, currently under preliminary design, will complete the transmission main installation from Spring Farm Road to Westport Road. The Wolf Pen Branch Road project is identified in the Capital Improvement Plan, with funding through the System Development Fund.

Five bids from pre-qualified contractors were received to furnish and install 10,866 feet of 36-inch ductile iron water main from US-42 to Spring Farm Road, including furnishing and installing 640 feet of 54-inch steel casing (bore and open-cut), and 160 feet of 36-inch ball and socket ductile iron pipe for the crossing of Harrods Creek. MAC Construction and Excavating submitted the lowest responsive bid in the amount of \$3,556,790 resulting in a total project cost of \$4,107,490. The low bid is approximately \$300,000 (9%) over the Project Manager's Estimate. The higher estimate is attributable to the need to remove a significant amount of rock, the rapidly escalating cost of contractor-supplied ductile iron pipe and steel casing materials, and the necessity to cross Harrods Creek. Ms. Welsh moved to authorize the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$3,556,790 to MAC Construction and Excavating to install the water facilities associated with this project. Mr. Conner seconded, and the motion carried.

Lock Box Services

The current five-year contract with Fifth Third Bank for lock box services expires on October 31, 2004. The lock box service is used to process customer payments. Due to a need to carefully develop the Request for Proposal for these services, staff requested additional time under this contract in order to develop an RFP for lock box services. Dr. Wise asked Mr. Miller to explain how this service is used. Mr. Miller advised that this covers mail payments for us and all the entities for which we bill. The service provider handles the payment completely and credits our account. He noted that the service through Fifth Third Bank has been excellent and very accurate, and this results in increased customer satisfaction. Mr. Conner suggestion that the RFP specifications require that the successful bidder cover the costs of transition from one provide to the other if Fifth Third does not get the contract when a new contract is awarded. Staff will consider whether this is feasible under procurement law. Dr. Wise moved to authorize the Process Owner, Procurement Services, to award a month-to-month contract for lock box services to Fifth Third Bank for the existing monthly charge of \$10,565, not to exceed a total of twelve months at the total amount of \$126,773. Ms. Welsh seconded, and the motion carried.

Contract Awarded for 10398: Mary T. Meagher Aquatic Center Parking Lot Improvements

We received three responsive bids to renovate and expand the parking area for the Mary T. Meagher Aquatic Center. This area provides parking for the MTM Center and provides LWC access to the Crescent Hill Reservoir. We also solicited an alternate bid to install fencing between the new parking lot and the Crescent Hill Golf Course. The bids ranged from \$332,800 to \$365,000 for the base bid, and \$57,000 to \$65,880 for the alternate bid scope. The low bid is 3.7 percent above the engineer's estimate of \$321,000, while the alternate bid is over double the estimate of \$25,000. The higher bid pricing may be attributed to the defined construction schedule and the traffic coordination required during construction. Since the alternate bid exceeds budget, staff will evaluate fencing alternatives with Metro Parks. Further, the pipe relocation portion of the project will be performed with a separate main replacement project for Reservoir Avenue, therefore this \$40,000 budget allocation is available for reallocation. Dr. Wise moved to authorize the Chief Engineer to award a contract in the amount of \$332,800 to MAC Construction and Excavating, Inc. for this project. Mr. Conner seconded, and the motion carried.

Change in Scope Approved for 03-604: Goshen Area Main Replacement Project

A preliminary estimate was put together in 2001 when we were performing due diligence in the acquisition of the Goshen system. This project includes the relocation of 199 customer services presently located within the residences of former Goshen Utilities' water customers. Staff has taken the opportunity of the Automated Meter Reading (AMR) Project to coordinate the replacement of the meters being relocated to the LWC standard meter service configuration with the AMR meters. The relocation of the meters to the standard meter service configuration coupled with the AMR Project will recognize the efficiencies of the AMR. The relocation of the meters requires the installation of meter vaults, meter assemblies, frames and covers. In some instances, the service line from the main to the new meter vault location may need to be replaced. Internal plumbing work is proposed to be completed by a licensed plumber (Southern Plumbing) through their current service contact. The work proposed by this project will be completed by LWC crews, additional Meter Services staff, and Southern Plumbing. The proposed change addresses previously unknown information regarding the meters identified for relocation and allows for replacement of expected service line deficiencies. Though the \$107,340 increase for this project reflects a 95.4% increase, the revised scope of work will complete this work and allow for optimized meter reading through AMR. Mr. Huber advised that when doing due diligence, we consider what it will take to get the system to our standards. To pay for the necessary upgrades, we freeze the acquired system's higher rates until it pays for all the upgrades and then we equalize the rates. The extra cost of the project here would mean the rate equalization would be pushed out another two to three months. Mr. Johnstone asked why we would not just replace the indoor meters with indoor AMR meters since those meters are read through radio frequency. Ms. Teasley advised that the meters still need servicing and testing and, due to liability issues, we always try to stay out of private homes. Mr. Conner moved to authorize the Vice President, Serving Customers & Business Development, to increase the overall project budget reservation to \$219,840 to complete the relocation of customer services and the installation of the AMR meters in the Goshen Area. Ms. Welsh seconded, and the motion carried.

Change in Scope and Request to Proceed with Final Design and Advertisement for Bid Approved for Liberty Street Area Main Replacement Project

The Board of Water Works approved the 2004/2005 Main Replacement and Rehabilitation Program (MRRP) in November 2003. The Campbell Street Area project was included as part of that approval. Although originally projected to be cleaned and lined, after further review of the recent maintenance records by the Infrastructure Planning for these mains and similar vintage cast iron mains, it is now felt that portions of the Campbell Street Area project -- Liberty Street, Market Street, Jefferson Street, Baxter Avenue, Chestnut Street, Marshall Street and Gray Street -- are better suited for replacement. The remaining sections of unlined cast iron pipeline in the Campbell Street Area project scope will be cleaned and lined later this year as originally planned. A new replacement project, Liberty Street Area, has been created for the referenced unlined cast iron mains. The cost estimate for the replacement also includes the renewal of lead services. The unit cost for the replacement of these mains is \$110.10/foot. To maintain the 2004 MRRP budget within the allotted limit of \$9,500,000, one or more other projects will be deferred to 2005 or beyond. Construction of the Liberty Street Area project will help improve both the supply and water quality for the Clarksdale Revitalization Phase 1A project currently under design for the area north of Liberty Street. Doing this work at the same time as the city's revitalization project prevents us from having to cut into newly paved road. Ms. Teasley explained how the main break frequency is determined, in response to Dr. Wise's inquiry. Mr. Conner moved to authorize staff to proceed with the final design and advertisement for bids of the Liberty Street Area Main Replacement Project. Dr. Wise seconded, and the motion carried.

Project Approved 02-750: Kentucky 61 12-Inch Grid Tie

This project will complete a much needed 12-inch grid-tie on KY-61 between Blue Lick Road and Shepherds Crossing. The 12-inch main will be installed primarily in easements located along the east side of KY-61. Total length of the project will be approximately 1,400 feet. The project will also require a 60 foot bore under KY-61 near Blue Lick Road. Construction is anticipated to start in late Fall 2004.

The previous scope of work for this project anticipated the project and a large portion of the funding would be included with Kentucky Transportation Cabinet (KTC) plans for relocation and widening of KY-61 between John Harper Highway and KY 44. LWC was to contribute some capital for the upsizing of the existing 6-inch water to the proposed 12-inch main. The road relocation and widening project has been postponed indefinitely; therefore no funds are available from KTC for relocation of the LWC facility at this time. The proposed main provides a critical connection to the Shepherds Crossing area that cannot wait until the road widening project is re-introduced.

The project is estimated to cost \$187,000, with \$167,80 provided from the Shepherdsville Reserve Fund and \$19,200, to fund enlargement of the main, provided from the Bullitt County System Development Fund. Design shall be accomplished by the LWC Company staff. Dr. Wise moved to authorize staff to proceed with design and advertisement for bids of the KY-61 12-Inch Grid-Tie Project. Mr. Conner seconded, and the motion carried.

Crescent Hill Filter Plant - Advanced Water Treatment Plan Approved

Historically, Louisville has maintained a leadership role in advancing the quality of treated water. This includes pioneer work in filtration, disinfection, and coagulation (1890's); fluoridation (1950's); and riverbank filtration (1990's). The next challenge for the Company is to address the Crescent Hill Treatment Plant, now 100 years in age, to ensure we meet future drinking water regulations and provide high quality water to customers.

The 2002 - 2021 Facilities Plan, prepared by Black & Veatch Corporation, identifies funding in the amount of \$107 million for construction of advanced treatment technology for the Crescent Hill Water Treatment Plant. Advanced treatment technology is necessary to meet future drinking water regulations, including the Interim Enhanced Surface Water Treatment Rule (IESWTR). The next step in evaluating alternatives for advanced treatment is to build on the work of the 2002 Facilities Plan. The Facilities Plan identified the following alternatives: Riverbank Filtration (RBF), ultraviolet (UV) disinfection, ozone disinfection, membrane filtration, activated carbon absorption, and various combinations of these technologies. The Facilities Plan recommended installation of a combination of advanced treatment technologies for the Crescent Hill facility including: Riverbank Filtration (RBF), UV disinfection, and powdered activated carbon (PAC), at an estimated cost of \$107 million. The Facilities Plan also recommended an additional \$38 million of improvements for the Crescent Hill Treatment Plant to upgrade aging infrastructure and integrate the new treatment technologies into existing processes. Staff recommends pursuing the next step in conceptual evaluation of three to four alternatives for Crescent Hill to achieve defined levels of water quality, quantity, and reliability. The evaluation will consist of several phases of study. The three phases of this scope of study are summarized as follows:

Aquifer Characterization	\$ 35,000 – USGS (\$14,000 contribution)
RBF Tunnel Design Concept	\$100,000 – JJG Engineers
CHFP Conceptual Treatment Plan	\$150,000 – Black & Veatch
LWC engineering staff labor	\$ 85,000
Total	\$370,000

The work will begin in 2004, and proceed to completion by mid year 2005. The revised 2004 budget includes \$150,000 to begin the evaluation, with the balance of funding to be budgeted in 2005. The work will be an operational expense for the period in which the work is performed. In conclusion, staff requests authorization to proceed with the evaluation of an Advanced Treatment Plan for Crescent Hill Water Treatment Plant. Mr. Conner asked why this project is not capitalized. Mr. Miller responded that the Internal Auditor and staff have determined that under current accounting rules, this is research and development costs, not capital costs. Mr. Johnstone asked how these two engineers have been selected. Mr. Huber advised that both have a great deal of experience with this project. Ms. Welsh moved to authorize the Chief Engineer to enter into professional services contracts with USGS, JIG Engineers, and Black & Veatch. Mr. Conner seconded, and the motion carried.

Closed Session

At 2:35 p.m., Mr. Huber recommended the Board go into closed session pursuant to KRS 61.810(1)(c), to discuss proposed or pending litigation. Dr. Wise moved that the Board go into closed session, Mr. Conner seconded, and the motion carried.

Open Session Resumed

The Board came back into open session at 2:50 p.m. on the motion of Mr. Conner, seconded by Ms. Welsh and unanimously carried. There was no action taken in closed session.

There being no further business, the meeting was adjourned at 2:51 p.m.

Respectfully submitted,



Barbara Dickens
Vice President, General Counsel and
Secretary to the Board of Water Works

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
SEPTEMBER 14, 2004**

Board Members Present:

Mr. Stewart Conner
Ms. Margaret Harris
Mr. Gerald Martin
Ms. Wendy Welsh
Ms. Marita Willis

Not Present:

Mayor Jerry Abramson
Dr. Joseph Wise

Others Present:

Mr. John Huber, President
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Robert Miller, Vice President, Treasurer
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers and Business Development
Mr. Rick Johnstone, Deputy Mayor, Metro Louisville

Visitors:

Mr. Steve Greseth, Black & Veatch Consulting Engineers
Ms. Barbara Crow, Process Owner, Providing Strategic Communications
Mr. Bret Russell, LWC Engineer

The regular meeting of the Board of Water Works was held on Tuesday, September 14, 2004 at the B. E. Payne Water Treatment Plant, 7400 Upper River Road, Prospect, a facility of the Louisville Water Company. John Huber called the meeting to order at 12:42 p.m. Mr. Huber provided the historical background surrounding the B. E. Payne Plant.

Consent Agenda Reviewed and Approved

There were no changes to the consent agenda and Ms. Wendy Welsh made the motion to approve, seconded by Ms. Marita Willis, and the motion carried.

The Special-called Meeting minutes from August 5, 2004 and the Regular Meeting Minutes from August 10, 2004 were approved.

The List of Claims Paid in August 2004 was filed.

The following Petitions and Applications for Water Main Extensions and Relocations were approved:

Developer Installed Refunding Main Extension Projects

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
10060	G881M	Highview Baptist Church - 15201 Shelbyville Rd	\$34,860.00	
10125	G814M	Woods of Glenmary Patio Homes - Phase 4	\$33,930.00	
10133	G807M	Old Brownsboro Crossing	\$229,380.00	
10292	G879M	Waterstone Park	\$78,840.00	
10344	G887M	Coventry at Gardiner Park East	\$38,660.00	
10402	G811M	Falcon Crest Apartments Phase 2	\$66,200.00	\$14,000.00
10407	G809M	Lake Forest - Section 51A	\$24,480.00	
10419	G884M	Windgate Meadows - Section 6A	\$38,050.00	\$7,100.00
10432	G799M	Tanyard Park	\$38,600.00	
10444	G817M	Nichols Meadows	\$44,690.00	\$5,500.00
10445	G810M	Bannon Crossings - Section 4	\$108,440.00	\$16,100.00
10446	G882M	Savannah Springs Condominiums, Phase 1	\$28,610.00	
10447	G883M	Savannah Springs Condominiums, Phase 2	\$41,650.00	
10449	G808M	Woodmont - Phase 6	\$47,710.00	\$9,200.00
10463	G815M	Carrington Greene Condominiums	\$35,550.00	
10467	G812M	Bannon Crossings, Section 2B	\$84,200.00	\$11,000.00
10471	G816M	Harrods Creek Overlook Condos	\$34,310.00	\$3,500.00
10472	G886M	Dri-View Manufacturing	\$54,950.00	
10476	G818M	Alliant Court	\$15,150.00	
10484	G889M	Smyrna Crossings	\$56,290.00	\$1,750.00
10502	G888M	Indian Falls Section 10	\$34,610.00	
10506	G885M	1314 Witawanga Avenue	\$9,000.00	

Developer Installed Tapping Fee Water Main Extension Projects

10443 G880M Vassar Avenue \$11,550.00

Tapping Fee Water Main Extension Projects

10454 G813T Cummings Rd \$18,000.00

The Board received the report of contracts less than \$100,000 as follows:

Procurement Of Materials And Services

03-44	Property & Casualty Brokerage Services Neace Lukens	\$37,527
04-24	Motor Oil, Hydraulic Oil, filters and Gear Oils Newcomb Oil (Hydraulic/Machine Oils)	\$67,094
04-24	Motor Oil, Hydraulic Oil, filters and Gear Oils Vidatt Energy (CMBE) (Transmission/Motor Oils)	\$48,116
04-40	Casing Spacers Water Works Supplies	\$76,395

Procurement Of Professional Services

Professional Service	10233 - Renovation of Coagulation Sedimentation and Softening Basins at BEPWTP O'Brien & Gere Engineers, Inc.	\$71,405
Professional Service	Crescent Hill Treatment Plant - Advanced Treatment Technology USGS Aquifer Characterization U.S. Geological Survey	\$21,000
Professional Service	RBF Tunnel Design Concept Jordon, Jones, Goulding Engineers	\$100,000

Administrative Report

Mr. Huber's report was covered in the reports provided by other officers.

Financial Report

Mr. Robert Miller reviewed information from the State of Kentucky climatological website regarding the unseasonably cool, wet weather that has been experienced in the area the past few months. Mr. Miller highlighted the Statement of Revenues, Expenses, and Changes in Net Assets with budget and prior year comparisons for financial results through August 2004. While we have experienced low revenues, we have made great progress in lowering operating expenses. Mr. Miller reviewed the various options available to the Board to allow us to meet the dividend target for 2004. One option is to refinance one of

the debt principal payments, while funding the Risk Mitigation/Rate Stabilization Reserve Fund. Mr. Miller advised there would be additional discussion of these issues under the Special Issues.

Operations Report

Mr. Heitzman presented the Operations and Engineering Report.

Production – The average production rate last month was 139 MGD, which was 1.4 percent lower than the 2003 August production rate of 141 MGD and 5.1 percent lower than the five-year average August production of 146.4 MGD. The low production rate last month was a result of continued cool and wet weather conditions. The average air temperature was four degrees Fahrenheit lower than August 2003 and the five-year average. The precipitation of 4.14 inches was one inch higher as compared with the average month of August. The year-to-date production was 3.5 percent lower than 2003 and 2.7 percent lower than the five-year average. The last few weeks prior to the Board meeting have had higher pumpage, and it appeared that September would be more on target in terms of gallons pumped to mains.

Notice of Violations (NOV) – Staff received two Tier 3 NOV's in August, neither of which was a health issue. One was related to the Year 2001 Consumer Confidence Report (CCR) for the Goshen water system and the other was related to the June 2004 Total Coliform Rule (TCR) monitoring for the Louisville Water system. The NOV for the Goshen system resulted from late submission of the CCR to the Kentucky Division of Water (DOW). AquaSource was responsible for submitting the 2001 CCR by July 1, 2002. This NOV occurred prior to LWC's acquisition of the Goshen system in August 2002. We have confirmed that the CCR was submitted to Goshen customers timely but not the State DOW timely. No remedial actions are required from the Division of Water for this violation. Staff has reviewed our operating procedure for meeting such requirements, and it is sufficient to prevent this occurrence in the future.

The NOV for LWC's June 2004 TCR monitoring was a result of failure to collect the appropriate number of recheck samples for a positive distribution sample. Regulations require three recheck samples for each positive total Coliform sample. On June 3, one of the regular distribution samples collected on June 2 was tested as total Coliform positive and *E. Coli* negative. As required by regulations, water quality staff collected three recheck samples. Of the three recheck samples, two samples tested total Coliform positive and *E. Coli* negative, a scenario that has not occurred in the past. Water quality staff collected the same three recheck samples again, instead of the six recheck samples required. As a result, LWC violated the Total Coliform Rule monitoring requirement for the month of June 2004. The Division of Water requires LWC to notify its consumers of the violation before June 1, 2005.

Currently, staff is in the process of investigating the root causes of the violation. Preliminary investigation results indicate the SOP did not properly identify an event where one positive sample might yield more than one positive recheck sample, thereby requiring three rechecks for every positive sample obtained. Staff has revised and reformatted the SOP so that it is consistent with the regulations. Staff has been trained and instructed on the new SOP. Although the monitoring violation occurred, there was no health threat to the drinking water, since recheck samples tested negative for Coliform and *E. Coli*.

Wellhead Protection Program, Phase II - LWC submitted Phase II of the Wellhead Protection Plan on August 20, 2004. The plan is currently under review by the Kentucky Division of Water for compliance with the wellhead protection program requirements of the Safe Drinking Water Act. Phase I was submitted on June 20, 2003 and approved on August 19, 2003. The Wellhead Protection Plan includes a thorough analysis and impact of area development on groundwater quality and flow in the vicinity of the Riverbank Filtration system at the B.E. Payne Plant. The plan identifies influence zones and documents existing and potential contaminants to the groundwater. The program includes groundwater monitoring,

contaminant inventory, and public notification. The plan must be updated annually, and we receive comments back from DOW.

Serving Customers Report

Ms. Teasley presented the Serving Customers Report.

Performance Measures – The August 2004 abandonment rate was 7.0% compared to 6.5% in July 2004, and 4.5% in August 2003. The year-to-date abandonment rate is 5.22%. Ms. Teasley advised the abandonment rate should decrease as stability in the customer service area increases. Bad debt for the month of August was \$38,954 compared to \$48,959 in July 2004, and \$26,957 in August 2003. Bad debt is \$2,963 under budget for the month and \$24,525 over budget year-to-date. Mr. Rick Johnstone asked about the wait time that a customer calling in experiences. Ms. Teasley advised we track wait time and advised that customers have the opportunity to select the automated system if they prefer to handle their business in that manner.

Bluegrass Regional Water Commission - The Bluegrass Regional Water Commission was officially created on August 24, 2004. The Commission consists of 11 water suppliers in the central Kentucky area and includes Lexington and Fayette County Urban Government. LWC staff will continue to look for opportunities to sell water in that area and update the Board on Commission participants and activities when further information becomes available.

Closed Session

At 1:08 p.m., Mr. Huber recommended the Board go into closed session pursuant to KRS 61.810(1) (b) and (c) and to discuss property matters and proposed or pending litigation. Ms. Welsh moved that the Board go into closed session, Mr. Gerald Martin seconded, and the motion carried.

Open Session Resumed

The Board came back into open session at 1:47 p.m. on the motion of Mr. Stewart Conner, seconded by Ms. Welsh and unanimously carried. There was no action coming out of closed session.

Committee Reports

Audit Committee Report

Ms. Welsh reviewed the report from the Audit Committee from its meeting held August 31, 2004. She advised that all the high priority items coming out of the 2003 Annual Inspection have been addressed. Mr. Miller discussed the recommendation regarding including comprehensive financial planning in the rate-making process and stated that management agreed with this recommendation but it has been delayed until 2005 due to cost concerns. Ms. Welsh reviewed the issues raised in the annual inventory, specifically with regard to the inventory being accomplished without bar coding and the rolling inventory (truck inventory) issues. Ms. Welsh advised that staff plans an analysis of materials variance to determine if it is a tracking issue due to lack of paperwork or actual inventory shortage. Staff is also going to consider the business case for the purchase of a warehouse management software module. Ms. Welsh reviewed the findings of the revenue audit, which indicated some things are not being metered, resulting in unaccounted for water being higher. With regard to the procurement card audit, Ms. Welsh advised that processes and controls are in place to ensure appropriateness of purchases and that the purchases are within approved limits.

Public Affairs and Customer Satisfaction Committee Report

Ms. Willis reviewed the report from the Public Affairs and Customer Satisfaction Committee held September 3, 2004. Ms. Willis advised that the Committee discussed a plan to communicate the 2005 rate increase in more depth than usual, although it will not result in a substantially higher water bill to the average customer. We will attempt to obtain media coverage for a few background stories on the impact that summer weather patterns and conservation fixtures have on water usage. Ms. Willis advised that the Committee discussed the new proposal to initiate a \$50.00 Service Deposit for all new customers to LWC, returning customers with a history of bad debt, or any customer for whom we have had to write off debt due to bankruptcy. Any new customer can avoid the Service Deposit if they provide the company with a letter of good credit from another water utility or agree to Electronic Funds Transfer. Ms. Willis advised that the Committee supports the proposal, and staff is planning to do testing on the system to ensure implementation of the program will be effective.

Third Quarter Dividend Declaration

Mr. Miller advised the estimated net income for 2004 requires payment of an annual dividend of \$13,766,393 in quarterly installments of \$3,441,598. The quarterly dividend payment will be decreased by \$266,878 to reflect one quarter of the \$1,067,515 dividend prepayment in 2003. On motion of Ms. Welsh, seconded by Ms. Willis and unanimously approved, the Board passed the following resolution to pay the Third Quarter Dividend:

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 1992 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 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, the Board passed a resolution on March 9, 2004 to adjust the 2003 annual dividend by \$1,067,513, from \$12,318,832 to \$11,251,319, the difference to be subtracted in equal quarterly installments from the quarterly 2004 dividend payments, and

WHEREAS, the 1992 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 2004 Louisville Water Company revised financial plan contemplates the 2004 annual dividend to be \$13,766,393, it would be in order at this time to declare a regular third quarter dividend of \$3,441,598;

RESOLVED, the regular third quarter 2004 dividend of \$3,441,598 is hereby declared, and further

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,174,720 to the Louisville / Jefferson County Revenue Commission on September 30, 2004, this being the third quarterly dividend for 2004 less one quarter of the dividend adjustment for 2003, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

Return on Equity Target for 2005 Annual Budget

Mr. Miller advised the Company has established a return on equity target in the Annual Budget to provide the sole stockholder, the Metro Louisville Government, with a reasonable return on invested capital. The return on equity target for 2005 is based on the audited financial results for the benchmark group from 1999 through 2003. The five year moving average decreased from the previous year because financial results for the benchmark group in 2003 (the year that was added) were significantly lower than for 1998 (the year that was dropped) due to significantly increased rainfall during the irrigation season for water utilities throughout the eastern United States.

Although the five year moving average has decreased, the return on equity target recommended to be included in the 2005 Annual Budget has increased slightly due to the phase-out of the "one percent less than" component that had been used in previous return on equity targets. Mr. Miller recommended the target for 2005 should be 9.22%, up from the 2004 target of 9.07%, and will yield an estimated budgeted dividend of approximately \$13.75 million. Mr. Conner clarified that the 9.22% is the average of the investor-owned utilities.

Mr. Miller advised staff will be working with a financial advisor in the coming months to evaluate alternative methods for establishing the recommended target for stockholder return component in 2006 and future budgets. The Board had consensus to use 9.22% as the target, and Mr. Huber advised this target will be used as an assumption for budget planning.

Financial Plan Update – Debt Management Issues

Mr. Miller advised the financial plan in the 2004 Annual Budget contemplates borrowing approximately \$75 million over the next five years. Currently, Louisville Water Company has two fixed-rate revenue bond issues totaling \$128,740,000 currently outstanding. The outstanding debt represents approximately 18.5% of our capital structure. The Series 2000 Bonds were a new money issue with a 25 year maturity. The Series 2001 Bonds were a refunding issue and retained the original final maturity date. The principal repayment schedule is conservatively front-loaded, with total annual debt service of approximately \$12 million during 2004-2014, then falling to approximately \$6 million for 2015-2025. The Series 2000 Bonds carry a AAA insured rating from Moody's and Standard & Poor's with an underlying AA1 rating from Moody's and Aa from Standard & Poor's. The Series 2001 Bonds are uninsured and carry at AA1 rating from Moody's and Aa from Standard & Poor's. These are among the highest rated bonds in the water utility industry.

Mr. Miller stated that three key attributes associated with our outstanding bonds merit additional consideration as we contemplate an additional borrowing: whether the repayments is accomplished with level debt service or front loaded; whether we have a fixed rate or variable rate; and whether we refinance any of the current debt to keep from borrowing principal in the same year that we are paying it. These attributes are not necessarily problematic, but represent opportunities to optimize our debt structure as we prepare for the upcoming borrowing. As a result, there are three primary alternatives for addressing the attributes described above while borrowing additional funds. Our options are: to leave the current debt as-is and borrow mix of fixed and variable rate debt in 2005 with principal repayment beginning 2015; refinance all current debt in 2004 or 2005 and borrow fixed and variable rate debt with level debt service; or refinance current principal maturity with variable rate bond anticipation note, then refinance bond anticipation note with bond issue in 2006 or 2007. Mr. Miller discussed the advantages and disadvantages of each option. Mr. Miller also discussed the dividend payment formula is, briefly, sixty percent of net income after deducting bond principal payments and deposits to certain reserves. Since the first two options would refinance the current principal payment, then additional funding would be available for deposits to those reserves or for additional dividend payments. Staff is currently reviewing

these alternatives with Bond Counsel and Financial Advisors to assess the potential savings from refinancing the existing bonds and to determine the optimal method and size of variable rate financing. Mr. Miller advised that staff believe the third option most effectively addresses current debt management issues at the lowest overall cost. It was noted that we have never done variable rate debt. It appears that interest rates will increase, but we do not want to attempt to predict what long-term interest rates will do.

Long Range Financial Plan Update – Risk Mitigation/Rate Stabilization Reserve

Louisville Water Company is updating the components of the ten year proforma income statement and financial plan. There are four key elements that have recently increased the variability of our financial performance: decreased baseline industrial water sales, combined with lower residential and commercial indoor water usage from conservation-type water fixtures and appliances, resulting in total water sales more dependent upon peak season irrigation water usage; higher self-insured retention levels for liability insurance due to hardening of insurance market, but that market is starting to show some signs of softening; sudden increases in security costs when terror alert level rises; and single-year expenses for write-off of undepreciated value of buried infrastructure assets due to relocation requirements.

Also, looking forward, debt service from the contemplated borrowing(s) will provide an additional requirement on water rates. The Risk Mitigation / Rate Stabilization Reserve is a proposed mechanism to provide funding to offset the effect of year-to-year swings in revenues and expenses and to provide for stabilization of future water rate changes. It is not a bond covenant requirement, but is optional.

Mr. Miller discussed the alternatives for financing these risks: (1) Increase the portion of the Operations and Maintenance budget set aside for contingencies, which is used to fund expenditures that are unexpected, cannot be reasonably anticipated, and are generally beyond management's control; (2) Increase the discretionary component of the Infrastructure Replacement Reserve, which was established to provide internally-generated funds for water main replacement and rehabilitation, but was not funded in 2003 due to low water sales and is not likely to be funded again in 2004; (3) Budget water sales at a more conservative level; and (4) Create a Risk Mitigation / Rate Stabilization Reserve.

Mr. Miller explained the Risk Mitigation / Rate Stabilization Reserve could be funded from a rate component specifically established to build the reserve over time, additional profits during unusually high water sales, or existing cash reserves. Requisitions from the Risk Mitigation / Rate Stabilization Reserve would be authorized by the Board of Water Works based on occasions determined solely at their discretion.

Mr. Miller stated that there would be no impact on our earnings if we utilize the Risk Mitigation /Rate Stabilization Reserve. The net income of the Company is determined by generally accepted accounting principles as prescribed by the GASB on an accrual basis of accounting; deposits to or requisitions from the Risk Mitigation / Rate Stabilization Reserve do not affect net income. The amount of net income available for distribution as a dividend is computed as total net income less any bond principal payments and deposits to the Infrastructure Replacement Reserve. If the dividend formula was revised to also deduct net deposits (deposits – withdrawals) to the reserve from Net Income, then the amount of net income available for distribution as dividend could be maintained at targeted levels even during years when revenues and expenses varied significantly. The amount of the deposits to or requisitions from the reserve would be at the sole discretion of the Board of Water Works.

Funding of the Risk Mitigation / Rate Stabilization Reserve is not required by the Series 1992 Bond Resolution; however, additions to or deductions from Net Income for purposes of computing the annual dividend are defined in specific covenants. The establishment of this fund will not adversely affect the bondholders, and therefore, would not require approval of the bondholders. Staff will be working with

Bond Counsel and the Bond Trustee to develop a recommendation to update the dividend covenant for consideration by the City of Louisville and the Board of Water Works prior to year-end. Staff will also be finalizing a recommendation on the size and source of funding to establish the reserve. Mr. Miller stressed that staff want to ensure that use of this fund would not have the effect of relieving any responsibility on the part of management to appropriately maximize the earnings of the company. In Mr. Miller's discussions of this with Moody's, they have been supportive of our exploration of this strategy.

Contract approved for 02-41: Barricade Rentals – Second CPI Renewal

On motion of Ms. Welsh, seconded by Ms. Willis, and unanimously approved, the Board authorized the Process Owner, Procurement Services, to enter into a second CPI renewal of the contract to Flasher Barricade and Lite Company in the amount of \$253,156 for the rental of barricades, which are used to secure Louisville Water Company job sites. This amount represents a 3.3% increase in unit pricing.

Contract Approved for 04-51: Property Protection

Three bids were submitted for a one-year contract, renewable for up to four additional one-year periods, for property protection. All renewals will utilize the Consumers Price Index (CPI), "All Urban Consumers" as a cost adjustment factor. This contract is for security services at various Louisville Water Company sites. The lowest, most responsive bid was received from Louisville Patrol and Detection for an estimated one-year total of \$340,492. This bid represents a 4.7% decrease in unit prices from the previous bid two years ago. Ms. Willis moved to authorize the Process Owner, Procurement Services, to award a one-year contract, renewable for up to four additional one-year periods, for an estimated one-year total of \$340,492 to Louisville Patrol and Detection. Mr. Martin seconded, and the motion carried.

Contract Approved for 04-29: Water Treatment Chemicals

Thirty-two sealed bids were received to award a one-year contract for water treatment chemicals. The lowest, most responsive bids received were:

<u>Chemical</u>	<u>Supplier</u>	<u>Amount</u>
Ammonia	Univar	\$ 80,910
Fluorosilic Acid	LCI	\$108,540
Liquid Chlorine (CHFP)	Brenntag	\$234,780
Liquid Chlorine (BEP)	JCI Jones	\$ 83,820
Liquid Ferric Chloride	Eaglebrook	\$780,458
Liquid Polyaluminum	Sweetwater Tech.	\$ 20,088
Pebble Quick Lime	Carmeuse	\$379,069
PolyDially Dimethyl		
Ammonium	Industrial Chemicals	\$ 50,464
Potassium Permanganate	Carus Chemical	\$ 10,196
Powdered Act. Carbon	Acticarb	\$ 64,560
Powdered Act. Carbon		
(Taste & Odor Grade)	Calgon Corp.	\$ 66,400
Soda Ash	Mays Chemical	<u>\$ 8,372</u>
TOTAL		\$1,887,657

This bid represents an approximate 8.5% increase in unit prices from the previous bid last year. Mr. Conner moved to authorize the Process Owner, Procurement Services, to award a one-year contract to these bidders for a total of \$1,887,657. Ms. Welsh seconded, and the motion carried.

Contract Approved for 04-37: Office Supplies

Five bids were submitted to award a three-year contract for office supplies used company-wide. The lowest, most responsive bid was received from Office Max for an estimated three-year total of \$161,721. Ms. Welsh moved to authorize the Process Owner, Procurement Services, to award a three-year contract totaling an estimated \$161,721 to Office Max. Ms. Willis seconded, and the motion carried.

Contract Awarded for 03-403: De Mel/Eiler/Keys Ferry Cathodic Protection Project

Four bids were received from pre-qualified contractors to install CP on 9,485 linear feet of 6 and 8-inch cast and ductile iron water mains using 548 sacrificial magnesium anodes. C.P. Systems submitted the lowest responsive bid in the amount of \$186,671 resulting in a total project cost of \$197,671 and a total unit cost of \$20.84/LF. Mr. Conner moved to authorize the Process Owner, Procurement Services, to award a contract in the amount of \$ 186,671 to C.P. Systems to install cathodic protection facilities for this project. Ms. Welsh seconded, and the motion carried.

Contract Approved for 01-700: Bearcamp Road Booster Pump Station

Seven bids were received to install a booster pump station on Bearcamp Road in southwestern Jefferson County. This project will provide a dual-purpose pump station that will supply boosted pressure for domestic use and fire flow under high system demand conditions. The installation of this station also satisfies obligations under the Jefferson County Water Extension Program. D&D Foundation Supply submitted the lowest, most responsive bid in the amount of \$135,000. Ms. Welsh moved to authorize the Process Owner, Procurement Services, to award a contract in the amount of \$135,600 to D&D Foundation Supply, Inc. (CWBE) for installation of the Bearcamp Road Booster Pump Station. Ms. Willis seconded, and the motion carried.

Update on Corporate Governance Changes

Barbara Dickens discussed the changes that the BOWW decided to make at its August 5th meeting regarding corporate governance. The major changes the BOWW decided to implement are: (1) separating the role of the President and CEO from the Board Chair; (2) having a Nominating Committee that will nominate the Chair and Vice-Chair and all members to serve on the Board's committees; (3) having an Executive Committee comprised of the Chair, the President/CEO, and two other board members that would have some authority and/or ability to review matters usually before the full Board; (4) conducting orientations for all new board members; and (5) meeting annually with the Mayor to obtain Metro Government's perspective on the Company and the Board's obligations. Ms. Dickens advised that the first Board Member Orientation is scheduled for October 5, 2004. Ms. Dickens discussed how the other changes necessitate some revisions of the By Laws, by which the Board is governed, and of Metro Government ordinances. The By-laws were reviewed as information items, and the board members were encouraged to provide feedback regarding the revisions. Mr. Martin commented that the By Laws do not set forth the role of the chair and vice-chair currently, but should be revised to do so. Ms. Dickens advised that she would include that in a proposed amendment. Mr. Martin asked that the By Laws with any new revisions be provided to board members in advance of the next board book if they are going to be asked to approve them. Ms. Dickens advised that they would be. Ms. Dickens reviewed proposed changes to the Metro Government ordinances, all of which deal with changes necessitated by separating the role of the President and CEO from the Board Chairman. These changes need to be considered by the appropriate Metro Government committee in the next month. Mr. Martin moved to recommend approved of the proposed amendments to Chapter 32 of the Metro Government Ordinances. Mr. Conner seconded, and the motion carried.

2004 Annual Inspection Report Accepted

Steve Greseth of Black & Veatch Engineers reviewed the summary of the 2004 Annual Inspection conducted on the adequacy and condition of the Water Works System. The report noted there are twelve (12) high priority recommendations. Six (6) of the recommendations will be addressed in LWC capital projects currently funded or proposed for funding in the draft 2005 Capital Improvement Plan. The remaining six (6) recommendations will be addressed as operation and maintenance items. In the opinion of Black & Veatch, the Louisville Water Company is capable of continuously supplying potable water to its customers. Mr. Conner inquired whether the number of recommendations was average. Mr. Greseth stated he could provide an answer regarding the number of recommendations compared to other water utilities. He noted that the fewer items recommended in 2003 were likely attributable to the fact that staff performing the audit were unfamiliar with LWC. The Board reached consensus to receive the report and file it with the Trustees.

Contract Awarded for Posting of Backlogged Construction Returns

Because GRW was awarded the professional services contract for the AM/FM/GIS work through a request for proposals, LWC is able to pursue a separate professional services contract with GRW for the posting of backlogged construction returns. Since the posting of construction returns is a part of building the facility asset, the costs associated with the backlog effort will be allocated proportionally across the appropriate projects and assets. Mr. Conner moved to authorize the Purchasing Manager to award a professional services contract to GRW Engineers, Inc. for an amount not to exceed \$690,191 Ms. Welsh seconded, and the motion carried.

Change in Scope Approved and Request Granted to Proceed with Final Design and Bid for 03-832: Tyler Water Storage Tank

A final site for the water storage tank in this location has now been approved by Metro Council. The approved location is within the Kroger development being developed by CBRE/Nicklies Company and is located along Taylorsville Road across from Stone Lakes subdivision. Since April 2003, the market for all steel construction has significantly increased. In addition, the budget for land and costs for engineering have increased to accommodate evaluation of multiple sites. Construction will take approximately eighteen months to complete. Ms. Margaret Harris moved to increase the budget of Project 03-832: Tyler/Tucker Station Elevated Water Tank from \$1,300,000 to \$1,860,000, and to proceed with final design and advertisement for bid for the project. Ms. Welsh seconded, and the motion carried.

Apportionment Warrants Issued for Hickory Hills Trail: Echo Trail to East 4,950 ft. and Hickory Valley Road: Hickory Hills Trail to End.

With the completion of this private road water main extension the Board of Water Works is required to issue Apportionment Warrants against the 23 properties assessed in accordance with KRS 96.265. Apportionment warrants will be assessed against 23 properties. Mr. Conner moved to adopt the following resolution for the issuance of Apportionment Warrants and liens against 23 benefited properties along Hickory Hills Trail: Echo Trail to East 4,950 ft and Hickory Valley Rd: Hickory Hills Trail to End in accordance with KRS. 96.265, as described.

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of Hickory Hills Trail: Echo Trail to East 4,950 ft and Hickory Valley Rd: Hickory Hills Trail to End main extension project authorized by Ordinance

No. 19, Series 2000 of the Jefferson County Fiscal Court, adopted on July 25, 2000 such warrants to be against twenty-three (23) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$10,039.43 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

Ms. Harris seconded, and the motion carried.

Change Action Approved for 00-418: B. E. Payne Plant Expansion

The scope of work to the B. E. Payne Water Treatment Plant (BEP) to expand treatment and pumpage capacity includes several work elements, including expanding the plant capacity from 45 million gallons per day (MGD) to 60 MGD; a new electrical building and switchgear; a standby power generator; additional pumping capacity; rebuilding filtration systems; and adding a second discharge header and pressure surge relief systems.. The project budget has been set at \$20.5 million. Construction is approximately 70 percent complete. An additional \$124,120 is needed for a 48-inch by 36-inch tapping valve for connection of the surge relief system to the 60-inch discharge header. On August 30, the President authorized staff to proceed with the contract change and allow the contractor to order the pipe and valve materials to accommodate the wet tap before the upcoming winter season. Mr. Martin moved to ratify this contract change in the amount of \$124,120, representing 0.8 percent of the contract. This change increases the approved contract value with Judy Construction (#G167) to \$15,138,975. This change does not increase the current project budget of \$20,500,000. Ms. Willis seconded, and the motion carried.

Oak Hill Property Location Declared Surplus

Ms. Welsh moved to declare the Oak Hill property site surplus by adopting the following resolution:

WHEREAS, the Louisville Water Company originally acquired its Oak Hill property and intended to utilize it for a water storage tank on the property, and

WHEREAS the water storage tank was later located elsewhere, and therefore the Louisville Water Company no longer has any need for the Oak Hill property, and

WHEREAS, the Board of Water Works has been sufficiently advised by the Consulting Engineer, Black & Veatch Engineers, that the Oak Hill property is "excess property" and it should be disposed of pursuant to the provisions of Louisville Water Company's Revenue Bond Resolution, adopted July 14, 1992,

NOW THEREFORE BE IT RESOLVED that the Board of Water Works hereby determines that it is feasible and beneficial and in the Louisville Water Company's best interests to dispose of the said Oak Hill property by advertising it for public bid, pursuant to the provisions of the Bond Resolution adopted July 14, 1992 and the Board hereby recommends and refers the proposed disposition of the Oak Hill property

to the Louisville/Jefferson County Metro Council for consideration of this matter.

Ms. Harris seconded, and the motion carried.

New Approval Levels Adopted for Developer Funded Water Main Extensions

The Board considered a new procedure developed by staff in conjunction with developers and builders to streamline the process for approval for developer funded main extension projects. Ms. Welsh moved to adopt the following new procedure:

The Business System Owner for Pipeline Design and Construction may approve developer-funded water main extensions with a total project cost of \$50,000 or less and Company contribution of less than \$20,000.

The Vice President, Serving Customers and Business Development may approve developer-funded water main extensions with a total project cost over \$50,000 but less than \$250,000 and Company contribution of \$20,000.

The President/CEO may approve developer-funded water main extensions with a total project cost of up to \$250,000 and company contribution of \$100,000 or less.

The Board of Water Works must approve any developer-funded water main extensions with a total project cost of \$250,000 or more and/or company contribution of over \$100,000.

Mr. Martin seconded, and the motion carried.

Main Replacement Projects Approved for College Drive and Manslick and Stonestreet Roads

The previously approved Main Replacement and Rehabilitation Program identifies necessary rehabilitation and replacement of mains. College Drive has been identified due to water quality problems recently. The existing 4-inch cast-iron water main will be replaced with 570 feet of 8-inch PVC pipe. Although not a part of this project, the new 8-inch installation will allow for an eventual grid-tie between College Drive and the 8-inch main serving the Boulder Creek Apartments. The 6-inch asbestos-cement (AC) water mains in Manslick Road between Keys Ferry Road and New Cut Road, and in Stonestreet Road from north of Schooler Lane to Blevins Gap Road are currently targeted for replacement due to a high main break frequency. Ms. Harris moved to authorize staff to proceed with final design and construction and establish a project budget of \$48,000 for the College Drive Main Replacement Project and to authorize staff to proceed with final design and advertisement for bids and to establish a project budget of \$483,000 for the Manslick Road and Stonestreet Road Main Replacement Project. Ms. Willis seconded, and the motion carried.

Authorization Granted for Design and Bid of 12" Main on Highway 42 in Goshen

The 8-inch and 6-inch service lines along Highway 42 in Goshen are planned for upsizing due to growth in the area. A developer in the area is constructing a 12-inch main along Longwood Lane to Highway 1793 and relocating a 6-inch main along Highway 1793. To achieve upsizing, LWC plans to upgrade of this 6-inch line to a 12-inch line and install a 12-inch main extension along Mayo Lane from Highway 42 to the west end of Longwood Lane. Funding for this project is from the Goshen Utilities Reserve. Ms. Welsh moved to authorize the design, advertisement and bid of a 12-inch main extension of approximately 3,800 linear feet along Mayo Lane for a total project budget of \$350,000. Mr. Martin seconded, and the motion carried.

Contract Ratified for 02-645: Recoating Lime Storage Hoppers at CHF

This project will remove exterior lead coatings from two steel lime storage hoppers at Crescent Hill that store approximately 260 tons of lime, which is used for softening of the water to reduce calcium hardness and pH adjustment to reduce the corrosiveness of the finished water in the distribution system. The project also includes replacement of ladders and handrails to meet OSHA safety requirements. The low bid of \$99,811, submitted by KSI, LLC, was approved by the President July 14 and a contract was executed August 5. The pre-bid estimate for the work was \$82,000. The higher bids require a revised budget of \$107,811 to accommodate engineering design and contractor inspection. Mr. Martin moved to ratify the President's award of a contract to KSI, LLC in the amount of \$82,000 and increase the project budget to \$107,811 to recoat the lime storage hoppers at Crescent Hill Filter Plant. Ms. Willis seconded, and the motion carried.

Contract Awarded for 03-615: Engineering Services for Chemical Feed System Improvements

The initial phase of the upgrade of the Chemical Feed System at the Crescent Hill Treatment Plan will focus on processes associated with disinfection, coagulation/flocculation, and taste and odor control. A proposal for the preliminary engineering design in the amount of \$157,600 has been negotiated with Jordan, Jones, and Goulding Engineers (JJG Engineers) in accordance with the Facilities Improvement Consulting Engineering Services method approved by the December 2002 Board. Mr. Conner moved to authorize the Process Owner, Procurement Services, to award a contract in the amount of \$157,600 with JJG Engineers to provide a preliminary engineering design for Project 03-615: Chemical Feed System Improvements at Crescent Hill Filter Plant. Ms. Welsh seconded, and the motion carried.

There being no further business, the meeting was adjourned at 3:55 p.m.

Respectfully submitted,



Barbara Dickens
Vice President, General Counsel and
Secretary to the Board of Water Works

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
OCTOBER 12, 2004**

Board Members Present:

Ms. Margaret Harris
Mr. Gerald Martin
Ms. Wendy Welsh
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson
Mr. Stewart Conner

Others Present:

Mr. John Huber, President
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Robert Miller, Vice President, Treasurer
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Karla Teasley, Vice President, Serving Customers and Business Development
Ms. Barbara Crow, Process Owner, Providing Strategic Communications
Mr. Rudy Davidson, Louisville/Jefferson County Metro Government

Visitors:

Mr. Steve Greseth, Black & Veatch Consulting Engineers

The regular meeting of the Board of Water Works was held on Tuesday, October 12, 2004 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. John Huber called the meeting to order at 12:41 p.m.

Consent Agenda Reviewed and Approved

Mr. Gerald Martin requested that the September 14, 2004 Regular Meeting minutes be taken off the consent agenda in order to consider recommended changes to them. Mr. Martin suggested adding "as prescribed by GASB on an accrual basis of accounting" after "principles" in the fifth full paragraph on page 8 and replacing the word "manage" in the top paragraph of page 9 with "maximize." Ms. Wendy Welsh moved to accept the minutes with those changes, Ms. Marita Willis seconded, and the motion carried.

There were no other changes to the consent agenda and Mr. Gerald Martin made the motion to approve the remaining items on the consent agenda, seconded by Dr. Joe Wise, and the motion carried.

The List of Claims Paid in September 2004 was filed.

The following Petitions and Applications for Water Main Extensions and Relocations were approved:

Developer Installed Projects

Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
10331	G897M	Pine Valley Estates Section 4	\$73,630.00	\$15,900.00
10416	G890M	Woodcreek Crossing	\$11,700.00	
10470	G891M	Glen Lakes Section 1A	\$38,950.00	\$7,500.00
10483	G894M	Brookview Industrial Park	\$63,350.00	
10486	G893M	Norton Commons Section A Phase 2	\$119,780.00	
10494	G923M	The Reserve at Glenmary Section 4	\$35,010.00	
10495	G898M	Pine Valley Estates Section 5	\$71,700.00	\$11,700.00
10499	G920M	Fawn Lakes Section 1	\$62,950.00	
10501	G896M	Winding Creek Section 2	\$29,200.00	
10511	G921M	Grandel Forest Estates Section 2	\$30,000.00	
10514	G895M	The Meadows at the Polo Fields Patio Homes Section 1A	\$9,800.00	

The Board received the report of contracts less than \$100,000 as follows:

<u>Capital Program</u>		
10524	Highway 44 - Shepherdsville Qk4	\$28,200
<u>Procurement Of Materials And Services</u>		
03-29	Csi Data Collection - First Cpi Renewal Datamax, Llc	\$28,321
04-58	48" Bell Joint Clamps Hughes Supply Company	\$61,400
04-59	Printing Of Pipeline Map And Valve Location Books Hurt Printing Company	\$25,810
<u>Procurement Of Sole Source Materials And Services</u>		
Sole Source	Oracle Database Software Maintenance Renewal Oracle Corporation	\$86,030

Administrative Report

Mr. Huber discussed a recent article in the Washington Post claiming that water utilities had failed to report information regarding lead in drinking water that would have rendered the utilities out of compliance. Mr. Huber advised LWC has a very aggressive lead removal and lead information program. The regulation on lead in drinking water requires ninety-five percent (95%) of the required samples taken to have less than 15 parts per billion of lead in the samples. Our testing indicates that 95% of our samples have less than 5 parts per billion of lead. We have been involved in several initiatives regarding lead removal, including a testing initiative with Jefferson County Public Schools (JCPS) in which we tested their drinking fountains, testing residences for lead for free if requested by the customer, and a partnership with the County Health Department to provide education regarding lead in drinking water. Mr. Huber emphasized that there is no lead in the water when it leaves our treatment plants. Unfortunately, some homes have lead plumbing that results in lead in the water. LWC used lead piping for service lines from 1860 to 1930. We have an active program to replace those lead lines by 2015. Mr. Huber further advised that some of the utilities in the Washington Post article have contested the claims made. Mr. Martin asked about the use of lead solder. Mr. Huber stated that the prohibition of lead solder began in 1992 and that we treat the water to ensure that it does not absorb the lead used in the solder.

Mr. Huber advised that employees from Seoul, Korea's water department visited us to review what we are doing with Riverbank Filtration.

Mr. Huber mentioned that there is some discussion regarding federal funding of infrastructure.

Financial Report

Mr. Miller reviewed the Statement of Revenues, Expenses and Changes in Net Assets with budget and prior year comparisons for financial results through September. Net Income Before Distributions and Contributions for September of \$2,788,728 was \$704,187 or 20.2% less than budgeted. YTD Net Income of \$20,570,856 is \$2,918,845 or 12.4% less than budgeted, \$1,515,765 or 8.0% more than 2003, and \$1,629,100 less than the revised target amount for 2004. Mr. Martin questioned why the receivables are not reflecting the higher production we had in September. Mr. Miller explained that approximately 25% of September's production is billed in September, with 50% billed in October and the remaining 25% billed in November.

Operations and Engineering Report

Mr. Heitzman presented the Operations and Engineering Report.

Production - The average production rate last month was 145.1 MGD, which was 12.2 percent higher than the 2003 September production rate of 129.4 MGD and 5.5 percent higher than the five-year average September production of 137.6 MGD. Due to wet and cool summer weather conditions, however, the YTD production of 127.7 MGD was still 1.8 percent lower than 2003 and the five-year average of 130.1 MGD.

Zorn Generator Black Out Start Test - In November 2003, staff worked with LG&E to test the gas turbine generator at the Zorn Pump Station and the test was not successful because of problems associated with the gas igniter system, a failed transfer switch at the Hillcrest substation, and a faulty protective relay at the Clifton substation. LG&E repaired the problems in December 2003 and another test was conducted in March 2004. The generator failed to start again because of a high temperature protection alarm. LG&E resolved the issue and staff scheduled the testing date in September to avoid the summer demand period. On September 21, the generator was tested under a black start (no external power) condition without incident.

Dispute Review Board for RBF Project - Staff has evaluated several alternative dispute resolution methods for the upcoming River Bank Filtration (RBF) Tunnel Project at BE Payne Plant, with traditional arbitration and mediation being the two most common forms of alternative dispute resolution. General Counsel has reviewed the various methods available, and staff has concluded the best approach for the RBF Tunnel Project is to adopt the American Society of Civil Engineers (ASCE) Dispute Review Board Process, with some slight modifications to protect the interests of the Company. In the event of a dispute, evidence from the DRB will not be admissible in any future action. The DRB process is expected to cost \$200,000, with costs shared by the Company and contractor.

Increased Material Costs - The Material Price Index reported by Engineering News-Record (ENR) continues to rise. Mr. Heitzman reviewed the ENR charts showing a steep rise in materials costs. These are the result of China purchasing a bulk of the raw materials and also due to transportation costs. While not as drastic as the first four months of the year, it has increased another 1.5 percent from August and is

up 19 percent since January 2004. From one year ago the Material Price Index is up 26 percent. Ductile iron pipe, PVC pipe, steel, and copper water tubing are all major components of this index. The accelerated inflation rate is expected to be reflected in future bid prices, especially for projects involving steel, iron, copper, and cement.

Serving Customers Report

Ms. Teasley presented the Serving Customers Report.

Third Quarter 2004 Customer Satisfaction Results – Customer satisfaction increased in the third quarter of 2004 back to the first quarter Total Customer Satisfaction Index (CSI) level of 845. The 2004 year-to-date average is 842 which exceeds the Corporate Level 1 goal of 840 for the Total CSI. Most of the CSI factors increased or remained stable with the exception of price/value which took a 12 point drop. This is the third drop in customer satisfaction with price/value that we have experienced this year. This is important to watch given the higher than usual rate increase proposed. Perceptions of water quality increased to a new all-time high of 892 for residential non-service customers. Customer satisfaction for the Service CSI recovered from the second quarter drop in satisfaction to 806, a new high for serviced accounts. The year-to-date average of 801 exceeds the Level 3 goal for customer satisfaction for the Corporate Performance Award (800). Satisfaction of residential customers increased for all factors and the residential service index score reached a new high of 812.

Service Rules and Regulations - A cross functional team was chartered in June 2004 to review and update the current Louisville Water Company Service Rules and Regulations. Since the last revision to the Service Rules and Regulations was completed in April 1996 the team was tasked with performing a comprehensive review and submittal of proposed changes. These revisions are anticipated to better serve customer needs consistent with our current practices and procedures. We expect to submit the proposed revisions to the Service Rules and Regulations to the Board for consideration and approval in late 2004 or early 2005. Mr. Huber noted that the new proposed Service Deposit would be a part of this revision.

LOJIC Update – A LOJIC Policy Committee meeting was held on October 1st to discuss several topics including partner operations and capital budget commitments for fiscal year 2005. Based on a total budget of \$1,489,000 for 2005 and the partners' ownership interests, LWC's annual contribution would increase to \$298,000 (\$93,000 capital and \$205,000 O&M) from its current funding level of \$72,000 per year. Due to funding gaps the Policy Committee agreed to put new capital investments on hold with the exception of the critical PVA's Computer Aided Mass Appraisal/GIS conversion project estimated at \$150,000. LWC staff has requested information from MSD on historical contributions of the partners to justify the requested increase in funding; this will be considered as part of the LWC 2005 O&M budget. Some adjustment of the current requested amount may be appropriate because we already pay a licensing fee, while other partners do not.

Closed Session

On the motion of Ms. Welsh, seconded by Dr. Wise, and unanimously carried, the Board went into closed session to discuss litigation pursuant to KRS 61.810(1)(c) and real estate pursuant to KRS 61.810 (1)(b) at 1:15 p.m..

Open Session Resumed

On motion of Mr. Martin, seconded by Dr. Wise and unanimously carried, the Board resumed open session at 1:29 p.m.

Mr. Huber advised that, although the Compensation Committee recently held a meeting, their report would be given at the next meeting since Mr. Conner, who chairs that Committee, is not present today.

Corporate Governance Changes

Ms. Dickens reviewed the revisions proposed to the By Laws. Some of these revisions are contingent upon approval by Metro Council of revised local ordinances pertaining to the Board of Water Works. Those ordinances are scheduled to be considered on the Metro Council consent calendar this week. Mr. Martin moved to amend the By Laws, contingent upon approval of the local ordinances by Metro Council, according to the changes reflected in the October 2004 Board Book and the addition to the responsibilities of the Vice President, Treasurer that he or she attend all board meetings and make reports on matters that need to be considered by the Board. Ms. Welsh seconded, and the motion carried.

Ms. Dickens discussed the Board's desire to have the Board officers and committee members nominated by a Board Nominating Committee. Ms. Dickens advised that the Board can create new committees by resolution. Dr. Wise moved to adopt the following resolution to create a Nominating Committee:

Whereas, the Board of Water Works may create committees by resolution according to its revised By Laws; and

Whereas, the Board of Water Works has determined that a Nominating Committee, made up of three board members, should be established for the purpose of making nominations of officers and board members to positions and committees, respectively; and

Whereas, the Board of Water Works has determined that the creation of the Nominating Committee is in keeping with best corporate practices;

BE IT RESOLVED, that the Board of Water Works Nominating Committee is hereby created to make nominations the Board Chair and Vice Chair, and Board committee members and any other related actions, as set forth in and pursuant to its Committee Charter.

Mr. Martin seconded, and the motion carried. Mr. Huber advised that it would be appropriate to appoint members to the Nominating Committee. Mr. Huber suggested the Board members to serve on the Committee be Mr. Martin, Ms. Willis and Dr. Wise. Ms. Welsh moved to assign those members to serve on the newly created nominating committee. Ms. Harris seconded, and the motion carried. Mr. Huber advised that the Nominating Committee's charge is to meet and make recommendations to the full Board for persons to serve as Chair and Vice Chair and on the Executive Committee.

Mr. Huber stated that staff is seeking direction from the Board regarding the role and function of an Executive Committee. Ms. Dickens presented a proposal regarding what matters would be appropriate for an Executive Committee and what matters should be reserved for the full Board. Ms. Dickens advised that the Board needed to decide whether the Executive Committee should be a committee that takes action on certain matters or who recommends action to the full Board. Mr. Rudy Davidson inquired whether the Mayor's representative would be a member of the Executive Committee. Mr. Huber stated that certainly the Mayor's representative would be encouraged to attend as a non-voting member. Mr. Martin believed this would provide a good flow of information to and from the Mayor's office. Dr. Wise suggested that the Executive Committee could be comprised of each of the Committee chairs. Mr. Huber responded that with four committees now, such a composition would be almost equivalent of the full Board.

2004 Dividend Calculation Considered

Mr. Miller provided this report. The Board revised the 2004 planned dividend from a budgeted level of \$12,698,880 to a targeted level of \$13,766,392 earlier this year in order to pay the dividend at the budgeted 2004 amount while fully funding the prepayment amount of \$1,067,512 from 2003. Staff anticipates that Louisville Water Company will likely be able to achieve the targeted dividend level despite significantly lower-than-expected water sales and with minimal or no dividend prepayment carried forward into 2005. The current forecast for the 2004 dividend is \$13,794,100 which, after deducting the prepayment amount from 2003, will allow for payment at the original budgeted amount.

LWC management has systematically evaluated alternatives to achieve the targeted dividend level; first, by increasing net income through expense reductions; second, by increasing net income through additional revenues; and third, by reducing the deductions from net income prior to the dividend computation. Following the 2003 earnings results and computation of the dividend prepayment, LWC management developed and executed expense reductions that included a workforce reduction accomplished through an early retirement incentive program. Following a revised forecast for lower water sales in 2004, LWC management developed a plan to offset the resulting decrease in net income through a four percent rate increase to be effective June 1st. This plan was considered in conjunction with an alternative to decrease the planned deposits to the Infrastructure Replacement Reserve. The Board determined that the preferred alternative was to repeat the tactic used in 2003 by decreasing the deposits to the Infrastructure Replacement Reserve. Following the lower water sales experienced during the extremely cool and wet summer irrigation season, LWC management evaluated alternatives to reduce the component items that are deducted from net income prior to the dividend computation.

When preparing the dividend forecast, management considered the deduction of the rate differential funds from the computation of the dividend. Louisville Water Company has acquired four water systems in recent years, each of which had significantly higher retail water rates. These rates were "frozen" at the time of the acquisition and the rate differential is computed and deposited into reserves used for funding the acquisition costs plus capital improvements needed to bring each system up to LWC system standards. The deposits to these reserves have previously been excluded from the dividend computation in a manner similar to the Infrastructure Replacement Reserve. However, LWC management has determined that this exclusion is not required by the 1992 Bond Resolution or by any contractual arrangements. This change in practice does not involve any change in the deposits to the Bullitt County Water Reserve or the Goshen Water Reserve and is consistent with generally accepted accounting principles.

Mr. Miller advised that the Company will likely be able to achieve the targeted 2004 dividend level by not making any deposits to the Infrastructure Replacement Reserve in 2004 and by not excluding the rate differential collected in acquired systems from the dividend computation. Staff is computing the additional dividend payments that may be possible from prior years due to this change in practice. Mr. Huber advised that staff reviewed this with our auditors, who acknowledged that this is a policy matter that does not require a change in the accounting practices. Dr. Wise asked what the annual value of the rate differential is. Mr. Huber advised it is approximately \$1.2 million. Mr. Martin stated he supports this and has looked at it carefully. The deduction is not required by the Master Bond Resolution or the system acquisition agreements. Mr. Martin noted that we spend more on upgrading the systems than we collect in the differential. We will still set this amount aside in a separate account and use it for the benefit of those systems as we have agreed to do. Ms. Welsh commented that there is some concern because we have not done this previously and we need to be prepared to answer the question of why this change in practice now. Mr. Huber advised we will equalize the rates of these systems with the LWC rates once their systems are up to our standards. Mr. Martin moved that we discontinue the practice of deducting the rate

differential funds from the calculation of net income available for dividend. Ms. Harris seconded, and the motion carried.

Preliminary 2005 Annual Budget Filed

Mr. Miller provided a summary of the Preliminary 2005 Annual Budget. When the budget development process began this year, staff identified several financial and budget management objectives. He provided an update to the Board on the status of the objectives. Mr. Miller advised the budget requires an increase in our rates of 6.5%, of which 3.2% represents a projected decrease in water consumption.

The Budget plans for funding for the Infrastructure Replacement Reserve in the amount of \$875,000, down by \$1,725,000 from the 2004 budgeted level of \$2,600,000. This reserve was not funded in 2003 or 2004 due to lower than expected water sales. The return on equity target in the proposed Budget is 9.22%, up from the previous target of 9.07%. The 2005 dividend to the City of Louisville is projected to be \$13,318,000, up \$619,400 or 4.9% from the previous budget.

Mr. Miller stated that over ten year planning horizon, increases in revenue requirements range from 4.0% to 4.5%. A full review of the Preliminary Annual Budget by the Board of Water Works is scheduled for November. Ms. Welsh moved to authorize the filing of the Preliminary 2005 Annual Budget with the Trustees and Metro Government by October 31, 2004. Mr. Martin seconded, and the motion carried..

Borrowing Reimbursement Resolution Adopted

Mr. Miller advised the Board may adopt a resolution announcing its intention to reimburse itself with the proceeds from the issuance of tax-exempt obligations for the expenditure of certain projects identified in the 2004-2008 Capital Expenditures Program. By adopting this resolution, the Board of Water Works will be able to replenish funds to be expended during the period from the date of the reimbursement resolution and the date of the bond issue. Mr. Martin moved to adopt the following resolution:

WHEREAS, the Board of Water Works of the Louisville/Jefferson County Metro Government, Kentucky (formerly the Board of Water Works of the City of Louisville, Kentucky, the Louisville/Jefferson County Metro Government being the governmental successor to such City as a result of operation of law), established and acting under the provisions of Section 96.230 through 96.315 of the Kentucky Revised Statutes (the "Board"), as the governing body of the Louisville Water Company (the "Company"), has received and reviewed the Company's 2004-2008 Capital Expenditures Program, more particularly described in detail in Exhibit No. 1, attached hereto (the "Construction Program");

WHEREAS, pursuant thereto, the Board has determined to make capital expenditures for purposes of the Construction Program of approximately \$236,846,714, all or part of which is to be financed from the proceeds of tax-exempt obligations to be issued from time to time by the Board; and

WHEREAS, construction and installation of certain components of the Construction Program are expected to commence prior to the date of receipt of the proceeds of tax-exempt obligations to be issued from time to time by the Company or the Board and it is therefore necessary for the Board or the Company to either borrow moneys on an interim basis from financial institutions and/or to advance moneys from funds of the Company on hand and temporarily available therefore, including, inter alia, the Depreciation Fund

and the Operation Fund, subject in the case of any such interim borrowing or advances to repayment or reimbursement from the proceeds of such tax-exempt obligations to be issued by the Board.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF WATER WORKS OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, KENTUCKY, AS FOLLOWS:

Section 1. The statements of fact set forth in the preambles to this resolution are hereby incorporated by reference in this Resolution and are declared to be true and accurate in all respects.

Section 2. The Board shall fund the Construction Program on an interim basis pending receipt of the proceeds of tax-exempt obligations of the Board by (i) interim borrowing from financial institutions and/or (ii) temporary advances from the Depreciation Fund and the Operation Fund of the Company. The Board shall hereafter issue its Water System Revenue Bonds for the purpose of funding all or part of the net costs of the Construction Program and shall, to the extent such interim borrowing and/or advances shall have been made, repay such borrowing and/or reimburse such advances.

Section 3. In accordance with the provisions of federal law, including Section 1.150-2 of the United States Treasury Regulations and the Board hereby determines and states that:

(a) The Company reasonably expects and intends to reimburse all or part of the Construction Program expenditures incurred with the proceeds of tax-exempt obligations of the Board.

(b) The declaration of official intent is being made under Section 1.150-2 of the United States Treasury Regulations.

(c) The reimbursements herein authorized are to be effected by application of the proceeds of Water System Revenue Bonds of the Board to be hereafter issued for reimbursing expenditures made in respect of the Construction Program for the years 2004 to 2008, inclusive, as identified specifically in Exhibit No. 1 attached hereto.

(d) The maximum principal amount of bonds to be issued for the five-year Construction Program is \$240,000,000.

(e) Reimbursement from the proceeds of such tax-exempt Water System Revenue Bonds shall be made to (i) any financial institutions providing interim financing for the Construction Program and/or (ii) the Company's Depreciation Fund and Operation Fund, which are required for other governmental purposes and are not available for such permanent financing.

Section 4. This Resolution shall be in full force and effect from and after its adoption.

Dr. Wise seconded, and the motion carried.

Contract Awarded for 99-416: Production Facilities and Solids System Improvements at Crescent Hill Pump Station

Six bids were received to construct an 800,000 gallon waste washwater tank, a four million gallon per day pump station, and drainage and solids transmission control and flow measurement at Crescent Hill Filter Plant. The construction of these facilities will improve filter backwash operations, provide system redundancy, and provide flow monitoring/control to optimize process waste generation and reduce the vulnerability of emergency discharge to the MSD combined sewer system. The apparent low bid is 32.5 percent below the engineer's estimate prepared by consultant CH2M Hill, Inc. Comparison of the estimate to the apparent low bid indicates the difference lies in cost estimates for rock removal,

mechanical equipment, and electrical materials. The contractor confirmed this bid is valid for the specified work. The adjusted project budget of \$4,167,000 includes \$975,000 for future improvements to the Zorn Lagoon, which is scheduled for construction in 2005. Ms. Willis moved to authorize the Process Owner, Procurement Services to award a contract in the amount of \$2,567,000 to Reynolds, Inc. for Crescent Hill Filter Plant Waste Washwater Tank and Pump Station. Ms. Welsh seconded, and the motion carried.

Contract Awarded for 10490 and 10491: Bullitt County Water Improvement Program Community Development Block Grant, Phase III

Five bids from pre-qualified contractors were received for Phase III of the Bullitt County Water Improvement Program, which involves furnishing and installing the following: approximately 53,762 lineal feet of 12, 8, 6 and 4-inch water mains, fifty (50) fire hydrant assemblies, and associated appurtenances. C.J. Hughes Construction Company submitted the lowest responsive bid in the amount of \$2,228,449. Bids were submitted for Alternate Bid Item A for the upsizing of water mains from 8 to 12-inch on Ridge Road and Clarks Lane, but were well above the engineer's estimate of \$399,000. Therefore, the upsizing of water mains from 8 to 12-inch is not recommended by staff for inclusion in the project. Bids were submitted for Alternate Bid Item B for the installation of a 6-inch grid tie on Clarks Lane to an existing water main from Serene Meadows Subdivision. C.J. Hughes Construction Company submitted a proposed Alternate Bid Item B in the amount of \$25,000, which is above the engineer's estimate of \$11,000. This is not a mandatory item. Ms. Teasley advised this grid tie could not be done as a separate project for a cheaper total project cost due to additional bidding and contractor's mobilization costs. Therefore, the installation of the 6-inch grid tie is recommended by staff for inclusion in the project, resulting in a total contract price of \$2,253,449. The base bid is 10.3% higher than the Project Manager's estimate. The resulting total unit cost for this project is \$41/LF. This amount is consistent with other water main extension projects of this difficulty and scope. Ms. Teasley reviewed contributions to be received in the way of tapping fees. Ms. Teasley reviewed total project cost of all three phases of this project. The CDBG Project Total of All Phases Apparent Low Bids is 6.1% above the Engineer's Estimate after Value Engineering, however, it is 2.18% below the independent cost estimate prepared by Project Services. The separation of the CDBG Project into 3 Phases and completing the Value Engineering has resulted in the CDBG Project Total of All Phases Apparent Low Bids being 14.78% lower than the December 2003 Apparent Low Responsive Bid. We have received a Community Development Block Grant (CDBG) in the amount of \$994,000 for this project. Dr. Wise moved to authorize the Vice President of Serving Customers & Business Development to establish a \$2,892,947 project budget of record for the CDBG Phase III Project and to award a contract in the amount of \$2,253,449 to C.J. Hughes Construction Company to install the water facilities associated with these projects. Ms. Willis seconded, and the motion carried.

Human Resources Information Technology Procurement Status Provided

Mr. Miller provided an update on the procurement of a new Human Resources Information System. Proposals were received in August from Solbourne (Oracle), AnswerThink (Oracle), Lawson, and Empower Solutions (PeopleSoft) for the Human Resources Information System (HRIS). AnswerThink has subsequently withdrawn their proposal. The remaining vendors represent the high-end functionality set of solutions for the company. Several mid-range providers were sent a set of specifications, however, none replied to the request for various reasons. The final cost must be within a 15% tolerance limit of the initial pricing as set forth in the RCN specifications to ensure initial pricing was based on the proposals submitted and not a general estimate in efforts to meet minimum requirements. The Board previously approved a capital cost of \$1,870,000 and total cost of ownership estimate of \$2,100,000 at the June meeting. The estimated five-year cost of ownership ranges from \$2,322,619 to \$3,486,368. The cost

projections are based on the initial pricing provided by the vendors in their proposals and other required costs for hardware, software, storage, database licensing, internal staff labor, and expenses for implementation services. The three remaining proposals received by LWC met the minimum criteria and will advance to the final evaluation rounds, which will include scripted demos, site visits, and technical discussions with the vendors. Final implementation plans and pricing will be submitted by the vendors following the site visits and a preferred vendor will be chosen to begin final negotiations. Management plans to bring the final recommendation and pricing to the Board in December 2004 for award of contracts and final budget approval.

Property and Casualty Insurance Renewed

Mr. Miller advised the Company's property and casualty insurance policies expire each September 30th and that policy renewals are not finalized until just prior to the new policy start date. The President authorized renewal of our excess liability insurance coverage with AIG in the amount of \$302,317 and continuing with a \$1 million self-insured retention, contracting with Affiliated Factory Mutual in the amount of \$95,214 for our blanket property insurance of \$166 million, and renewing our workers' compensation coverage with Midwest Employers Casualty for \$19,444 with an increased retention from \$400,000 to \$450,000. Only the contract with AIG requires ratification. Mr. Martin moved to ratify the contract renewal with AIG in the amount of \$302,317 for the Company's excess liability insurance coverage. Ms. Willis seconded, and the motion carried.

Apportionment Warrants Issued for Rocky Creek Lane: Back Run Road to North 2,290 Feet

Ms. Teasley reviewed the status of the distribution extension using the apportionment warrant method for Rocky Creek Lane. A public hearing was held October 29, 2002 for the extension of water service along Rocky Creek Lane: Back Run Road to North 2,920 feet. The Board of Water Works adopted a resolution for this extension to recommend extension to Fiscal Court on March 11, 2000 and Metro Council approved Ordinance No. 67, Series 2003 on April 10, 2003. The construction contract was awarded to Phillips Brothers Construction Company. With the completion of this private road water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265. In accordance with the recommendations of the Task Force Report the cost of the extension will be by the equal assessment method for the not-to-exceed cost of \$14,000.00 for each lot or tract abutting this extension and currently not served. Apportionment warrants will be assessed against 10 properties. Ms. Welsh moved to adopt the following resolution for the issuance of Apportionment Warrants and liens against 10 benefited properties along Rocky Creek Lane: Back Run Rd to North 2,920 feet in accordance with KRS. 96.265:

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Rocky Creek Lane: Back Run Rd to North 2,920 feet** main extension project authorized by Ordinance No. 67, Series 2003 of the Louisville/Jefferson County Metro Council, adopted on April 10, 2003 such warrants to be against ten (10) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$13,940.00 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

Dr. Wise seconded, and the motion carried.

Change Action Approved for 03514: Blankenbaker Lane Main Replacement Project

Ms. Teasley advised that LWC has a construction contract in the amount of \$100,000 with Debbie Sutherland Excavating for the installation of the 12-inch and 6-inch water main along Blankenbaker Lane from Poplar Hill Road and Twin Hill Road. The original alignment of the project included the installation of 12-inch water main within the limits of Blankenbaker Lane. Rock removal was not anticipated along this alignment. Metro Public Works requested a change in the alignment – moving the pipeline to the east edge of the roadway where significant bedrock quantities were encountered. The total cost of the extras to this project is \$19,643.75. The proposed change exceeds the currently approved contract amount (\$100,000) by 19.6 %. Impact to the overall project budget is 14.4 %. Mr. Martin moved to authorize the Vice President, Serving Customers and Business Development to increase the contract with Debbie Sutherland Excavating to \$119,643.75 and to increase the project budget of record to \$156,343.75 to complete and close out this project. Ms. Harris seconded, and the motion carried.

Change in Scope Approved for 02-402: Overhaul Pump Unit #7 at CHFP

Mr. Heitzman advised Pump Unit #7, with a capacity of 35-millions gallon per day (MGD,) was scheduled for overhaul in 2003 at a budget estimate of \$235,000. The overhaul consisted of rewinding the 1,250 horsepower-13,800 volt motor, rebuilding the pump, and replacing the 30-inch suction and discharge valves. All bids received for this work were disqualified for various bidding irregularities. In addition, the low disqualified bid of \$347,500 exceeded the engineer's estimate of \$215,000. Comparison of the estimate versus the low bid determined the difference was in the cost to rewind the electric motor. The estimate was prepared based on previous bid results of electric motor rewinds. Staff has evaluated various scenarios to reduce project costs, including purchase of a new motor. After review, it is recommended to re-scope and bid the project because rehabilitating the motor is much more cost effective. Based on the bid market result and construction inflation, the new estimate to overhaul Pump Unit #7 is \$400,000. This brings the budget requirement to \$480,000, including engineering, inspection, and valve purchase. In order to reduce these bid informalities, the motor rewind portion of the project will be bid as alternate by two different methods, providing LWC the option to determine which rewind process provides the greatest value to the project. Ms. Welsh moved to increase the budget of Project 02-402 from \$235,000 to \$480,000, and to proceed to advertisement for bid to overhaul Pump Unit #7 at Crescent Hill Filter Plan. Dr. Wise seconded, and the motion carried.

Change in Scope Approved for 00-407 : Long Run Elevated Water Storage Tank

Mr. Heitzman provided an update for this project. The scope of the project is to construct a one million gallon elevated water storage tank operating within the 900 pressure zone to serve growth in eastern Jefferson County. This new tank will replace an existing 850,000 gallon ground storage tank located in the park. The project includes engineering, consultant services, easement acquisition and site improvements, tank construction, supply piping, telemetry, and drainage facilities. The tank will provide improved system pressure and fire flow to this portion of the service area. Since this budget was established in 2000, the tank construction industry has consolidated, thereby reducing competition. In addition, steel prices have increased 26 percent in the past 12 months. Finally, during a pre-construction meeting with potential bidders, radio frequency interference from the WHAS radio tower was identified as a potential issue during construction. Due to these factors, staff has evaluated the budget for the project and recommends adjustments for the project. Ms. Willis moved to increase the budget of Project 00-407: Long Run Elevated Water Tank from

\$1,350,000 to \$1,650,000, and to proceed with final design and advertisement for bid for the project. Mr. Martin seconded, and the motion carried.

Final Design and Approval Given for Network Attached Storage Device and Backup Disc Library System

Mr. Miller advised that the 2004-2006 IT plan identifies several strategies and objectives to continue to build upon the Storage Area Network technology to enhance our Disaster Recovery and Business Continuity capabilities. The Network Attached Storage device will utilize the existing Storage Area Network to allow for data consolidation of several application server platforms and will eliminate the current Novell server providing home directory storage, file and print services for network users at the Third Street and Allmond Avenue locations. An upgrade to the current backup and recovery environment to support the increase storage and bandwidth is needed to ensure reliable backup of desktop, application server, and data server devices over the network. The combination of the Network Attached Storage and Clariion Disk Library provide a scalable solution for improved data management and backup and recovery procedures. The 2005 Capital Improvement Plan includes \$220,000 for the Network Attached Storage device for Third Street Data Center and \$80,000 for the Backup and Recovery System upgrade which includes the Clariion Disk Library. Current estimates for the Backup and Recovery System upgrade are \$100,000. Ms. Welsh moved to increase the budget for the Backup and Recovery System Upgrade from \$80,000 to \$100,000 to provide adequate funding for storage necessary to support corporate backup needs and to bring forward funding in the 2005 budget for the final design and bid of these projects in the fourth quarter of 2004 for a total estimate of \$320,000. Ms. Willis seconded, and the motion carried.

Refinancing of Kentucky Infrastructure Authority Debt Approved

Mr. Miller advised the Company acquired three assistance agreements with the Kentucky Turnpike merger in September of 2000. The Kentucky Infrastructure Authority recently refinanced the Fund C loans which are the subject of the two of the three assistance agreements. These new agreements provide lower interest rates on the existing agreements, release of our existing reserve, and ability to make monthly interest and principal payments electronically. The balance on this debt is \$429,000 with a current rate of 5 ¼ to 5 ½ % interest and the new interest rate would be 3.4 to 4% . Dr. Wise moved to authorize the Vice-President, Treasurer to sign the Kentucky Infrastructure Authority closing agreements following review by General Counsel. Mr. Martin seconded, and the motion carried.

There being no further business, the meeting was adjourned at 2:40 p.m.

Respectfully submitted,



Barbara Dickens
Vice President, General Counsel and
Secretary to the Board of Water Works

**BOARD OF WATER WORKS
SPECIAL-CALLED MEETING MINUTES
October 26, 2004**

Board Members Present:

Mr. Stewart Conner
Ms. Margaret Harris
Mr. Gerald Martin
Ms. Wendy Welsh
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson
Ms. Marita Willis

Others Present:

Mr. John Huber, President
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Rick Johnstone, Deputy Mayor, Metro Louisville

The Special-Called Meeting of the Board of Water Works was held on Tuesday, October 26, 2004 in the Board Room of the Louisville Water Company. Mr. Huber called the meeting to order at 12:20 p.m.

Executive Committee Discussed

Mr. Huber stated the letter from Barbara Dickens to the Board of Water Works is to serve as a starting point for the discussion of what role the Executive Committee would have with the full Board. The letter suggested matters that could be reviewed by an Executive Committee versus matters that should be reviewed only by the full Board. Mr. Stewart Conner stated the first issue should be to address what type of matters should be considered by the full Board. Mr. Conner believes the Board currently is handling matters that should be handled by management. He feels this must be discussed regardless of whether there is an Executive Committee. He stated the items suggested by Ms. Dickens as Executive Committee matters should be handled by management without Board consideration. Those items include: All Claims for Review and Filing; Contracts over \$100,000 and up to \$1.5 million; Design and Bid for Projects exceeding the President's authority and up to \$2 million; Developer Extension Projects exceeding the authority of the President and up to \$250,000; Change orders and Changes in Scope exceeding the authority of the President and up to \$250,000; and property acquisitions up to \$250,000. Mr. Conner believes all of these matters should be within the authority of the President, with adequate and appropriate controls. Mr. Huber commented that many of those items are already informational only.

Mr. Gerald Martin agreed with Mr. Conner and also felt if more authority is given to management, the Board could hold quarterly meetings rather than monthly meetings. Mr. Conner stated the frequency of meetings is another issue and the necessary frequency would be more apparent after a few months of operation with the President having this new authority level.

Dr. Joseph Wise expressed concern with having two classes of Board members – those on the Executive Committee and those that are not. However, if the matters for possible review by the Executive Committee were within the President's authority, it would seem no Executive Committee would be needed, but it would address everyone's concerns regarding the issues being dealt with by the Board. There was general consensus that the Board currently takes action on items, for which it is given

sufficient information, but of which Board members have little technical understanding. This is a concern for Board members. Mr. Martin commented it is not atypical to have classes of Board members because of the varying responsibility and authority of committees on which they serve.

Dr. Wise inquired whether anything in the statutes or ordinances requires the Board to hear all of these items. Ms. Dickens advised that the only statute requiring Board action has to do with approval and appeals of Apportionment Warrants, and that the Apportionment Warrant program is nearing an end.

Ms. Wendy Welsh expressed it would be inefficient to have an Executive Committee that reviews items that are then considered by the full Board. Mr. Rick Johnstone summarized that the Board wants to take the items listed in Ms. Dickens' letter under Executive Committee and move those within the authority of the President, with assurance of appropriate controls for accountability. Board members were in consensus. Mr. Johnstone stated such a move would make the Board more strategic and less involved in operational issues that should be handled by management. Dr. Wise commented that, while this gives the President more authority, having a Board member serve as Board Chair provides one control mechanism.

Mr. Huber advised staff would prepare a report for a future meeting that lists current controls in place, proposed controls to address the additional authority to be given to the President, and a recommended resolution to give more authority to the President.

Ms. Welsh advised the auditors should be made aware of this at the beginning of 2005 so audits can be conducted with this in mind. Mr. Johnstone commented that the new Metro Government experienced this as well, and the Board may want to consider hiring a consultant to assist with developing and defining appropriate controls.

Mr. Huber discussed meeting frequency. While the Board certainly wants to evaluate how frequently it should meet, there are certain times of the year when there are not as many critical items for consideration, and other times when there are more, such as October and November due to budget consideration. Ms. Dickens reminded the Board its revised By Laws require it to approve a Board meeting schedule in December each year.

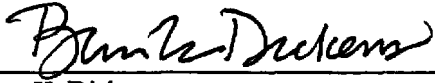
Mr. Huber asked whether Board members agree with the format of the officers' reports. Mr. Conner stated these are the most informative reports he receives, and he liked that the officers highlight the most important items from their written report for their oral report. Mr. Martin commented that the information they receive is redundant because they receive an Executive Summary, a written individual report, and then oral reports. Ms. Dickens advised that the Executive Summary was requested in the past by Board members, and that staff can continue to prepare it, but need not provide it if the Board members do not want it. The Board was in consensus that the Executive Summary is unnecessary.

Mr. Huber inquired whether, once the authority level of the President is increased, the Board wanted to be advised of actions taken by the President. Board members were in consensus that they do not need a report of all actions taken, so long as they have approved the controls and guidelines in place. The President would have to use his own discretion about what is important and necessary to be reported to the Board.

Mr. Huber advised staff will prepare the report regarding the controls along with a resolution to change the authority level of the President in the next couple of months.

There being no further business of the Board, the meeting was adjourned at 1:00 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and
Secretary to the Board of Water Works

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
NOVEMBER 9, 2004**

Board Members Present:

Mr. Stewart Conner
Mr. Gerald Martin
Ms. Wendy Welsh
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson
Ms. Margaret Harris

Others Present:

Mr. John Huber, President
Mr. Robert Miller, Vice President, Treasurer and Acting Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Ms. Karla Teasley, Vice President, Serving Customers and Business Development
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Amber Halloran, Business System Owner, Supplying Financial Resources and Controller
Mr. Jim Smith, Business System Owner, Infrastructure Planning
Ms. Barbara Crow, Process Owner, Providing Strategic Communications
Ms. Christy Ray, Notary Public

Visitors:

Mr. Larry Gattis, Black & Veatch Consulting Engineers
Ms. Debra Vaughn

The regular meeting of the Board of Water Works was held on Tuesday, November 9, 2004 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. John Huber called the meeting to order at 12:35 p.m.

Oath Given to Vice President, Human Resources and Organizational Effectiveness

The recent revision to the By Laws made the Vice President, Human Resources and Organization Effectiveness an officer of the Company, thereby requiring Susan Lehmann, who serves in that position, to take the Oath of Office. Christy Ray, a Notary in the Operations Core, administered the Oath of Office to Ms. Lehmann. The signed copy of the oath will be filed with General Counsel Barbara Dickens and with Louisville Metro Government.

Consent Agenda Reviewed and Approved

There were was one change to the consent agenda. Mr. Martin requested that the meeting minutes from the special called meeting on October 26, 2004 be revised as follows: At the end of the last sentence of the first paragraph on page two of the minutes, add "because of the varying responsibilities and authority

of committees on which members serve". Mr. Conner made the motion to approve the items on the consent agenda as revised, seconded by Mr. Martin, and the motion carried.

The List of Claims Paid in October 2004 was filed.

The following Petitions and Applications for Water Main Extensions and Relocations were approved:

<u>Developer Installed Projects</u>				
Project No.	Contract No.	Project Name	Total Project Cost	Net LWC Cost
10048	G931M	Blankenbaker Crossings Apartments	\$152,230.00	\$30,100.00
10430	G928M	Hunsinger Gardens	\$98,270.00	\$3,400.00
10441	G930M	The Paddock at Eastpoint	\$165,900.00	
10489	G935M	Interlink Counseling Service	\$12,580.00	
10509	G932M	Old Henry Business Park Ph. 1B	\$28,600.00	
10512	G933M	Woods of Feyhurst Section 2	\$23,050.00	\$1,300.00
10519	G929M	Ashley Furniture	\$11,900.00	
10528	G934M	Autumn Trace Condominiums Ph. 2	\$51,760.00	

The Board received the report of contracts less than \$100,000 as follows:

<u>Capital Program</u>		
02340	East Blue Lick Road McConahy & Stucker Company	\$24,620
<u>Procurement Of Materials And Services</u>		
03-02	Water Bottles - 1st PPI Renewal Louisville Container (Bottle C)	\$59,000
03-02	Water Bottles - 1st PPI Renewal United Graphics (Bottle A)	\$51,000
04-56	Propylene Glycol ChemCentral	\$23,544
04-60	Water Bill Envelopes Mead Westvaco	\$91,294
04-67	Fleet Vehicles (Right Hand Drive Jeeps) Cross Motors	\$77,800
<u>Procurement Of Professional Services</u>		
10354	Liberty St. Area Water Main Replacement O'Brien and Gere	\$51,641
Professional Service	Property & Casualty Insurance (Excess Liability) Affiliated Factory Mutual (Blanket Property Insurance)	\$95,214

Administrative Report

Metro Council Ordinances: Mr. Huber reported that on Thursday, October 14, the Metro Council approved the changes proposed by the Board of Water Works to KRS 96.240. The changes established

the role of Chair and Vice Chair of the Board. The changes also clarify the President and CEO may or may not be a member of the Board.

Metro United Way Campaign: The Company is completing the Metro United Way Campaign. We were somewhat concerned giving might be down this year, especially in light of the fact we currently have 441 employees compared to 488 employees in 2003. Last year the campaign raised \$67,000. Employees were very generous this year. Despite having fewer employees, overall pledges to the Metro United Way Campaign are at approximately \$66,800.

Fayette County Election Results: The recent Lexington-Fayette Council elections resulted in a significant change in the Council makeup, especially as regards Council members supporting condemnation of Kentucky American's franchise to serve Lexington and Fayette County. Previously the Council supported condemnation of Kentucky-American's franchise by a 9-6 margin. Following the recent elections, the Council now stands at 9-6 against condemning Kentucky-American's franchise. We continue to work with water suppliers in Central Kentucky, including Kentucky-American, to seek a remedy to their water supply shortage. Our primary involvement continues to be exploring the possibility of a pipeline from Louisville to Central Kentucky to provide the needed supply.

Lead in Drinking Water: The continuing issue of lead in drinking water in Washington, DC and a subsequent article in the Washington Post alleging manipulated lead sampling and reporting in certain cities is having an impact on Congress and on EPA. Water Association staff in Washington, DC advise a change in the Lead and Copper Rule is probable. Additionally, Senator Jeffords has proposed setting a maximum contaminant level for lead at the consumer's tap.

Stage 2 Disinfection and Disinfection By-Products Rule: The water industry has been very concerned over language in the preamble to the Stage 2 Disinfection and Disinfection By-Products Rule. The language essentially states up to 16,000 miscarriages may be caused annually in the United States because of high levels of disinfection by-products. Of the scientific studies conducted to date and completed through peer review, only one shows a very weak relationship between higher levels (but within maximum contaminant level) of disinfection by-products and miscarriages. Other studies show no relationship. At a recent water industry meeting, an EPA official suggested new information may be forthcoming on this topic and is scheduling a meeting later in November to discuss the findings. Part of the conversation will also evaluate the best methods of communicating health risks. Louisville Water Company disinfection by-product levels are much less than the maximum contaminant level.

The report was filed.

Operations and Engineering Report

Mr. Heitzman presented the Operations and Engineering Report.

Production: The average production rate last month was 129.7 MGD, which was 6.3 percent higher than the 2003 October production rate of 122.1 MGD and 3.8 percent higher than the five-year average October production of 124.9 MGD. The higher than normal production rate last month was a result of dry weather conditions through October 12. During the first 12 days of October, the average production was above 150 MGD. Production then decreased to 120 MGD for the remainder of the month when a record amount of rain precipitated in the region. For year-to-date, the average production of 127.9 MGD was 1.0 percent lower than 2003 production of 129.2 MGD and 1.3 percent lower than the five-year average of 129.5 MGD.

Distribution Maintenance Activities: October maintenance activities were up significantly with 68 main breaks. The increase is largely attributed to dry weather conditions and the resulting effect on the soil moisture. Priority one backlog of work activity has risen to 108 units. Staff is working to reduce this to less than 50 units by December 1.

Winter Preparations: As reported last month, staff annually prepares for the possibility of a major winter event in the distribution system. The winter emergency plan has been expanded in scope to be used during any emergency that affects our ability to deliver safe drinking water to our customers. The annual winter emergency planning cycle is underway. The emergency plan has been revised and communication meetings have been held with staff responsible for each major area.

Financial Report

Financial Results: Mr. Miller reviewed the Statement of Revenues, Expenses and Changes in Net Assets with budget and prior year comparisons for financial results through October. Based on the revised financial plan adopted by the Board of Water Works in March 2004 and revised in May 2004, we expected to be \$188,500 above budget on net income for the month of October. The actual results were \$717,000 above budget due to higher revenues, lower operations and maintenance expenses, and higher interest income.

Insurance Broker Fees: Mr. Miller stated there have been significant challenges raised recently by the New York Attorney General and others regarding insurance industry practices of contingency commissions. Louisville Water Company revised its broker services contracts in 2001 to a flat dollar fee for service basis as the only compensation that the agent/broker may receive. If the agent/broker receives any commission or fee other than that paid out by Louisville Water Company for our services, then the amount is to be returned to Louisville Water Company. Staff will be contacting our brokers to ensure that all fees associated with our insurance contracts and services have been in accordance with our contract provisions.

Cost Reduction Planning for 2005: Mr. Miller discussed three primary risks that may prevent Louisville Water Company from achieving its net income and dividend objectives in 2005: higher expenses due to winter emergency maintenance; lower revenues due to decreased summer irrigation sales; and, higher expenses due to a catastrophic liability claim. Staff is developing cost reduction plans that can be implemented if needed in 2005 to mitigate the risk of failing to meet these objectives.

Serving Customers Report

Ms. Teasley presented the Serving Customers Report.

Performance Measures: The October 2004 abandonment rate was 8.5% compared to 3.9% in September 2004, and 4.9% in October 2003. The year-to-date abandonment rate is 5.4%. Factors contributing to higher call abandonment for the month included high call volume, staffing vacancies, and implementation issues related to mobile dispatch. Bad debt for the month of October was \$42,028 compared to \$55,842 in September 2004, and \$36,733 in October 2003. Bad debt is \$111 over budget for the month and \$38,558 over budget year-to-date.

General Assembly Special Session: Governor Ernie Fletcher called the General Assembly into Special Session in October to consider healthcare for state employees and retirees. Government Affairs monitored the activities of the session to determine potential costs to LWC for our retirees covered under

the state health insurance plan. The bill that passed the session has no impact on the Company but an important issue to follow for the upcoming session is the CERS Adjustment Fee for "Unescorted Retirees". This issue was raised during the special session and will likely be introduced again in 2005. An unescorted retiree is one who did not participate in one of the State Health Plans while employed. Past bills would require employers like LWC who have unescorted retirees to pay an adjustment fee to cover the health care cost of these employees once they retire. Estimated cost to LWC if the previously proposed legislation is enacted would be about \$200,000 annually.

Public Information Update: Feedback on the proposed water rate increase was solicited from our Customer Advisory Council. They advised staff to focus on the dollar amount not the percentage increase, promote cost reduction strategies and the impacts of reduced consumption. They also suggested we remind customers living in Goshen, Shepherdsville and the former Kentucky Turnpike district that their rates would not rise, and that water rates do not drive increases in sewer rates.

Compensation Committee Report Given

Mr. Stewart Conner provided a report of the discussion at the September 28, 2004 Compensation Committee meeting. Mr. Conner moved to approve board member stipends of \$100 per meeting, for regular, special and committee meetings. Mr. Martin seconded, and the motion carried.

Board Officers Elected

The Board of Water Works voted on October 12, 2004 to amend its By Laws to allow for a Board Chair and Vice Chair position. Metro Council voted on October 14, 2004 to amend the local ordinances that govern the Board of Water Works to allow these two new positions. In consideration of the Nominating Committee recommendation, Ms. Willis moved to approve the nomination of Stewart Conner as Chair of the Board and Wendy Welsh as Vice-Chair. Dr. Wise seconded, and the motion carried.

Resolution Passed to Adopt the Preliminary 2005 Annual Budget

Mr. Miller identified the major components of the Preliminary 2005 Annual Budget and described how the budgets are developed, controlled and funded. He reviewed the highlights of the Capital Budget and the Operating Budget. He summarized the drivers of the rate increase and described the future years' outlook for the Proforma Income Statement and Financial Plan. Mr. Miller recommended the adoption of the resolution to adopt the 2005 Capital and Operating Budgets, to authorize staff to prepare rate schedules based on a 6.5% rate increase and authorize certain capital projects. On motion of Dr. Wise, seconded by Ms. Welsh and unanimously carried, the Board adopted the following resolutions:

Resolved, that rate schedules be developed and presented by staff for a 6.5% increase, effective for water service beginning January 1, 2005 and thereafter.

Resolved, that the Preliminary 2005 Operating Budget submitted by staff be adopted as the approved 2005 Operating Budget.

Resolved, that the Preliminary 2005 Capital Budget submitted by staff be adopted as the approved 2005 Capital Budget.

Resolved, in respect to the Louisville Water Company 2005 Capital Budget submitted to and approved by the Board of Water Works this day, that the Board hereby delegates to the President of Louisville Water Company, or his designee, the authority to:

1. Proceed to completion for those Projects in the 2005 Capital Budget (and prior year Capital Budgets) with an estimated cost of \$100,000 or less.
2. Proceed with advertisement and bid of Annual Allowance Projects in the 2005 Capital Budget with the stipulation that all contracts exceeding \$100,000 be submitted to the Board for approval.
3. Proceed with preliminary engineering for those Projects in the 2005 Capital Budget estimated to cost over \$100,000 with the stipulation that each item will be fully explained to the Board and approval obtained before proceeding with final design and solicitation of bids.
4. Proceed to authorize contract change orders on those Projects in the 2005 Capital Budget (or prior year Capital Budgets) with an estimated cost of \$100,000 or less where such change orders do not cause the total contract cost to exceed \$100,000.
5. Proceed to authorize contract change orders on those Projects in the 2005 Capital Budget (or prior year Capital Budgets) with an estimated cost of over \$100,000 where such change orders do not exceed 10% of the approved contract price or \$100,000 in change order costs.
6. Proceed to authorize contract change orders on those projects in the 2005 Capital Budget with an estimated cost of over \$100,000, where such change orders exceed 10% of the original contract price, and when a documented business necessity exists, and ratification of such action is sought at the next regularly scheduled Board meeting.

And Resolved, that all contract expenditures greater than \$100,000 must be submitted for approval to the Board of Water Works prior to award and execution of the contract.

Contract Awarded for Bid 04-49: Radio Communications

One bid was received from Business Radio to provide radio communications for an estimated one-year total of \$106,700. This bid represents an 8.3% decrease in unit prices from previous bid in 1999. The Board discussed the continued need for radio service given the availability of cell phone service. A team will be formed to evaluate the radio communications infrastructure and business needs before bidding in 2005. Mr. Martin moved to authorize the Process Owner, Procurement Services, to award a one-year contract for an estimated total of \$106,700 to Business Radio. Mr. Conner seconded, and the motion carried.

Contract Approved for Bid 04-55: Worksite Security

A total of three bids were submitted to award a two-year contract for securing a safe worksite for Louisville Water Company personnel and the motoring public while minimizing traffic impediments. The lowest, most responsive bid was received from Off Duty Police Services for an estimated one-year total of \$283,705. This bid represents a .08% decrease in unit prices from the previous bid in 2002. The bid of Andy Frain has been disqualified for failure to honor bid pricing. Dr. Wise moved to authorize the Process Owner, Procurement Services, to award a two-year contract for an estimated total of \$283,705 to Off Duty Police Services. Mr. Conner seconded, and the motion carried.

Contract Awarded for Project 02658: HVAC Improvements for South Building at Allmond Avenue Distribution Center

Two responsive bids were received for improvements to the heating, ventilating, and air condition system at the main building at our Allmond Avenue facility. This contract will replace portions of the existing system dating from the 1967 construction of the facility. This system has become inefficient and is undersized. The contract consists of replacement equipment supplemented with several individual zone-control units delivering improved air distribution, plus energy management. There were five alternate bid items for which bids were also solicited. The lowest and most responsive bid for the base bid and alternate bid items 2-5 was submitted by G.B.M.C., Inc. Ms. Welsh moved to authorize the Process Owner, Procurement Services to award a bid to G.B.M.C., Inc. for the base bid alternate bid items 2 through 5 for \$424,071 and to increase the budget of record to \$507,071. Dr. Wise seconded, and the motion carried.

Contract Awarded for Project 10280: US 42 – Mayo Lane 12” Water Main Installation and Alternate Grid-Tie

Five bids were received and four were opened from pre-qualified contractors (one bid was returned unopened to a bidder that did not meet all pre-qualification requirements) to install approximately 3,675 lineal feet of twelve-inch PVC pipe, 55 lineal feet of twelve-inch DPW pipe, 4 fire hydrants, and 14 service transfers along Mayo Lane between US 42 and 2575 Mayo Lane (*Base Bid*). Bids were also received and opened to install 400 lineal feet of twelve-inch PVC pipe and 490 lineal feet of DPW pipe including 1 service transfer between 2575 Mayo Lane and Longwood Lane (*Alternate Bid*). This 12” water main will replace the existing 6” PVC water main, and the alternate grid-tie will provide a 12” connection to the proposed Goshen Tank along Highway 1793. MAC Construction & Excavating, Inc. submitted the lowest responsive bid in the amount of \$224,440 (base) and \$70,000 (alternate grid-tie) resulting in a total project cost of \$414,440. The bid is 8% under the Project Manager’s Estimate. The resulting total unit cost for this project is \$89.70 per lineal foot. This unit price compares favorably with other 12” water main projects of this difficulty and scope. Mr. Martin moved to authorize the Vice President of Serving Customers & Business Development to award a contract in the amount of \$294,440 to MAC Construction & Excavating, Inc to install the water facilities associated with this project and to establish a \$414,44 project budget of record for the Mayo Lane 12” Water Main Installation & Grid-Tie Project. Ms. Willis seconded, and the motion carried.

Apportionment Warrants Issued for Scotts Gap Road: End of Existing Water Main to County Line

With the completion of the public road water main extension in Scotts Gap Road, the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265. In accordance with the recommendations of the Task Force Report the cost of the extension will be by the equal assessment method for the not-to-exceed cost of \$5,450.00 for each lot or tract abutting this extension and currently not served. Apportionment warrants will be assessed against 16 properties. Mr. Conner moved to adopt the following resolution for the issuance of Apportionment Warrants and liens against 16 benefited properties along Scotts Gap Road: End of existing water main to County Line in accordance with KRS. 96.265, as described:

Resolved, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of Scotts Gap Road: End of existing water main to County Line main

extension project authorized by Ordinance No. 19, Series 2001 of the Jefferson Fiscal Court, adopted on August 28, 2001 such warrants to be against sixteen (16) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450.00 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

Ms. Willis seconded, and the motion carried.

Change Action Approved for Project 03603: Goshen Area Main Replacement

Ms. Teasley reported that on November 24, 2003, the Company entered into contract G-559 in the amount of \$638,700 with Southern Pipeline Construction Co. for the replacement of approximately 12,600 feet of 6, 8 and 12-inch water main in the Goshen area. As part of this project, customer service meters have been relocated from customer's backyards and basements to their front yards and attached to the newly installed water mains. Once customer services have been relocated, mains located in non-standard locations have been abandoned. A companion project, administered by Middletown, is also underway in the Goshen area to relocate non-standard meters along roadways where mains will not be replaced.

A 6-inch water main is located in the backyards of residents along a portion of Meadowridge Trail. Because of the location and difficulty of continued maintenance, this main has been targeted for abandonment. During construction, it became evident that many of the services were in fact attached to the 6-inch main in the backyard, and in order to abandon the 6-inch main, these customer services would need to be relocated.

There are fourteen services along Meadowridge Trail that require relocation. Unfortunately, the existing water main along Meadowridge Trail is AC pipe. Due to the lack of structural strength, tapping or other construction activities involving AC pipe commonly result in collateral breaks and leaks along the main. To avoid these persistent maintenance activities, we plan to replace the AC main with approximately 1,200 feet of 6" HDPE water main. In addition to the fourteen water services being relocated, eleven additional water services will be transferred to the new HDPE water main. The cost of this extra work is estimated to be \$115,280.

To minimize disturbance and the amount of surface restoration, directional drilling was specified for this project. Directional drilling is a very effective method of pipe installation provided a suitable alignment, free of rock and other utilities is encountered. Along a portion of Goshen Lane and Springmeadow Drive, utility conflicts and high rock levels were encountered that prohibited the use of this type of trenchless technology. The only suitable alternate alignment was located in the roadway and required the use of traditional trench installation techniques. Additional costs (approximately \$30/lf) were incurred by the Contractor to excavate, install the main and restore the pavement along 1,500 feet of the alignment. The additional cost to install the main in the pavement was \$45,750. The total extras for this project total \$161,030. The proposed change exceeds the currently approved contract amount (\$638,700) by 25.2 %. Impact to the overall project budget is 20.7 %. Mr. Martin moved to authorize the Vice President, Serving Customers and Business Development to increase the contract with Southern Pipeline Construction Co. to \$799,730 and to increase the project budget of record to \$938,730 to complete this work. Ms. Willis seconded, and the motion carried.

Financial Advisor Selected

Mr. Miller advised that staff requested a proposal from Public Financial Management, Inc. for financial advisor services. PFM is the leading provider of independent financial and investment advisory services to municipally owned utilities, state and local governments, and special districts and authorities. PFM also currently served as financial advisor to Metro Government for recent bond issues. PFM is not a broker or dealer and will not bid on the Company's bonds. The scope of work in the request for proposal contained three parts: Debt Management Planning; Metric Benchmarking; and, Bond Issue Financial Advisor Services. The first two components were proposed as fixed fee items, while the third component was proposed as a fee per \$1,000 bond basis. After considering the references and fee proposal, staff recommends selection of Public Financial Management, Inc. as financial advisor for Part A: Debt Management Planning and Part C: Bond Issue Financial Advisor Services. Staff also recommends that the Part B: Metric Benchmarking component be deferred pending further consideration of alternative methods to update our metric benchmarking methodology and targets. The fee for Part A: Debt Management Planning is not to exceed \$50,000. The fee for Part C: Bond Issue Financial Advisor Services will be scaled based on the issue amount of the bonds. Mr. Martin moved to authorize entering into an agreement for financial management services with Public Financial Management. Ms. Willis seconded, and the motion carried.

Discussion of Information Provided About Outside Legal Services Deferred

Ms. Dickens had provided information in the Board materials about how the company has been retaining outside legal counsel and who has been providing these services. Ms. Dickens was unable to attend this meeting and the discussion of these materials was deferred.

Closed Session

On motion of Ms. Welsh, seconded by Ms. Willis, and unanimously carried, the Board went into closed session to discuss litigation pursuant to KRS 61.810(1)(c) and real estate pursuant to KRS 61.810 (1)(b) at 2:10 p.m..

Open Session Resumed

On unanimous consent of the Board members, the Board resumed open session at 2:40 p.m. There was no action as a result of closed session.

There being no further business, the meeting was adjourned at 2:40 p.m.

Respectfully submitted,



Robert K. Miller
Vice President, Treasurer and Acting Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
DECEMBER 14, 2004**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Marita Willis
Dr. Joseph Wise
Ms. Margaret Harris

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Robert Miller, Vice President, Treasurer
Mr. Greg Heitzman, Vice President, Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Ms. Karla Teasley, Vice President, Serving Customers and Business Development
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Crow, Process Owner, Providing Strategic Communications

Visitors:

Mr. Larry Gaddis, Black & Veatch Consulting Engineers

The regular meeting of the Board of Water Works was held on Tuesday, December 14, 2004 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Mr. Stewart Conner called the meeting to order at 12:59 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Mr. Gerald Martin moved to approve the minutes, seconded by Dr. Joseph Wise, and the motion carried. Mr. Conner advised the members of the BOWW that the items usually listed on the agenda but not requiring board approval have been removed from the agenda and the Board book.

Chief Executive Officer Report Provided

Mr. John Huber provided an update regarding the progress of the study of the setting of the new authorization levels for management to approve contracts and projects. Staff is also in the process of developing a system of internal controls to govern the new process.

Mr. Huber advised that the company received a notice from the County Employees Retirement System (CERS) that company contribution rates will rise in July 2005 from 8.4 to 10.9 per cent. He advised that the company anticipated some change and budgeted for it, but had not expected an increase this high. The impact to the company's budget is about \$130,000. Mr. Robert Miller explained that the three main drivers of this increase are retirement plan investment losses, a

phase-in of the insurance actuarial accrued liability, and differences between the expected and actual experience in turnover, mortality, disabilities, and salary increases.

Mr. Huber advised that a steering group of three board members – Dr. Wise, Ms. Marita Willis, and Mr. Martin – will assist management in making decisions regarding advanced treatment technology for the Crescent Hill Treatment Plant.

Financial Report Provided

Mr. Miller reviewed the Statement of Revenues, Expenses and Changes in Net Assets with budget and prior year comparisons for financial results through November. He stated the Company will achieve more cost reductions than were targeted at the beginning of the year. Based on the current forecast, we will be at or near the targeted dividend amount for the year. In response to a question received from Mr. Martin prior to the meeting, Mr. Miller noted that Contributions in Aid of Construction are lower than budgeted for the month and for the year-to-date due to lower amounts of reimbursements for pipeline relocations and due to an erroneously high budget amount.

Operations and Engineering Report Provided

Mr. Heitzman presented the Operations and Engineering Report.

Production – The average production rate last month was 116.6 MGD, which is typical for the month of November as indicated by the five year average production level of 116.7 MGD. The year-to-date average production of 126.9 MGD was still 1.0 percent lower than the 2003 production of 128.1 MGD and 1.2 percent lower than the five year average of 128.4 MGD. This is attributed to the erosion of the water sales base and cool, wet weather conditions throughout the year.

Winter Preparation - Winter preparation activities have been on-going for approximately two months. One activity is to reduce the backlog of maintenance work in the distribution system. The high priority backlog is 80 units, down from 108 units at the end of October, with a target of 50 or fewer units by the end of December, prior to the peak winter maintenance period. Staff has initiated a plan to reduce the backlog by working crews on Saturdays and also using managed overtime. High priority work includes leaking services, leaking mains, and other situations where surface water can pool and freeze during cold winter months.

Serving Customers Report Provided

Ms. Teasley presented the Serving Customers Report.

Performance Measures – The November 2004 abandonment rate was 6.5% compared to 8.5% in October 2004, and 3.7% in November 2003. The year-to-date abandonment rate is 5.5%. Bad debt for the month of November was \$45,832 compared to \$42,028 in October 2004, and \$48,559 in November 2003. Bad debt is \$3,915 over budget for the month and \$42,477 over budget year-to-date.

Service Rules and Regulations - Beginning in June of this year, a cross functional team was chartered to revise the current Service Rules and Regulations to make them consistent with

current practices and to better serve customer needs. Through regular team meetings suggested changes were recommended and these revisions were reviewed by upper management to ensure consistency and enforceability. The proposed changes have also been shared with the Customer Advisory Council and the LWC work group of the Homebuilders Association of Louisville for their input. It is anticipated that the revised Service Rules and Regulations will be submitted for Board approval in early 2005.

Airport 60" Main Relocation - Staff met with representatives of the Regional Airport Authority (RAA) on November 23, 2004 to discuss their participation in funding the relocation of the 60-inch transmission main that lies in the area planned for extension of airport runways in 2006. The RAA is considering LWC's request, though it has made no commitment to participating. Staff is continuing to pursue reimbursement from the RAA for a portion of the project cost currently authorized at \$3.91 million.

Fort Knox Update - Fort Knox officials announced in November that Hardin Co. Water District No. 1 will take ownership of the sanitary and storm water sewer systems at Fort Knox. This action follows the Army's plan to privatize all utility systems on the base. Electrical power utility facilities have already been privatized and the water system ownership is scheduled for transfer to the Lincoln Trail Regional Water Commission in November 2005. Hardin Co. Water District No. 1 will take over operations of the sanitary and storm water sewer systems on February 1, 2005 and contract day-to-day operations to Veolia Water - North America for \$1.5 million per year. LWC staff will continue to work with the Lincoln Trail Regional Water Commission, primarily through Quest, their consulting engineers, concerning their long range plans for the water system and opportunities for future water sales. These contracts will be renegotiated in three years.

Lebanon Junction Update - Legal counsel for the City of Lebanon Junction recently proposed some minor changes on references to LWC Service Rules in the proposed wholesale contract for clarity. Lebanon Junction has scheduled a special City Council meeting for Thursday, December 9 for final approval of the contract.

Closed Session

Dr. Wise moved to go into closed session to discuss proposed or pending litigation pursuant to KRS 61.810(1)(c) at 1:37 p.m. Ms. Willis seconded, and the motion carried.

Open Session Resumed

On the motion of Ms. Wendy Welsh, seconded by Dr. Wise, and unanimously carried, the Board resumed open session at 2:05 p.m. Dr. Wise moved to authorize the President to enter into an agreement with U. S. Pipe Foundry Company for reimbursement for inspection, servicing and repair of 5,878 U. S. Pipe Metropolitan 250, Model 94 fire hydrants purchased between 1997 and 2003, once final approval of the agreement is given by the General Counsel. Ms. Margaret Harris seconded, and the motion carried.

Audit Committee Report Given

Ms. Wendy Welsh provided a report of the December 10 2004 Audit Committee meeting. Regarding the warehouse inventory, the Audit Committee had expressed concern regarding variances in inventory at its previous meeting in August. Mr. Brammell, the system owner for

Managing Distribution Operations, had provided an update at the December Audit Committee meeting and steps are being taken or have already been taken to address the issues causing the variances. Ms. Welsh advised that management is considering the feasibility of acquiring the warehouse module for the financial reporting software system. The committee also discussed the findings of the Pipeline Inspection and Metering Services audits. The committee considered an amendment to its Charter to include responsibility to review and assess the procedures for receipt and retention of complaints. The Charter will be considered by the full Board at the January meeting.

2005 Water Rate Schedule Approved

Ms. Amber Halloran advised an overall 6.5 % water rate increase was adopted at the Board's November 9, 2004 meeting in conjunction with the 2005 Budget. Staff recommends the proposed rate schedule recommended for adoption effective for retail water service on and after January 1, 2005 and for wholesale water service on and after May 1, 2005. The proposed rate schedule was developed in accordance with a cost of service study based upon the methods suggested in American Water Works Association Manual M1, Water Rates. The wholesale water rates for service to North Shelby Water Company and West Shelby Water District also require approval by the Kentucky Public Service Commission. Ms. Welsh moved to adopt the 2005 Water Rate Schedule. Ms. Harris seconded, and the motion carried.

2005 Service Installation Fees, Meter Fees and Miscellaneous Fees Approved

Ms. Karla Teasley provided the report on Service Installation and Meter Fees. In compliance with Service Rule 1.04 new customers are charged the cost of installation of the water service pipe and meter vault. This charge is a flat fee or deposit approximating the anticipated cost of the installation. These fees are reviewed annually for adjustment based upon actual costs from preceding years.

While the average service installation cost increased for ¾-inch and 1-inch domestic services, ¾-inch retrofit irrigation services, and 6-inch and 8-inch fire services, average installation costs decreased for 1 ½-inch, 2-inch, 3 and 4-inch domestic services, and 4-inch fire services. The increase in installation costs is primarily due to increased rock excavation and the method by which the cost of equipment is allocated to service installation projects, which is to allocate based on the actual cost of ownership and maintenance of each item. Mr. Martin moved that new service installation, temporary meter, fire flow and miscellaneous installation fees in effect for 2004 remain the same for 2005. Ms. Welsh seconded, and the motion carried.

Fourth Quarter Dividend Declared

Mr. Miller advised that Section 508 of the Series 1992 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 the City, and the final quarterly payment is due at this time. The payments are based on the estimated annual net income and each quarterly payment should be as equal as possible. The estimated net income of \$28,070,100 for 2004 requires payment of an annual dividend of \$13,766,393 in quarterly installments of \$3,441,598. The quarterly dividend payment must be decreased by \$266,878 to reflect one quarter of the \$1,067,515 dividend prepayment in 2003. Dr. Wise moved to adopt the following resolution, seconded by Ms. Willis, and 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 1992 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 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, the Board passed a resolution on March 9, 2004 to adjust the 2003 annual dividend by \$1,067,513, from \$12,318,832 to \$11,251,319, the difference to be subtracted in equal quarterly installments from the quarterly 2004 dividend payments, and

WHEREAS, the 1992 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 Louisville Water Company estimated annual net income for 2004 is \$28,070,100 and the projected annual dividend computed in the manner specified in the 1992 Bond resolution is \$13,766,393 and considering dividends declared earlier this year, it would be in order at this time to declare a regular fourth quarter dividend of \$3,441,598;

BE IT RESOLVED, the regular fourth quarter 2004 dividend of \$3,441,598 is hereby declared, and further

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,174,720 to the Louisville / Jefferson County Revenue Commission on December 30, 2004, this being the third quarterly dividend for 2004 less one quarter of the dividend adjustment for 2003, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

Mr. Miller also reviewed the Board's action taken October 12, 2004 to discontinue deducting the system reserves when calculating the dividend. Mr. Miller advised that this practice, which was not required by the Master Bond Resolution or any law or policy, began in 2002. Staff recommends retroactively applying this practice back to 2002, which results in an additional payment of \$1,320,000 to be paid to Metro Government for amounts that would have been paid in 2002 and 2003 had the dividend been calculated without deducting the system reserves. Ms. Welsh moved to amend the board's action taken on October 12, 2004 to allow the revised dividend calculation, which does not deduct the rate differential funds, to be applied retroactively back to 2002. Mr. Martin seconded, and the motion carried.

Goshen Utilities Merged into Louisville Water Company

During the due diligence phase of acquiring Goshen Utilities, Inc. concerns were raised regarding the safety and integrity of the infrastructure in place in the Goshen Utilities service area. As a result, the decision was made to acquire GUI as a wholly-owned subsidiary of the Louisville

Water Company. Over two years have passed and many improvements have been made to the infrastructure, thereby eliminating any liability concerns at the time of the acquisition.

The operation of GUI as a wholly-owned subsidiary requires LWC to file additional reports and take additional samples. The reporting and testing requirements once GUI is merged into LWC will still be required, but only as a part of the reporting and testing requirements for LWC and not separately. This will eliminate redundant reporting and testing. The rate differential funds will continue to be placed into a separate account, known as the Goshen reserve, to be used for system improvements until the system is brought up to LWC standards. Mr. Martin made the following motion, seconded by Ms. Harris, and unanimously carried:

WHEREAS, in order to create efficiencies and to streamline certain operations and reporting obligations, the Directors deem it to be in the best interest of the Louisville Water Company (hereinafter referred to as the "Company") and its sole shareholder that the wholly-owned subsidiary of the Company, Goshen Utilities, Inc., a Kentucky corporation (hereinafter referred to as "Goshen"), be merged with and into the Company; and

WHEREAS, in order to expedite the process of such merger, the Directors desire to authorize the officers of the Company, as sole shareholder of Goshen, to remove all of the current members of the board of directors of Goshen and elect new directors of Goshen.

NOW, THEREFORE, BE IT RESOLVED, that the Directors hereby approve and authorize the merger of Goshen with and into the Company in accordance with the terms and conditions set forth in an Agreement and Plan of Merger, a copy of which is attached hereto as Exhibit A ("Merger Agreement"); and

FURTHER RESOLVED, that the Directors waive any requirement of prior written notice to the Company of such merger and further authorize any officer of the Company to formally waive such notice and to execute any document necessary to confirm the Company's approval of such merger in its capacity as sole shareholder of Goshen; and

FURTHER RESOLVED, that each of the officers of the Company is hereby authorized and empowered, acting individually or collectively, on behalf of the Company, to execute the Merger Agreement, Articles of Merger and any and all other documents, and take all such further action as may be necessary or appropriate, in connection with such merger; and

FURTHER RESOLVED, that each of the officers of the Company are authorized and directed, on behalf of the Company, acting in its capacity as the sole shareholder of Goshen, to remove all of the current members of the board of directors of Goshen and to elect the following individuals as the new directors of Goshen: Stewart Conner; Wendy Welsh, and Dr. Joseph Wise; and

Ms. Harris moved to adopt the following resolution, seconded by Dr. Wise, and unanimously carried:

WHEREAS, the sole shareholder of the Corporation has determined that it would create efficiencies and streamline certain of the operations and reporting obligations of the sole shareholder and the Corporation if the Corporation were merged with and into the sole shareholder; and

WHEREAS, in order to expedite the process of such merger, the sole shareholder desires to remove all of the current members of the board of directors of the Corporation and elect new directors of the Corporation.

NOW, THEREFORE, BE IT RESOLVED, that the sole shareholder hereby approves and authorizes the merger of the Corporation with and into the sole shareholder in accordance with the terms and conditions set forth in an Agreement and Plan of Merger, a copy of which is attached hereto as Exhibit A and further waives any requirement of prior written notice to the sole shareholder of such merger; and

FURTHER RESOLVED, that all of the current members of the board of directors of the Corporation are hereby removed and the following individuals are elected as the new directors of the Corporation, which directors shall serve until the earlier of their respective death, resignation, removal or the effectiveness of the merger: Mr. Stewart Conner, Dr. Joseph Wise and Ms. Wendy Welsh.

Contract Awarded for Bid 04-69: Ductile Iron Pipe and Fittings

Five bids were submitted for a one-year contract for ductile iron pipe and fittings. Pipe and fittings are used throughout the LWC infrastructure. Re-bidding was necessary because the supplier under the previous contract, US Pipe, declined to renew at PPI renewal pricing due to industry wide increases on iron and metal construction products. The lowest, most responsive bids were: U.S. Pipe (pipe and standard fittings) in the amount of \$2,408,451; Harco, Inc. (non-standard fittings) in the amount of \$116,312; and WaterWorks Supplies (non-standard fittings) in the amount of \$6,817, for a total contract amount of \$2,531,580. Ms. Welsh moved to authorize the Process Owner, Procurement Services, to award a one-year contract totaling an estimated \$2,531,580 to the suppliers above. Ms. Willis seconded, and the motion carried.

Contract Awarded for Bid 04-85: EMC Clariion Disc Library and Network Attached Storage

Two bids were received for a contract for the purchase, delivery and installation of EMC hardware, including a Clariion Disc Library and Network Attached Storage. This is a component of our business disaster recovery plan. The lowest, most responsive bid was from Pomeroy IT Solutions for a total amount of \$311,294. Ms. Willis moved to authorize the Process Owner, Procurement Services, to award a contract totaling \$311,294 to Pomeroy IT Solutions. Dr. Wise seconded, and the motion carried.

Contract Awarded for Bid 04-82: Chlorine Cylinders for B. E. Payne Plant

Five bids were received to award a nine-month contract for liquid chlorine cylinders for B.E. Payne Treatment Plant. Chlorine is used for water treatment. Re-bidding was necessary due to previously awarded supplier, JCI Jones, canceling its contract. JCI Jones has been disqualified from bidding for a period of one year. The lowest, most responsive bid was received from Univar for an estimated nine-month total of \$121,666. Mr. Martin moved to authorize the Process Owner, Procurement Services, to award a nine-month contract totaling an estimated \$121,666 to Univar. Dr. Wise seconded, and the motion carried.

Contract Awarded for Bid 04-80: Steel Casing Boring and Jacking

Three bids were received for a one-year contract for steel casing boring and jacking. This contract will be utilized for horizontal drilling and jacking steel casing pipe. The lowest, most responsive bid was from M & A Construction Company for an estimated one-year total of \$211,290. Dr. Wise moved to authorize the Process Owner, Procurement Services, to award a one-year contract totaling an estimated \$211,290 to M & A Construction Company. Ms. Welsh seconded, and the motion carried.

Contract Awarded for Project 10524: Highway 44 Main Replacement

Four bids were received to install 5,430 linear feet of 6, 8, and 12-inch ductile iron water main along Highway 44 in Shepherdsville, Kentucky. MAC Construction and Excavating submitted the lowest responsive bid in the amount of \$339,300 resulting in a total project cost of \$517,500. Mr. Martin moved to authorize the Vice President, Serving Customers & Business Development, to award a contract in the amount of \$339,300 to MAC Construction and Excavating to install the water facilities associated with this project.

Contract Awarded for 05-10601, 05-10602, and 05-10605: New Service Installations

Bids were received for 3-year renewable service contracts to begin in 2005 for new service installations. Contracts could be renewed annually for two additional years if contractors have satisfactory performance in completing jobs that internal crews cannot complete due to workload. Mr. Martin moved to authorize the Purchasing Manager to extend a unit price contract to Basham Construction & Rental for ¾" & 1" services not to exceed \$948,000, to Tom Brown Construction for 1 ½" & 2" services not to exceed \$148,250, and Tom Brown Construction for Fire Services not to exceed \$219,760. Ms. Welsh seconded, and the motion carried.

Contract Awarded for Bid 03-52: Stainless Steel Tapping Sleeves – 1st PPI Renewal

Bids were received for a one-year contract for tapping sleeves, renewable for up to two additional one-year terms, utilizing the Producers Price Index for "Other Steel casting, high alloy and stainless steel" as the cost adjustment factor. These tapping sleeves are used to make service installation taps on PVC pipe. Ms. Welsh moved to authorize the Process Owner, Procurement Services, to award a renewable one-year contract totaling an estimated \$172,976 to Hughes Supply Company for tapping sleeves. Mr. Martin seconded, and the motion carried.

Information Provided Regarding Outside Legal Services

Ms. Dickens gave a report regarding outside legal services providers utilized by the Louisville Water Company. Ms. Dickens advised which firms have provided legal services in 2004. These firms were retained based on the type of legal services needed, and rates and terms have been negotiated and confirmed in letter agreements. Ms. Dickens believes having various legal providers encourages competitive rates, quality service, effective representation, and responsiveness. Ms. Dickens also discussed the types of legal work being provided in-house. Currently, legal service providers are not operating under a RFP for Legal Services. Mr. Conner discussed issues arising from obtaining legal services through a RFP.

Update Provided Regarding Human Resources Information System

Mr. Miller discussed the project status for the procurement of a new Human Resources Information System since the Board was updated in October. The project team has completed its final round of evaluations of implementers and software for the HRIS/Payroll project. In completing the final evaluation, the team considered the following components: software functionality shown during scripted demos and site visits; assessments of implementations at site visits; revised vendor Implementation Plan; and costs. Each vendor was evaluated on a 100 point scale. The results of the evaluation process placed Empower/People soft with the highest evaluated total at 74.13 points. While not the lowest cost solution, Empower Solutions and PeopleSoft are best able to meet the needs of the organization with consideration to costs. Because of PeopleSoft's functionality, the software will allow LWC to make needed process improvements and custom service enhancements with minimal customization. The Board previously had approved a capital cost of \$1,870,000 and total cost of ownership estimate of \$2,100,000 at the June meeting. The cost projections are based on the revised pricing provided by the vendors in their proposals and specific discussions with the vendors on recommended technical platform. The five year cost of ownership is currently projected at \$3,040,617.

Ms. Welsh expressed concern regarding the merger of Oracle and PeopleSoft from the standpoint of future support of and updates to the system. She expressed the likelihood of a reduction in force at PeopleSoft and that may affect product support, and LWC staff should be mindful of the interface costs. Mr. Conner stated this is an expenditure of \$7,000 per employee and that seemed high. Mr. Miller stated that the lower cost solutions do not offer the functionality or interconnectivity that we need. Mr. Conner believes an in depth cost benefit analysis must be performed. Mr. Miller offered to provide additional information regarding what savings the company will recognize by having a new system, such as the elimination of costs for Ceridian. Mr. Conner stressed that board members need to see this before this contract comes to the board for approval. In response to an inquiry regarding the use of the Metro Government's PeopleSoft license, Mr. Miller stated that this has been considered, but PeopleSoft considers the Metro Government and LWC as two separate entities. Mr. Conner asked whether any other entity such as MSD could join in with LWC in its purchase of a new system. Mr. Miller did not believe this is feasible.

Medicare/Retiree Medical Insurance Renewal Approved

Susan Lehmann advised the Board that the Company provides group medical insurance to former employees (and their eligible dependents) who retired prior to the conversion of our retirement program to CERS in 1990 and who pay a portion of the premium. Seventy-eight policies remain, and that number continues to decline, resulting in marketing challenges.

If the retiree population remains stable and enrollees opt to have the same plan as 2004, the estimated value of the insurance contract for Retiree medical coverage is \$118,548 under the new rates, when using the Anthem Low as the base rate. After deducting the estimated retiree contribution, LWC's estimated net cost is \$103,054, an estimated increase in contract value from 2004 to 2005 of 6.7%. Ms. Welsh moved to authorize the Vice President, Human Resources and Organizational Effectiveness to award a contract to Anthem Blue Cross/Blue Shield in the amount of \$118,548. Ms. Willis seconded, and the motion carried.

Budget Established and Authorization Given for Design and Bid for Project 03638: Crescent Hill Filter Plan North-South Filter Building Renovation

Roof Resources, Inc. has completed the preliminary design plans and prepared a construction estimate for the slate roof replacement and building improvements to the Crescent Hill Filter Plant North-South Filter Building. A preliminary engineering report recommended the following improvements estimated to cost \$3.5 million: replace 100-year old slate roof with new slate; replace and rehabilitate gutters, dormers and cresting; replace deteriorated wood roof deck and rehabilitate and re-coat steel trusses; rehabilitate exterior concrete cracks and surfaces; and, replace windows. Using the preliminary design plans, Roof Resources has revised their construction cost estimate to \$3,285,300. The project budget, including construction, consultant fees, and LWC project management totals \$3.65 million, which is 4.2 percent above the conceptual budget of \$3.5 million. Ms. Welsh moved to establish a project budget of \$3.65 million and proceed to final design and advertisement for bid. Ms. Willis seconded, and the motion carried.

Authorization Given for Design and Bid for Bullitt County Water Improvement Program (BCWIP)- I-65 Transmission System Horsefly Hollow Road to Collings Hill Road Grid Tie

Ms. Teasley advised that the BCWIP grid tie between Horsefly Hollow Road and Collings Hill Road will connect two 12-inch mains currently under construction that are partially funded by a Bullitt County Community Development Block Grant (CDBG). This will add to the I-65 Transmission System at the southern end of Bullitt County. It will support supply to the southern portion of the Bullitt County retail service area as well as to the City of Lebanon Junction. The proposed project was originally a 1,650 foot 8-inch grid tie along Rhodes Lane from Horsefly Hollow to Marilyn Way. However, the opportunity to leverage other projects already under construction to create additional transmission capacity at the southern end of Bullitt County has expanded the project scope to consist of the installation of approximately 5,500 linear feet of 12-inch PVC and Ductile Iron water main along Rhodes Lane, Marilyn Way, Gary Way, Christopher Drive, Belmont Road and a LWC Easement from a 12-inch main on Horsefly Hollow Road to a 12" main along Collings Hill Road. The proposed project budget is \$250,000. The System Development Reserve will serve as the source of funding for this project. Mr. Martin moved to authorize the engineering design and advertisement for bid for the grid tie between Horsefly Hollow Road to Collings Hill Road, part of the I-65 Transmission System. Dr. Wise seconded, and the motion carried..

2005 Board Meeting Dates Established

Pursuant to the newly revised By Laws, Ms. Welsh moved to approve the following 2005 Board meetings, all of which would be held at 12:30 p.m in the Board Room of the Louisville Water Company Headquarters:

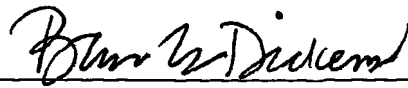
January 11, 2005	May 10, 2005	September 20, 2005
February 15, 2005	June 21, 2005	October 11, 2005
March 15, 2005	July 12, 2005	November 15, 2005
April 12, 2005	August 9, 2005	December 13, 2005

Ms. Willis seconded, and the motion carried.

The Board conducted an executive session without management present. No action was taken.

There being no further business, the meeting was adjourned at 4:00 p.m.

Respectfully submitted,



Barbara K. Dickens

Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
JANUARY 11, 2005**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Marita Willis
Dr. Joseph Wise
Ms. Margaret Harris

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Robert Miller, Vice President, Treasurer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Ms. Karla Teasley, Vice President, Serving Customers and Business Development
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Mr. Jim Brammell, Business System Owner, Managing Distribution Operations
Ms. Barbara Crow, Process Owner, Providing Strategic Communications

Visitors:

Mr. Steve Greseth, Black & Veatch Consulting Engineers
Ms. Debra Vaughn

The regular meeting of the Board of Water Works was held on Tuesday, January 11, 2005 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Mr. Stewart Conner called the meeting to order at 12:40 p.m. Prior to the start of the official meeting, staff provided the Board a demonstration of the new Mobile Dispatch System.¹

Minutes from the Previous Meeting Reviewed and Approved

Ms. Wendy Welsh moved to approve the minutes, seconded by Ms. Marita Willis, and the motion carried.

Chief Executive Officer Report Provided

Mr. John Huber advised the Service Rules and Regulations would be considered on this agenda and will have a separate handout due to a meeting with the Homebuilders Association that occurred after the Agenda Book was prepared. He advised the Capital Projects Authorization process was also on this agenda and staff will be bringing the new Contracts Approval process to the Board in February. Mr. Huber briefly discussed articles recently run in the Courier-Journal regarding the completion of the County-wide Extension Program and rates. One of the EPA's top ten priorities for research and development is new detection methods for microbials, specifically cryptosporidium and giardia. With improved detection methods, we may expect a higher rate of

detection. LWC does detect minor amounts present in river water, which simply means we are required to have greater treatment mechanisms in place to deal with them. This is the reason we self-impose strict goals for water quality. Mr. Huber advised that he is working with Water for People regarding the Indian Ocean tsunami relief effort.

Financial Report Provided

Mr. Robert Miller reviewed the Statement of Revenues, Expenses and Changes in Net Assets with budget and prior year comparisons for financial results through December. Total Sale of Water for December of \$8,172,001 was \$185,169 or 2.3% more than budgeted due to higher residential and commercial water sales for the month. Other Operating Revenue for December of \$430,539 was \$53,052 or 14.1% more than budgeted due to higher late charges, turnoff fees, and returned check fees. Total Operating Revenue for December of \$8,602,540 was \$238,221 or 2.8% more than budgeted. This was only the third month in 2004 in which operating revenues reached the budgeted level.

Total Sale of Water for 2004 of \$99,036,867 was \$2,729,552 or 2.7% less than budgeted due to lower residential and commercial water sales for the year. Other Operating Revenue for 2004 of \$4,425,186 was \$84,814 less than budgeted due to lower late charges and sewer billing charges for the year. Total Operating Revenue for 2004 of \$103,462,053 was \$2,814,366 or 2.6% less than budgeted. This is the second consecutive year in which operating revenues did not reach the budgeted level. This is also the second consecutive year in which the rainfall measure at the Louisville Weather Office was more than 20% above normal for the year.

Mr. Miller advised the final dividend amount will be computed after the auditors complete their audit. Dr. Joseph Wise inquired about putting any amount over the budgeted dividend in a separate fund for situations when we are not able to make the budgeted dividend due to revenue shortfalls, such as in 2003. Mr. Miller agreed this is something the board should consider for future years and would be bringing a recommendation regarding this issue later in the year after he consults with the Financial Advisor.

Operations and Engineering Report Provided

Jim Brammell, Business System Owner for Managing Distribution Operations, presented the Operations and Engineering Report on behalf of Greg Heitzman.

Production – The average production rate last month was 121.5 MGD, which is 6.9 percent higher than the 2003 December production of 113.7 MGD and 4.3 percent higher than the five-year average December production of 116.6 MGD. The higher December pumping could be attributed to the winter storm period, where customers may have run water to prevent pipes from freezing. For the year, the average production of 126.4 MGD was still 0.4 percent lower than the 2003 production of 126.9 MGD and 0.7 percent lower than the five-year average of 127.4 MGD due to erosion of the water sales base and cool, wet weather conditions throughout the year.

Riverbank Filtration Project Status – Staff is finalizing the acquisition of property along Transylvania Beach to accommodate construction of the riverbank tunnel and vertical wells. Staff is working to acquire the remaining four properties. Design plans and construction specifications were completed in December and the project was advertised on December 15, 2004. Staff plans a Minority and Women Enterprise networking opportunity and a pre-bid meeting the week of

January 24. The bid opening is scheduled for Wednesday, February 16. Staff anticipates three to five bidders for the project. The budget estimate of record for the project is \$37,323,300, including project planning and management, engineering design, property acquisition, construction, and sewer installation. Staff anticipates awarding a contract at the March Board meeting.

Winter Storm Beginning December 22. Production staff implemented contingency plans in advance of the storm by assuring there were adequate chemical inventories for both treatment plants, conducting additional monitoring of facilities and equipment in remote locations, removing snow for emergency access to all critical facilities, and staffing at appropriate levels with repair crews and in the call center over the holiday weekend. Therefore, the snow storm had only minor impact on treatment, pumping, and storage operations. The storm did have a cost impact to operations, however. Staffing over the holiday weekend required premium pay for personnel that volunteered to work during the scheduled holidays (December 24 and December 27) and over the Christmas weekend. The preliminary cost estimate for the winter storm response is \$90,000. Employees are to be commended for their volunteer response to working over the Christmas holiday weekend, without an officially declared winter emergency to require a mandatory employee response.

Serving Customers Report Provided

Ms. Teasley presented the Serving Customers Report.

Fourth Quarter and Year End 2004 Customer Satisfaction Results – Customer satisfaction dropped in the fourth quarter to a low for the Total Customer Satisfaction Index (CSI) level of 829 not experienced since the end of 2002. This sixteen point drop occurred primarily in the areas of water quality and customer service, with some drop in reliability and price/value. No segment of the index increased during the quarter, although information ratings increased in most segments. The 2004 year end average for the Total CSI is 839 which is below the Corporate Level I goal of 840 and six points below the 2003 average. Customer satisfaction for the Service CSI decreased to 781 which is also the lowest level experienced since the end of 2002. Factors which dropped substantially for service customers were reliability and customer service with slight drops in price/value, water quality and information. The year end average for 2004 for the Service CSI is 796 which exceeds the Level II goal of 790 under the Corporate Performance Award program and is four points below the 2003 average.

General Assembly Update -- The 2005 session is a short 30 day session divided into two parts and ending March 22nd. The overwhelming issues to be addressed will be adoption of a budget and tax reform. An important issue for staff to follow for the upcoming session is the CERS Adjustment Fee for “Unescorted Retirees”. This issue was raised during the October Special Session and will likely be introduced again in 2005. An unescorted retiree is one who did not participate in one of the State Health Plans while employed. Past bills would require employers like LWC who have unescorted retirees to pay an adjustment fee to cover the health care cost of these employees once they retire. Estimated cost to LWC if the previously proposed legislation is enacted would be about \$200,000 annually, but would not impact the company until July 2005.

Public Information Update - “Water Works”, the video history of Louisville Water Company, is completed and airing on Metro TV (channel 25 on cable) and KET. Copies are being distributed to all local libraries and to the Louisville Visual Art Association. An abbreviated version will be

developed to compliment the Pure Tap school program. LWC wrote and produced the video, Metro TV shot and edited the piece. A rollout is also planned for employees.

Closed Session

Dr Wise moved to go into closed session to discuss proposed or pending litigation pursuant to KRS 61.810(1)(c) at 1:10 p.m. Mr. Gerald Martin seconded, and the motion carried.

Open Session Resumed

On the motion of Mr. Martin, seconded by Dr. Wise, and unanimously carried, the Board resumed open session at 1:32 p.m.

Audit Committee Charter Amended

Ms. Wendy Welsh advised that a report of the Audit Committee was given at the last regular meeting but, because the meeting had occurred after Agenda Books were printed, minutes were not available to the other board members at that time and were provided now for benefit of other board members. Ms. Welsh advised the Audit Committee recommended that the Board approve an amendment to the Audit Committee Charter to include responsibility to review and assess the procedures for receipt and retention of complaints. By consensus, the Board amended the Audit Committee Charter to include this new responsibility. Ms. Welsh advised that the Audit Committee recommended approval of the Audit Committee Plan and Schedule. On motion of Mr. Martin seconded by Ms. Welsh, and unanimously carried, the Board approved the Audit Committee Plan and Schedule for 2005.

Amendments Approved to the Service Rules and Regulations

Ms. Teasley provided the Board a report regarding proposed amendments to the Service Rules and Regulations. A cross functional team was chartered in June 2004 to review and update the current Louisville Water Company Service Rules and Regulations. Team members represented the following areas: facility design, construction and maintenance; distribution operations; water quality and production; distribution design, construction and extensions; new service applications; metering services; risk management; and legal services. With the last revision of the Service Rules and Regulations in April 1996 the team was tasked with performing a comprehensive review and submittal of proposed changes to better serve customer needs consistent with our current practices and procedures.

Through regularly scheduled meetings, suggested changes were recommended from appropriate processes or systems for review by the team. Many changes were made to clarify existing language and assist our customers to better understand the Service Rules and Regulations. Several substantive changes were also made. All suggested revisions were reviewed by upper management to ensure consistency and enforceability. The proposed changes have also been shared with the Customer Advisory Council and the LWC work group of the Homebuilders Association of Louisville to gain their input. Ms. Teasley provided additional information regarding some of the changes requested by the Homebuilders Association. The input of both groups has been incorporated or considered in the proposed changes. Ms. Teasley provided an overview of the major changes and referenced the complete copy of the revisions provided to the Board. Mr.

Martin moved to approve the amendments to the 1996 Service Rules and Regulations. Ms. Welsh seconded, and the motion carried.

New Authorization Levels Granted to President for Capital Improvement Projects

At the October 26, 2004 Special Meeting of the Board of Water Works, the Board considered increasing the authority level delegated to the President for approving capital projects and contracts. At that time, LWC staff committed to develop controls to support the increased authority levels proposed and a resolution for Board approval specifying the recommended authorization levels. Ms. Teasley proposed controls through the implementation of a Capital Projects Authorization Policy and Procedure that will assure all capital projects initiated by the company are necessary, prudent, feasible and well planned. The procedure for the review of capital projects will be maintained and enforced by a Capital Projects Authorization Committee prior to recommending action to the President. The procedures provide guidelines for assessing the detailed project scope, business case justification and implementation plans of all capital projects and project change actions. Ms. Teasley reviewed the process with the Board. Mr. Martin commented that the President should not delegate his authority to approve. Mr. Huber responded that a designee would be made only in the event of the President's incapacitation. Mr. Conner commented that the Board could be called together for a special meeting to make that designation in that event. Mr. Conner stated the audit should include a review of the implementation of this new procedure. Ms. Teasley advised the Board will receive a certification on a quarterly basis, or sooner if the Board so desired, that the process was being followed. Mr. Martin expressed that the certification should be referenced in the resolution.

Ms. Welsh moved to adopt the following resolution granting new authorization levels to the President for approving capital projects:

RESOLUTION TO INCREASE AUTHORIZATION LEVELS FOR MANAGEMENT TO PROCEED WITH PROJECTS

WHEREAS, the Board of Water Works considered increases to the authority delegated to the President of Louisville Water Company at the Special Meeting held on October 26, 2004, and

WHEREAS, the Board of Water Works has previously adopted certain authority levels delegated to the President of Louisville Water Company at the Regular Meeting held on November 9, 2004 as part of the resolution to adopt the 2005 Annual Budget, and

WHEREAS, the management of Louisville Water Company has developed a Capital Projects Authorization Policy and Capital Projects Authorization Procedures as internal controls to support increases to the authority delegated to the President of Louisville Water Company;

THEREFORE BE IT RESOLVED that the Board of Water Works hereby delegates to the President of Louisville Water Company the authority, within the bounds of the Capital Projects Authorization Policy and Procedures, to:

1. Proceed with preliminary engineering for all Projects in the 2005 Capital Budget. with an estimated cost of more than \$2,000,000 with the stipulation that each item will be fully explained to the Board and approval obtained

2. Proceed to completion for those Projects in the 2005 Capital Budget with an estimated cost of \$2,000,000 or less.
3. Proceed with the acquisition of property of \$250,000 or less per parcel as needed for projects in the Capital Improvement Program.
4. Proceed to authorize project change orders of \$250,000 or less on those Projects in the 2005 Capital Budget where such change orders do not cause the total project cost to exceed \$2,000,000.
5. Proceed to completion of non-budgeted capital projects with an estimated cost of \$250,000 or less with an adjustment to the Capital Improvement Program.

AND BE IT RESOLVED, that all projects greater than \$2,000,000 must be submitted for approval to the Board of Water Works before proceeding with final design and solicitation of bids.

AND BE IT RESOLVED, that all project change orders greater than \$250,000 must be submitted for approval to the Board of Water Works.

AND BE IT RESOLVED, that periodically throughout the year the President will certify to the Board of Water Works that approvals are being granted pursuant to the Capital Projects Authorization Policy and Procedures.

AND BE IT FURTHER RESOLVED, that the Internal Auditor will periodically audit and report quarterly to the Board of Water Works that approvals are being granted pursuant to the Capital Projects Authorization Policy and Procedures and the external auditors will attest through agreed upon procedures and report annually to the Board of Water Works that approvals are being granted pursuant to the Capital Projects Authorization Policy and Procedures.

Ms. Harris seconded, and the motion carried.

Ms. Willis left the meeting at approximately 2:05 p.m.

Contract Awarded for Bid 02-27: Fire Hydrants – 2nd PPI Renewal

Sealed bids were accepted in November 2002 for a one-year contract, renewable for up to four additional one-year terms, for fire hydrants. All renewals were to be effective annually utilizing the Producers Price Index, 1015-0425, "castings for construction and utility use" as the cost adjustment factor. Because the PPI category, "Castings for Construction and Utility Use" was abolished by the Bureau of Labor Statistics and documented concerns were raised over the rising cost of raw materials, a negotiated agreement was reached for the upcoming renewal period and includes a 7.6% renewal covering 14 months rather than 12 months, quarterly PPI renewals, and utilization of a new PPI category of "other ductile iron castings. Dr. Wise moved to authorize the Process Owner, Procurement Services, to award a one-year contract renewal totaling an estimated \$1,113,562 to American Cast Iron Company. Mr. Martin seconded, and the motion carried.

Contract Awarded for Bid 04-84: Direct Read Meters

Three bids were received for a fifteen-month contract for direct read water meters. This fifteen month bid will allow direct read meters to be bid in conjunction with pro read meters in 2006. The lowest, most responsive bids from Neptune Technologies for an estimated fifteen-month total of \$827,450 and Badger Meter Company for an estimated fifteen-month total of \$19,776. Census

Company did not directly bid, but submitted a bid through their distributor. Ms. Welsh moved to authorize the Process Owner, Procurement Services, to award a fifteen-month contract totaling an estimated \$827,450 to Neptune Technologies and an estimated \$19,776 to Badger Meter Company. Mr. Martin seconded, and the motion carried.

Update Provided Regarding Human Resources Information System

Mr. Miller provided a report to the Board regarding the status of the acquisition of a new Human Resource Information System. Based upon feedback received at the December 2004 Board meeting, the HRIS Project Team is continuing to prepare the information requested by Board members. Specifically, the team is addressing the cost-benefit analysis and productivity enhancements expected to be realized with the implementation of the recommended HRIS solution. Vendor pricing contained in their proposals was effective through January 22, 2005. Since the analysis and evaluation of the proposals has expanded, all vendors have agreed to extend their pricing and terms through March 31, 2005. The team will present its analysis and recommendations to the Board at the February 2005 meeting. Board members will receive a detailed communication regarding the team's recommendations in advance of that meeting.

Information Provided Regarding the County Employees Retirement System Contribution Rate

Mr. Miller advised that the Company recently received notice of an increase in the CERS Employers Contribution Rate to be effective beginning July 1, 2005. The new rate of 10.98% represents a significant increase over the current rate of 8.48%. The increase is attributed to retirement plan investment losses, a phase-in of the insurance actuarial accrued liability, and differences between the expected and actual experience in turnover, mortality, disabilities, and salary increases. The new rate was based on an actuarial analysis as of June 30, 2004 and represents the full recommended rate. Future rates may be higher if investment rates of return do not meet the targeted level of 8.5%. Based on information received from Kentucky Retirement System staff, the 2005 Budget contemplated that the employer contribution rate would increase to 9.50%. The new rate will result in an estimated increase in operations and maintenance expenses of \$130,000 in 2005 above the amount included in the 2005 Budget. .

Update Provided Regarding the 60" Transmission Main at the Louisville International Airport

Ms. Teasley provided the Board an update regarding the relocation of the 60" transmission main at the airport. The Regional Airport Authority (RAA) plans to begin construction on the 1000 foot runway extension in the Spring 2006, and the runway would then extend over a critical LWC transmission main. To accommodate these plans, LWC established an in-house design team to fast-track design of the 60-inch concrete transmission water main around the proposed extension of the west runway. Plans for the 60-inch transmission main were completed in time for the December 15, 2004 bid opening. To maintain the current schedule, LWC needs to award the construction contract and start construction in the first quarter of 2005, and complete construction by January 2006. The proposed project will replace the existing 48/60-inch water main currently in the right-of-way of Fern Valley Road and Old Crittenden Drive (temporarily closed) situated approximately 700 feet south of the southern end of the west runway, with a new 60-inch main which will follow the alignment of relocated Grade Lane and relocated Crittenden Drive.

Four bids were received and opened on December 15 and MAC Construction and Excavating is the apparent low bidder with a bid of \$5,600,000. The second and third bids were clustered within 7% of the low bid, indicating an overall understanding of the scope and complexity of the project. The tight bid sequence also establishes the market value for the proposed project. The revised project cost including MAC Construction's bid is \$6,494,693. The budget of record, approved at the May 2004 BOWW, is \$3,912,000, placing the revised project cost approximately \$2,600,000 over the budget of record.

Several design improvements, not included in the original scope of work, were integrated into the final design. These design enhancements involved design revisions to the 60-inch transmission main and modifications to the associated distribution system. The replacement of approximately 2,200 feet of water main along old Grade Lane and Ashbottom Road was previously identified and budgeted as a MRRP project and has a cost estimate of \$330,000. Also staff is proposing to install over 3,200 feet of new 12 and 16 inch main at an estimated cost of \$500,000 to remove several critical customers connected to the transmission main at various locations, from direct dependence on the existing mains. Another increase in cost from the original budget is an estimated \$500,000 in casing pipe. In the event that the RAA extends the west runway at a future date, the casing would allow the main to be accessed for maintenance without disturbing the runway above and avoid another costly relocation of the main. Other factors that significantly increased project costs include site delivery of the concrete pipe (estimated at \$250,000) haul-off costs of excavated materials (estimated at \$500,000), and loss of production due to site constraints for work hours and accessibility (estimated at \$450,000).

A major issue to be resolved on the project is the matter of reimbursement from the RAA. Staff continues to meet with RAA authorities to discuss funding participation for the relocation project. Two funding alternatives exist: reimbursement from the Federal Aviation Administration (FAA) or reimbursement from general revenues of the RAA. RAA authorities have not been able to justify eligibility for FAA reimbursement of costs associated with the relocation of the 60-inch transmission main. Further, the existing RAA budget does not include expense for such a large utility relocation.

With the estimated relocation costs of \$6.5 million and reduced potential for project cost sharing, staff will reconsider the alternative to leave the 60-inch main within the airport property, and require the RAA to protect the water main from the extended runway. In addition, staff will continue to evaluate the bids and any other alternatives as well as work with RAA staff and LWC General Counsel to pursue eligibility for full or partial reimbursement of the relocations costs. Dr. Wise questioned whether we have any indication that the RAA will extend the runway further over the new proposed location. Staff believes this may be a possibility and will work to get additional information on this possibility from the RAA.

Change Action Approved for Project 03-625: South Coagulation Mixer and Clarifier Rehabilitation

Mr. Brammell advised the improvements to the Crescent Hill Filter Plant South Coagulation complex approved by the Board one year ago included replacement of failed mixing and clarification equipment, rehabilitation of concrete structures, and upgrading electrical systems. Construction is approximately 30 percent complete. The first unit, coagulation basin #7, is nearing completion and is projected to be returned to service by March 2005. Rehabilitation of the second unit, plus structural rehabilitation of two other units, is projected to be completed by March 2006.

During work on coagulation unit #7, several unforeseen conditions were encountered, which required modifications to the construction and consultant contracts. Several elements of the mechanical drive equipment are beyond repair and must be replaced. Following sediment removal, the concrete support piers and floor were found to be in poor condition. As reported to the Board in August, a cavity was found beneath the concrete floor, under the central drive mechanism. The cavity was excavated, safe-loaded, and a new reinforced concrete floor was installed. As a result of these changes, the scope of work of the consultant engineer, CH2M Hill, was expanded to include a comprehensive structural evaluation of the basin and additional construction management and oversight to provide quality control.

Mr. Brammell noted that these changes to the contract reflect only partial work required to complete coagulation unit #7 and this project includes work for three additional coagulation units. As previously reported to the Board, these basins have been in various levels of disrepair and several emergency contracts have been awarded in the past three years to maintain safe levels of production. A comprehensive pre-bid assessment of the structure was not performed due to production limitations on removing the unit from service for thorough inspection and marginal ability to maintain safe operating levels during summer months. Remaining work for coagulation unit #7 includes crack sealing with grout injection. This additional work is estimated at \$70,000 and will be reported to the Board at an upcoming meeting.

Dr. Wise moved to authorize the Chief Engineer to increase the value of contract #G634 with Kelly Construction Co. by \$114,056, from \$2,878,552 to \$2,992,608; to increase the value of contract #G529 with CH2M Hill Engineers by \$55,031, from \$395,546 to \$450,577; to increase LWC project management expense by \$20,000; and to establish a revised project budget of \$3,563,185. Ms. Harris seconded, and the motion carried.

Design and Bid Authorized for Pitts Point Road Area Main Replacement Project

Ms. Teasley advised replacement of the 5,420 feet of 6-inch pipe along Pitts Point Road was included as part of the Main Replacement and Rehabilitation Program approved previously by the Board. The original estimated cost of the project was \$400,000. As part of the Kentucky Turnpike Merger Agreement, 3,782 feet of water main along a portion of Highway 44 from Raymond Road to Pitts Point Road was likewise identified for replacement. The estimated cost of the pipeline replacement along Highway 44 was \$226,920. The estimated cost for the combined project is \$690,000. The revised amount exceeds the original combined cost estimate of the projects by \$63,080 (10%). Based on recent bid results for similar type work in the Bullitt County area, the estimate for the replacement of the main in Highway 44 was revised upward from approximately \$60/lf to \$75/lf. Ms. Welsh moved to increase the Project Budget of Record to \$690,000 and to proceed with the final design and advertisement for bid of the Pitts Point Road Area Main Replacement Project. Dr. Wise seconded, and the motion carried.

The Board conducted an executive session without management present. No action was taken.

There being no further business, the meeting was adjourned at 3:05 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

¹ Mr. G.S. Seetharam, Ms. Sherry Dukes and Mr. Eric Ayers provided a report and demonstration of the newly implemented Mobile Dispatch System. The Mobile Dispatch System project implementation started in June 2003 with Viryanet, Inc., who was awarded the contract for the system software, design and implementation services. The Mobile Dispatch System (MDS) Project objective is to automate field service processes through the electronic transmission of service and work orders to field personnel, collection of field data, and update of the host systems. The project scope included significant process re-engineering of the following five key operational areas of the company:

- First Run Response – 14 Emergency Turners (15,000 calls / year);
- Fire Hydrant Maintenance – 3 Fire Hydrant Service personnel (13,000 calls / year);
- Accounting for Water – 7 (3 Repair Leaders, 2 Meter Exchangers, 1 Large Meter Truck, 1 Large Meter Repair) (18,000 calls / year);
- Field Customer Service – 16 Field Customer Service Representatives (118,000 calls / year); and
- Dispatchers (Radio Room & Accounting for Water).

The employees provided the current status of the project:

- 39 or 40 field users are on-line;
- All order types that these users work on, are in the MDS;
- Fire Hydrant Service group were the first to go live in March 2004;
- Field Customer Service and Accounting for Water Representatives went live in several phases spanning June through August 2004. All representatives are live on the system;
- Emergency Turners went live in September 2004;
- Over 48,000 calls have been completed in MDS since March 2004;
- Optimizer is scheduled to run at certain times for every weekday to create the work schedule for the next day based on rules set by the project team;
- Calls created in on LWC host systems are transmitted to MDS and all completion data are sent back to the appropriate host systems through key interfaces developed by Viryanet, LWC staff, and Alliance;

Staff is in the process of completing the final phase of the project. Support of the system applications, hardware and communications will be handled by staff and through support service and maintenance contracts with the vendors.

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
FEBRUARY 15, 2005**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Marita Willis
Dr. Joseph Wise
Ms. Margaret Harris

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Vice President, Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Ms. Karla Teasley, Vice President, Serving Customers and Business Development
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Kathy Schroeder, Business System Owner, Supplying Human Resources
Ms. Barbara Crow, Process Owner, Providing Strategic Communications

Visitors:

Mr. Steve Greseth, Black & Veatch Consulting Engineers
Ms. Debra Vaughn

The regular meeting of the Board of Water Works was held on Tuesday, February 15, 2005 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Mr. Stewart Conner called the meeting to order at 12:35 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Mr. Gerald Martin moved to approve the minutes, seconded by Ms. Wendy Welsh, and the motion carried.

Financial Report Provided

Mr. Miller reported financial results for January 2005. Total Operating Revenues for January of \$9,251,912 were \$281,619 or 3.1% more than budgeted and \$1,026,644 or 12.5% more than the same period in 2004. The budget variance was due to residential water sales which were \$322,430 higher than expected. The prior year variance was due to increased residential and commercial water sales and the increase in water rates. Operation and Maintenance Expenses for January of \$3,573,840 were \$156,320 or 4.2% less than budgeted and \$31,368 or 0.9% more than 2004. Total Operating Expenses for January of \$5,918,078 were \$221,394 or 3.6% less than budgeted and \$230,727 or 4.1% more than 2004. The budget variance was due to lower than expected operation

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and maintenance expense and depreciation expense. The prior year variance was due to increases in depreciation expense and water service provided in lieu of taxes. Net Operating Income for January of \$3,333,834 was \$503,012 or 17.8% more than budgeted and \$795,917 or 31.4% more than 2004. Total Net Non-Operating Expense for January of \$307,001 was \$58,785 or 16.1% less than budgeted and \$941,966 or 75.4% less than 2004. The budget variance was due to higher than expected interest income. The prior year variance was due to early retirement incentive program costs which were incurred in January 2004. Net Income Before Distributions and Contributions for January of \$3,026,832 was \$561,797 or 22.8% more than budgeted and \$1,737,884 or 134.8% more than 2004. Capital Expenditures for January were \$4,379,018 or 4.8% of the 2005 Capital Budget of \$91,148,054.

Mr. Miller advised we are off to a good start in 2005 due to residential and commercial sales being up and operating expenses being down. The 2004 Audit is nearing conclusion and a clean report is expected. Mr. Martin asked why interest income was up so much. Mr. Miller stated that cash available for investment was higher than expected and short term interest rates were higher than expected..

Operations and Engineering Report Provided

Mr. Greg Heitzman provided the report.

Production – The average production rate last month was 120.8 MGD, which is 4.0 percent higher than the 2004 January production of 116.2 MGD and 0.4 percent higher than the five year average January production of 120.3 MGD.

Winter Distribution Activity - Distribution Operations personnel repaired 62 main breaks in January. While there have been several challenging days with as many as 12 breaks per day, the monthly total is well below the previous five-year average of 137 for January breaks.

Distribution Work Backlog – As a result of lower main break activity, both the priority 1 and total back-log levels are significantly lower than they have been in previous years, thereby allowing Distribution Operations to focus on execution of the 2005 capital program and also further reduce the backlog of lower priority maintenance work.

Riverbank Filtration Project, Phase II – Bids were scheduled to be opened on February 16th but we have postponed the opening due to several contractors requesting additional time to complete the bid. We held a successful Minority and Women Business Enterprises breakfast to encourage interest by M/WBE contractors and subcontractors.

Serving Customers Report Provided

Ms. Teasley presented the Serving Customers Report.

Lebanon Junction Wholesale Contract – A new water purchase agreement with Lebanon Junction was finalized January 11, 2005. LWC water will initially be utilized by Lebanon Junction for emergencies. Capital improvements in their system are planned in 2005 that will allow the City to routinely purchase water from LWC through the separation of water supplies from water they currently purchase from the City of Bardstown. Lebanon Junction is also negotiating a contract to

supply the Jim Beam Boston plant which will significantly increase their water demands and is expected to increase LWC sales to the City in the 0.75 MGD range.

General Assembly Update - Government Relations has been monitoring the activities of the 2005 Session. To date, the only bill of significant impact to LWC is House Bill 278: *The Small Business High Risk Pool*. The bill establishes a pool to cover high risk individuals for groups of two to ten employees. It is funded by implementing a ½ of 1% premium tax on all health insurance premiums. Based on current information, the estimated cost to LWC would be a minimum of \$16,300 annually. We will also closely monitor the session for bills related to the proposed CERS Adjustment Fee for "Unescorted Retirees". An unescorted retiree is one who did not participate in one of the State Health Plans while employed. Past bills would require employers like LWC who have unescorted retirees to pay an adjustment fee to cover the health care cost of these employees once they retire. Estimated cost to LWC if the previously proposed legislation is enacted would be about \$200,000 annually.

Ms. Teasley reported the legislature, at its 2004 October Special Session, established a blue ribbon commission to examine all aspects of the State's Healthcare Plan including retiree benefits and cost. Susan Lehmann was nominated by the Kentucky Association of Counties (KACO) and Senator David Williams recently appointed her to serve as a member of the commission. This panel will likely discuss the unescorted retiree issue.

Closed Session

Ms. Marita Willis moved to go into closed session to discuss proposed or pending litigation pursuant to KRS 61.810(1)(c) at approximately 12:45 p.m. Dr. Joseph Wise seconded, and the motion carried.

Open Session Resumed

On the motion of Mr. Martin, seconded by Ms. Willis, and unanimously carried, the Board resumed open session at 1:10 p.m. No action was taken as a result of closed session.

Audit Committee Report Provided

Ms. Wendy Welsh provided a report of the Audit Committee's discussion and actions at its meeting on February 9, 2005. The Committee reviewed the Transportation Audit completed by Internal Auditor Roger LeMaster in December 2004. Ms. Welsh reported management had already implemented many of the recommendations made in the audit and is working to dispose of a boat owned by LWC for maintenance of the Falls Fountain when it was in operation. The boat is no longer needed.

Ms. Welsh reported the Committee considered the recommendation of the External Auditor contract for 2005. Six companies had responded to a Request for Proposal, and the best evaluated proposals prior to considering cost were Crowe Chizek, our current external auditor, and Strothman, both of which had received equal scores. Upon opening the cost proposals, Crowe Chizek was the highest scoring proposal due to lower costs. The Committee recommended the contract be awarded to Strothman however, since either Crowe Chizek or its predecessor has been conducting the audit for a number of years. The Committee felt the services provided by Crowe Chizek have been excellent. Mr. Martin moved to award a one year contract, renewable up to four

additional years at the sole discretion of the Company, to Strothman. Ms. Margaret Harris seconded, and the motion carried.

Ms. Welsh reported the Committee also reviewed the outstanding audit issues and was satisfied that steps are being made to address those outstanding issues.

Compensation Committee Report Provided

Mr. Stewart Conner provided board members a copy of the minutes not included in the Board Agenda Book due to the meeting occurring the past Friday, February 11, 2005. He advised the Compensation Committee reviewed the Corporate Performance Award, which is a bonus available to all employees Process Owner and below if award goals are met. The percentage of the goals met was 79.15%. The total available award is one percent (1%) of total employee salary from the pool of eligible employees, thereby making the reward per employee \$422.39. Ms. Welsh moved to approve the award of \$422.39 to each eligible employee for the 2004 Corporate Performance Award. Ms. Harris seconded, and the motion carried.

Mr. Conner reported the Committee discussed the 2004 Executive Incentive Award, which is a bonus available to all employees at Business System Owner and above if certain goals are reached. Mr. Conner stated the Committee believed the Company performed very well on the Executive Incentive Plan goals, but did not meet the light switch goal, rendering success of the Executive Incentive Plan goals moot.

Mr. Conner reported the rating for the 2004 ELT Shared Goals was an overall 2.86. The Committee agreed to eliminate the Alternative Treatment goal for 2004 and carry it into 2005. The Committee reached agreement on the goals set for 2005.

Mr. Conner reported the committee discussed the health, dental, life and disability insurance plans for 2005. We received three quotes for health insurance and preliminary trends indicated a 22.5% increase for healthcare premiums. Through negotiations, Humana offered a renewal quote at 13.3%, with minor plan design changes. The quote from United Healthcare had been lower but United's plan contained significant differences and fewer providers. With changes to equalize the plans, the United Healthcare quote was within range of the Humana quote, but still with fewer providers on the plan. Staff recommended renewing the contract with Humana for health insurance. Mr. Martin moved to renew the contract with Humana to provide employee and dependent health care coverage. Dr. Wise seconded, and the motion carried. Mr. Conner stated Delta Dental, the Company's current dental insurance provider, offered a 6% premium increase. Staff had recommended renewing the contract with Delta Dental for dental insurance. Ms. Welsh moved to renew the contract with Delta Dental at a projected annual premium of \$342,584 (projected company cost is \$267,000). Dr. Wise seconded, and the motion carried. Mr. Conner advised the renewal with Monumental is pursuant to a three year rate guarantee, and staff recommended renewal. Dr. Wise moved to renew the contract for Group and Dependent Life with Monumental. Mr. Martin seconded, and the motion carried. Mr. Huber advised the Union may grieve over the minor changes to the health insurance plan, but management feels the changes are permitted by the Union contract and are in keeping with past practice.

Mr. Conner advised the Committee received a very thorough presentation on management's recommendation regarding the Human Resources Information System. The Committee agrees we must replace the current system, but is unsure what the replacement system should be. The cost

estimates for a new system are anywhere from \$500,000 to \$2.8 million. The Committee believes we must seek review by an outside consultant to consider what the Company's needs are, what we requested in our Request for Competitive Negotiations, and what the available options are, including consideration of an Application Service Provider. The Committee directed staff to seek an immediate review by an outside consultant in order to report to the Board at the March 2005 meeting. Mr. Conner noted the Board requested outside review of the Financial System when it was being selected as well. Mr. Conner stated a thorough review by other board members would be appropriate after the consultant has offered an opinion.

New Authorization Levels Approved for Management's Award of Contracts

Mr. Bob Miller advised, pursuant to direction provided by the Board at its October 2004 regular meeting, staff has reviewed and revised internal controls to support a recommendation to increase the authority delegated by the Board of Water Works to the President regarding the award of contracts. Staff has revised the Purchasing Policy, Purchasing Procedures; Bids and Awards Process Flowchart; and, Empowerment and Accountability Matrix for Award of Procurement Contracts. The key elements of the Purchasing Policy are:

- Louisville Water Company will act in the best interests of customers and owners by obtaining the best price available in the marketplace for the specifications, performance, and quality required and will maintain a fair and open marketplace for all vendors.
- Louisville Water Company will follow the Kentucky Bid Law and will use the Kentucky Model Procurement Code for guidance when establishing purchasing procedures.
- The President shall have authority, within the bounds of the Purchasing Policy and the Purchasing Procedures, to proceed with award of contracts of \$1,500,000 or less; proceed to authorize contract change orders of \$250,000 or less where such change orders do not cause the total contract cost to exceed \$1,500,000; and, designate authorized signatories for contracts and contract change orders.
- All contracts greater than \$1,500,000 and all contract change orders greater than \$250,000 must be submitted for approval to the Board of Water Works.
- Periodically throughout the year, the President will certify to the Board of Water Works that approvals are being granted in pursuant to the Purchasing Policy and Purchasing Procedures. The Internal Auditor will periodically audit and report quarterly to the Board of Water Works that approvals are being granted pursuant to the Purchasing Policy and Purchasing Procedures. The external auditors will attest through agreed upon procedures and report annually to the Board of Water Works that approvals are being granted pursuant to the Purchasing Policy and Purchasing Procedures.

Mr. Martin moved to approve the revised Purchasing Policy. Ms. Welsh seconded, and the motion carried.

Mr. Miller recommended approval of a resolution to increase the President's contract approval levels, given the adoption of these internal controls. Ms. Harris moved to adopt the following resolution to increase the authorization levels for management to award contracts:

WHEREAS, the Board of Water Works considered increases to the authority delegated to the President of Louisville Water Company at the Special Meeting held on October 26, 2004, and

WHEREAS, the Board of Water Works has previously adopted certain authority levels delegated to the President of Louisville Water Company at the

Regular Meeting held on November 9, 2004 as part of the resolution to adopt the 2005 Annual Budget, and

WHEREAS, the Management of Louisville Water Company has revised a Purchasing Policy and Purchasing Procedures as internal controls to support increases to the authority delegated to the President of Louisville Water Company;

THEREFORE BE IT RESOLVED that the Board of Water Works hereby delegates to the President of Louisville Water Company the authority, within the bounds of the Purchasing Policy and Purchasing Procedures, to:

1. Proceed with award of contracts of \$1,500,000 or less.
2. Proceed to authorize contract change orders of \$250,000 or less where such change orders do not cause the total contract cost to exceed \$1,500,000.
3. Designate authorized signatories for contracts and contract change orders.

AND BE IT RESOLVED, that all contracts greater than \$1,500,000 and all contract change orders greater than \$250,000 must be submitted for approval to the Board of Water Works.

AND BE IT RESOLVED, that periodically throughout the year the President will certify to the Board of Water Works that approvals are being granted in pursuant to the Purchasing Policy and Purchasing Procedures.

AND BE IT RESOLVED, that the Internal Auditor will periodically audit and report quarterly to the Board of Water Works that approvals are being granted pursuant to the Purchasing Policy and Purchasing Procedures.

AND BE IT RESOLVED, that the external auditors will attest through agreed upon procedures and report annually to the Board of Water Works that approvals are being granted pursuant to the Purchasing Policy and Purchasing Procedures.

Ms. Welsh seconded, and the motion carried. The board reached consensus that it would receive information about what contracts had been awarded under the President's authority level and below through the quarterly audit that Mr. LeMaster will conduct. This information will be presented to the Audit Committee, whose Chair will report it to the Board.

Human Resources Information System Contract Award Deferred

Mr. Conner stated the consideration of the HRIS contract award will be deferred until the March meeting in light of the discussion earlier.

Contract Awarded for Bid 04-54: Copper Tubing

Three bids were received for a four-month contract for copper tubing. Copper tubing is used throughout the distribution system in the installation, renewal and repair of domestic service lines. The lowest, most responsive bid was received from Viking Supply for a total of \$111,058. Hughes Supply was disqualified for taking exception to the delivery schedule stated in the specifications. This bid represents a 7% increase in unit prices from the previous bid four months ago and the cost increase can be attributed to the normal volatility of the copper market. Dr. Wise moved to authorize the Process Owner, Procurement Services, to award a four-month contract totaling \$111,058 to Viking Supply Company. Ms. Willis, seconded, and the motion carried.

Contract Renewed for Bid 04-03: Gate and Wheel Valves

Bids were received on January 14, 2004 for a one-year contract, renewable for up to three additional one-year terms, for gate and wheel valves. All renewals utilize the Producers Price Index, 3491-1, "Industrial Valve – Gate, Globe and Check Valves" as the cost adjustment factor. Gate valves are used for installations, repairs and maintenance within the distribution and transmission systems. This is the first PPI renewal and represents a 7.4% annual increase in unit pricing. Ms. Welsh moved to authorize the Process Owner, Procurement Services, to award a one-year contract renewal totaling an estimated \$797,435 to Mueller Company and an estimated \$146,682 to U.S. Pipe. Ms. Willis seconded, and the motion carried.

Contract Renewed for 02-67: Detector Check Valves

Bids were received on January 8, 2003 for a one-year contract, renewable for up to two additional one-year terms, for detector check valves. All renewals utilize the Producers Price Index, 3491-1, "Industrial Valve – Gate, Globe and Check Valves" as the cost adjustment factor. Detector check valves are used in the installation of new domestic fire services throughout the distribution system. This is the second and final PPI renewal for this contract and represents a 7.1% annual increase in unit pricing. Mr. Martin moved to authorize the Process Owner, Procurement Services, to award a one-year contract renewal totaling an estimated \$144,739 to Hersey Meter Company. Ms. Harris seconded, and the motion carried.

Contract Awarded for 03-02: 16.9 Ounce Water Bottles

Bids were received on March 19, 2003 for a one-year contract, renewable for up to two additional years, for procurement of water bottles. All renewals were required to utilize the Producers Price Index as a cost adjustment factor. United Graphics was awarded the contract for 16.9 ounce water bottles. The Company made the decision to cancel the contract with United Graphics due to repeated failure to deliver according to contractual delivery schedule and poor quality of labels being affixed to bottles. Presence, Inc. was the next lowest qualified bidder for 16.9 oz. bottles. Presence, Inc. has agreed to honor their original bid price with applied PPI renewals and to provide bottles in accordance with the original specifications. Presence, Inc. price is 3.9% over current contractor pricing. Ms. Welsh moved to authorize the Process Owner, Procurement Services, to award a three-month contract in the amount of \$106,000 to Presence, Inc. Mr. Martin seconded, and the motion carried. The contract will be re-bid after this three month period.

Contract Awarded for 05-06: Facilities Security Enhancements

Two proposals were received in response to a request for competitive negotiation for facilities security enhancements. The best evaluated proposal was from Henderson Services for a total of \$301,806. Aegis Security Design was hired to serve as technical consultant on the project. Funding is provided by a homeland security grant. Mr. Martin moved to ratify the President's award of a contract for facilities security enhancements in the amount of \$301,806 to Henderson Services. Dr. Wise seconded, and the motion carried.

Information Provided Regarding 2005 LOJIC Funding

Ms. Teasley advised the Louisville and Jefferson County Information Consortium (LOJIC) is a multi-agency Consortium developed to build and operate a comprehensive Geographic Information

System (GIS) serving all of Jefferson County, Kentucky. The consortium was formed in the late 1980's and currently consists of Metro Louisville, Louisville and Jefferson County Metropolitan Sewer District (MSD), the Jefferson County Property Valuation Administrator (PVA), and the Louisville Water Company. Current ownership levels in LOJIC are 40% for Metro Louisville, 35% for MSD, 5% for PVA and 20% for LWC.

LOJIC has progressed from being a general information resource for LWC staff to being an indispensable foundation for many aspects of our facility mapping, management and analysis. This is especially true for the newly developed Automated Mapping/ Facilities Management (AM/FM) System, which relies on LOJIC data resources as an underlying structure. LWC purchased a 20% ownership in LOJIC for \$1,395,000 paid to MSD from 1996 through 2001. In recent years, LWC made annual payments of \$71,216 to LOJIC to cover annual operations and maintenance expenses. Under this cost structure a significant portion of funding for LOJIC was provided by MSD. Over the past year the partners have been working towards a more equitable sharing of the ongoing costs of operating LOJIC. The total partner funding proposed for LOJIC in 2005 is \$1,488, 942 with \$1,023,492 earmarked for operational costs and \$465,450 for capital improvements. LWC's share of the proposed funding is \$297,788 based on its 20% LOJIC ownership interest. Of this amount, \$204,698 are designated for operational costs, and \$93,090 for capital improvements. Discussions on LWC's appropriate funding level for 2005 continue with the LOJIC partners.

Information Provided Regarding the Kentucky River Crude Oil Spill Impact on LWC

Mr. Heitzman reported about the crude oil spill event that began on January 26, 2005 in the Kentucky River, when a pipeline owned by Mid-Valley Pipeline ruptured and released an estimated 60,000 gallons of crude oil. The spill was initially contained, but booms holding the oil broke on January 31st. This event had the ability to have a major impact to customers from an aesthetic impact of bad taste and odor, but was not a health issue. However, when customers have major concerns with taste and odor, it becomes difficult to convince the customers the water is safe for consumption. Therefore, it was critical to deal with the taste and odor effects of the spill.

Water Quality staff immediately activated standard operating procedures for spill monitoring and response, which included collecting samples at various locations along the Kentucky and Ohio Rivers, between the spill location and LWC intakes. Staff projected the heavy spill release would pose significant treatment challenges. Our ability to treat the spill to no detectable levels of odor was marginal. The crude oil spill caused the Ohio River water to have a strong petroleum odor that was detectable at the Ohio River and at the Crescent Hill Reservoir. Over the course of dealing with the spill, we had to purchase additional Powdered Activated Carbon (PAC), at higher prices, to ensure we had sufficient quantity to appropriately treat the water and eliminate taste and odor problems.

The oil spill contained a number of regulated chemicals listed in the EPA drinking water standards. These included the BTEX compounds of benzene, toluene, ethylene, and xylene. Although these chemicals never exceeded their MCLs, concentrations of up to 7.5 ppb were detected in the Ohio River. The oil spill did not pose a health risk to the community, but did present significant taste and odor issues to manage. The Company expects to receive full reimbursement from Mid-Valley Pipeline, which is operated by Sunoco Logistics Partners L.P., for all costs associated with treating the oil spill. Therefore, we do not expect the spill to impact our budget. Total costs to manage the

spill are expected to be between \$350,000 and \$400,000, but final costs are unknown because to labor costs are yet to be fully determined.

Budget Established and Design and Bid Authorized for Project 102233: B.E. Payne Water Treatment Plant Coagulation and Softening Systems Renovation

Mr. Heitzman advised the Capital Improvement Program includes a \$7.5 million renovation of the coagulation and softening systems at B. E. Payne Water Treatment Plant (BEP). The coagulation and softening systems consist of various treatment units, including: flocculators; mixers; clarifiers; and chemical feed systems for particle removal, pH adjustment, and softening of the Ohio River source water (surface or well). This project will renovate the existing treatment units to assure current and future LWC water quality goals can be consistently achieved. This renovation provides the first overhaul of the coagulation and softening systems since BEP went into service in 1977, nearly 30 years ago. Upgrading these systems also prepares the treatment process to accommodate the Riverbank Filtration (RBF) source water by 2008. The RBF source water will require moderate softening to reduce calcium concentrations and finished water hardness. The renovation will include the following elements: replacement of three softening mixer systems with new technology for greater process efficiency; replacement of six clarifiers for reduced maintenance; replacement of the lime feed system with new technology for more precise process control; installation of a carbon dioxide feed system for pH adjustment, process stabilization, and distribution system corrosion control; and, rehabilitation of the existing concrete tanks and replace ancillary items, such as handrails, lighting, and access for maintenance.

A Preliminary Engineering Report prepared by consultant O'Brien and Gere Engineers documents the need for these improvements and presents a strategy to implement this project. The project budget is \$12.4 million for construction, consultant fees, and project management. The 2005 capital budget allocates only \$7.5 million from 2004 through 2008 for this work. The cost impact will not be seen until the 2006 Capital Budget. Equipment and material cost increases plus an expansion of the project scope to include chemical feed systems requires an increase in the project budget by \$4.9 million. This is a significant budget increase, however after thorough review of the condition of the facilities and the need to upgrade the chemical feed systems, the project budget for this revised scope is appropriate. Mr. Miller stated this will not change the timing of the upcoming borrowing, but may affect the amount of the borrowing necessary. Mr. Heitzman advised this will come to the board for consideration of the award of a contract probably in the fourth quarter of 2005. Dr. Wise moved to establish a project budget in the amount of \$12.4 million and authorize design and bid for Project 102233. Ms. Willis seconded, and the motion carried.

The Board conducted an executive session without management present. No action was taken.

There being no further business, the meeting was adjourned at 2:35 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
MARCH 15, 2005**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair (via Teleconference Call)
Mr. Gerald Martin
Ms. Marita Willis
Dr. Joseph Wise
Ms. Margaret Harris

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Vice President, Operations and Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Ms. Karla Teasley, Vice President, Serving Customers and Business Development
Ms. Kathy Schroeder, Business System Owner, Supplying Human Resources
Ms. Barbara Crow, Process Owner, Providing Strategic Communications
Ms. Kay Ball, Project Manager, Riverbank Filtration
Mr. Ralph McCord, Business System Owner, Pipeline Design and Construction
Mr. Tony Gregory, Business System Owner, Providing Information Technology
Mr. Vince Guenther, Process Owner, Providing Governmental Relations

Visitors:

Mr. Steve Greseth, Black & Veatch Consulting Engineers
Mr. David Haas, P.E., Project Manager, J J & G Consulting Engineers
Mr. Robert Wierzbicki, P.E., Director of Construction Services, J J & G Consulting Engineers
Mr. Brian Winslow, Mac Construction
Mr. Mike Greene, Reynolds Construction
Ms. Debra Vaughn

The regular meeting of the Board of Water Works was held on Tuesday, March 15, 2005 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Mr. Stewart Conner called the meeting to order at 12:34 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Mr. Gerald Martin moved to approve the minutes, seconded by Ms. Marita Willis, and the motion carried. Mr. Martin inquired whether the auditor's management letter has been received. Mr. Robert Miller advised we received the letter this past Friday, and the Audit Committee will have it for the next Audit Committee meeting.

Financial Report Provided

Mr. Miller provided the financial results thru February 2005. Operating Revenues for February of \$8,364,979 are \$316,900 or 3.9% more than budgeted and \$426,922 or 5.7% more than 2004. The budget variance is due to residential water sales which were \$352,226 higher than expected. The prior year variance is due to increased residential water sales and the increase in water rates. YTD Operating Revenues of \$17,616,891 are \$598,519 or 3.5% more than budgeted and \$1,478,180 or 9.2% more than 2004. Operation and Maintenance Expenses for February of \$3,358,548 are \$401,406 or 10.7% less than budgeted and \$551,553 or 14.1% less than 2004. The variance is primarily due to a credit of \$372,710 applied against water treatment expenses for the progress billing of cleanup costs for the crude oil spill. YTD Operation and Maintenance Expenses of \$6,932,389 are \$557,725 or 7.4% less than budgeted and \$520,185 or 7.0% less than 2004. Total Operating Expenses for February of \$5,595,309 are \$360,213 or 6.0% less than budgeted and \$267,041 or 4.6% less than 2004. The budget variance is due to lower than expected operation and maintenance expenses and depreciation expense offsetting higher than expected loss on disposition of property. The prior year variance is due to decreases in operation and maintenance expenses offsetting increases in depreciation expense, water service provided in lieu of taxes, and loss on disposition of property. YTD Total Operating Expenses of \$11,513,387 is \$581,606 or 4.8% less than budgeted and \$36,314 or 0.3% less than 2004.

Net Operating Income for February of \$2,769,670 is \$677,113 or 32.4% more than budgeted and \$718,577 or 35.0% more than 2004. YTD Net Operating Income is \$1,180,124 or 24.0% more than budgeted and \$1,514,495 or 33.0% more than 2004. Total Net Non-Operating Expense for February of \$243,077 is \$116,746 or 32.4% less than budgeted and \$45,495 or 15.8% less than 2004. The budget variance is due to higher than expected interest income, rental income, and allowance for funds used during construction. The prior year variance is due to increases in interest income and decreases in interest expense. YTD Total Net Non-Operating Expense of \$550,078 is \$175,531 or 24.2% less than budgeted and \$987,461 or 64.2% less than 2004. The prior year variance is due to early retirement incentive program costs which were incurred in January 2004. Net Income Before Distributions and Contributions for February of \$2,526,593 is \$793,858 or 45.8% more than budgeted and \$764,072 or 43.4% more than 2004. YTD Net Income of \$5,553,425 is \$1,355,656 or 32.3% more than budgeted and \$2,501,955 or 82.0% more than 2004. Capital Expenditures through February were \$9,690,279 or 10.6% of the 2005 Capital Budget of \$91,148,054.

Mr. Martin inquired what the company's short-term investments are in. Mr. Miller stated they are in U.S. treasury securities.

Operations and Engineering Report Provided

Mr. Greg Heitzman provided the report.

Production – The average production rate last month was 114.0 MGD, which is 4.8 percent lower than the 2004 February production of 119.8 MGD and 2.2 percent lower than the five year average February production of 116.6 MGD. The year-to-date production of 117.6 MGD is 0.7 percent below the year-to-date five year average of 118.5. Maintenance costs were also down because there were fewer main breaks than usual in February.

Ohio River Spill –The total cost (labor and materials) to respond to the emergency is estimated at \$385,000. We are collecting these costs from the responsible oil company.

River Road Country Club – On the morning of February 23, 2005, Louisville Water Company took possession of the River Road Country Club facilities. All furnishings, tools, and equipment were removed from the site before LWC took possession. Domestic water service to the facility has been turned off at the meter, but the fire service remains active. Heat remains on in the main building and is set at 55° Fahrenheit. All building doors were locked. Facilities Management is in the process of draining the swimming pool. Assessment of the condition of the structures is still in progress, however it was noted during the “walk through” that signs of water leakage existed in several areas of the main building.

Advanced Treatment Technology Steering Group – The Steering Group for Advanced Treatment Technology (ATT) conducted its first meeting on January 25. Black & Veatch Engineers presented the scope for pursuing new treatment technology for the Crescent Hill Water Treatment Plant. New technology is required to address future drinking water regulations, the aesthetic quality of water (taste and odor), and the aging infrastructure at the Crescent Hill facility. Black and Veatch presented an overview of the emerging drinking water regulations from the Environmental Protection Agency (EPA) and also provided information on new technologies that are being implemented across the United States to address the regulations. The second meeting of the Steering Group was held on March 10. The focus of this meeting was to present the current knowledge of the Louisville aquifer and evaluate the viability of using River Bank Filtration (RBF) for the Crescent Hill Treatment Plant. United States Geological Survey (USGS) presented an overview of the Louisville aquifer from a water quantity and water quality perspective. LWC staff presented the historical use of RBF at the B. E. Payne Plant and the current tunneling project proposed for B. E. Payne. Jordan, Jones & Goulding Engineers presented the RBF Tunnel concept for consideration to supply the Crescent Hill Plant. Future meetings will focus on other new technologies, including granular activated carbon (GAC) filtration, ultra violet (UV) disinfection, and ozone disinfection. The Steering Group plans a total of five meetings through July 2005. The Steering Group will ultimately present findings and a recommendation to the Board in the third quarter of 2005. Mr. Conner commented that the Group should consider the impact of the recent bid results on the B. E. Payne RBF project.

Serving Customers Report Provided

Ms. Karla Teasley presented the Serving Customers Report.

Performance Measures – The February abandonment rate was 5.8% compared to 9.0 % in January 2005, and 4.9% in February 2004. Bad debt for the month was \$29,390 compared to \$52,619 in January 2005, and \$32,656 in February 2004. Bad debt is \$12,527 under budget for the month and \$1,824 under budget year to date.

Wholesale Customer Proposed Rate Increase - The 2005 Water Rate Schedule contained a rate increase for wholesale customers that purchase water for resale. Effective May 1, 2005 the rate for all wholesale water purchased is \$1.31 per thousand gallons. Five of our six wholesale customers will also be charged an elevated service area surcharge of \$.25 per thousand gallons. LWC held a meeting on March 1, 2005 for all our wholesale customers. Many wholesale customers attended, and we discussed the construction of new water treatment facilities, the development of upcoming water quality regulations, and the wholesale water rate increase proposed for 2005. LWC staff is in

the process of completing the necessary paperwork to file the amended tariff request with the PSC for three wholesale customers regulated by the PSC. LWC does not expect any challenges from our customers to the proposed amended tariffs.

Metered Water Ratio Team Update - Using the new International Water Audit (IWA) standard that has been adopted by the American Water Works Association, the Metered Water Ratio Team developed a multi-year action plan for improving metered water. The new IWA standard translates water loss into economic terms and the action plan is prioritized to address areas of greatest economic loss first. As part of the action plan's development, staff and executive team members learned more about the new standard through on-site presentations by a member of the AWWA Water Loss Control Committee and water loss expert. To stress the importance of the organization's Metered Water Ratio work, the Executive Leadership Team (ELT) created a shared 2005 performance goal for all Vice Presidents that is based on the action plan's major milestones. The ELT will receive regular updates throughout 2005 on the Metered Water action plan progress by team members and the Board will receive a communication on the team's work at an upcoming meeting.

Riverbank Filtration, Phase II Bids Not Accepted

Ms. Kay Ball provided this report.

Three bids were received and opened from pre-qualified tunneling contractors on Wednesday, March 2, 2005 for the construction of the River Bank Filtration (RBF) Tunnel and Pump Station at the B. E. Payne Water Treatment Plant. The low bid was submitted by Kenny Construction Company in the amount of \$48,375,000. This bid is significantly higher than the engineer's estimate of \$31.0 million by \$17.4 million (56 percent). The bid spread from high to low, is \$4.9 million (ten percent). The first two bid prices are within \$429,000 (less than one percent), indicating adequate competition for the work specified.

Jordan, Jones and Goulding Engineers (JJ&G) is the consulting engineering firm working with staff on this project, which includes 8,600 feet of hard rock tunnel with an excavated diameter of twelve feet; thirty-one 16-inch vertical collectors; and a pump station with four vertical turbine pumps, a design which is adaptable for future expansion. Construction of the project requires expertise in the areas of tunneling, well drilling, and heavy construction. Each bid package was required to include a pre-qualified contractor in each of the three categories: tunneling, well construction, and heavy construction. LWC staff worked with JJ&G to insure competition, a good bid sequence, and technically qualified contractors and subcontractors for the specialty trades required for the project. The company also included the Good Faith Minority Business Enterprise and Women Business Enterprise (MBE/WBE) process in the specification to provide business opportunities for minority and women subcontractors. Through the pre-bid process, it was apparent that the opportunity for MBE/WBE participation would result from the second or third tier of subcontracting. In order to allow every opportunity for the subcontractors, staff revised the Good Faith paperwork requirement for submittal within 24 hours of bid.

The project manager's estimate prior to bidding established the contract at \$31,000,000, engineering and supervision costs at \$5,323,300, and sewer installation at \$1,000,000, for a total project cost of \$37,323,300. The apparent low bid set the contract at \$48,375,000, engineering and supervision costs at \$5,323,300, and sewer installation at \$1,000,000, for a total cost of \$54,698,300. JJ&G and LWC staff has initiated the post-bid evaluation of the work. The three

bidders have been contacted to discuss their interpretation of the scope of work, and determine variance and range of cost values for the tunnel, the wells, and the pump station. Although analysis continues, the major discrepancies include: the classification of the tunnel as gaseous; the depth of the tunnel and access shafts; the vertical well construction; construction cost inflation; and overall construction risk. The site conditions and construction restrictions are also being evaluated to determine the impact on schedule and cost.

Mr. Robert Wierzbicki of J J & G Consulting Engineers reviewed the post-bid bidders' responses to inquiry regarding the discrepancies between the estimate and the bid result. They have determined that approximately \$5 million is associated with the classification as a gaseous tunnel, which requires additional probing, ensuring all equipment is non-explosive and constant monitoring for gas presence. The second significant item is approximately \$2.9 million additional for increases in construction costs in 2004. The average increase is nine percent (9%), as a result of steel and concrete increases. This is a trend throughout the market. The third significant item is an additional \$2.7 million for shaft construction. Further unestimated project costs total an additional \$2.5 million. Other less significant additions were for post-estimate/pre-bid design changes by LWC, the bid phase addendum, and costs associated for specialty well drilling equipment, which LWC required could only be used for 12 hours per day, six days a week, rather than 24/7. Mr. Wierzbicki believes the bids are competitive and encouraged the company to consider value engineering to allow the bidders to offer changes to the project to get it under budget.

Mr. John Huber advised, while value engineering may be an effective tool, the changes in magnitude for the project dictate re-bidding the project rather than value engineering. Ms. Barbara Dickens commented the possible scenarios to change the project are all significant changes in scope and would require re-bidding the project. Mr. Heitzman stated the company should release the bidders from their bids, which in turn releases them from their bid bonds. Mr. Martin commented that project costs could increase on a re-bidding of the project. Mr. Wierzbicki responded there appears to be slight stabilization in the market, but that prices could definitely increase. He advised one option would be for LWC to conduct the exploratory drilling before re-bidding to determine if the tunnel must be classified as gaseous or not. We also should consider some of the construction limitations placed on contractors to determine if their impact on the bid price is avoidable.

Mr. Conner agreed that value engineering is not appropriate in this situation. Mr. Martin stated the Board needed to consider how much cost it could bear. Mr. Conner advised we should incorporate the value engineering into the next bid. Mr. Heitzman stated this depends on procurement law and our policy. Mr. Wierzbicki said value engineering is included in the terms and conditions of the bid, but perhaps not to this extent of changes. Mr. Huber recommended the bids and the bid bonds be released. Mr. Martin moved to release the bids and the bid bonds. Ms. Margaret Harris seconded, and the motion carried four to one, with Dr. Joseph Wise voted nay. Dr. Wise stated the bidders did not appear to be bidding the conditions that the engineer approved. Dr. Wise wondered what the engineers estimate would be if the bid conditions that were bid were included in the estimate. Mr. Conner responded that he understood the concern, but does not think this changes anything in the next ninety days while these bids are open. Dr. Wise stated he was comfortable with releasing the bids and bid bonds, thereby making the vote unanimous.

**Contract Awarded On Contingent Basis for Project 03-662 Louisville International Airport
60" Main Relocation**

Mr. Ralph McCord provided this report. Four bids were received and opened on December 15, 2004 to furnish pipeline materials and construct the third and final section of the relocation of the 60-inch concrete transmission main at the Louisville International Airport that started in the 1990s as part of the airport expansion project. The proposed project will replace the existing 48/60-inch water main currently in the right-of-way of Fern Valley Road (temporarily closed) situated approximately 700 feet south of the southern end of the west runway, with a new 60-inch concrete transmission main which will follow the alignment of relocated Grade Lane and relocated Crittenden Drive.

While LWC had intended to relocate the transmission main, the final proposed alignment comes as a result of the Regional Airport Authority's (RAA) announcement last Spring to extend the west runway south by 1,000-feet by Spring of 2006, putting the extended runway in direct conflict with the existing 48-inch transmission main. To meet their schedule, LWC established an in-house design team to fast-track design of the 60-inch water main around the proposed extension of the west runway, and those plans were completed before the bid opening. To stay on the RAA's schedule, LWC needs to award the construction contract by April 2005, start construction in May 2005, and substantially complete construction by April 2006.

MAC Construction and Excavating is the apparent low bidder with a bid of \$5,600,000. The second and third bids were clustered within 7% of the low bid, indicating an overall understanding of the scope and complexity of the project. The tight bid sequence also establishes the market value for the proposed project. The revised project cost including MAC Construction's bid is \$6,494,693. The budget of record, approved at the May 2004 BOWW, is \$3,912,000, placing the revised project cost approximately \$2,600,000 over the budget of record.

The major driver for the project increase are design enhancements involving design revisions to the 60-inch transmission main and work added to address associated distribution system piping issues. Other factors not included in the engineer's estimate were trucking, estimated at \$750,000 for material costs and excavated spoils hauling, and loss of production due to site constraints (work hours and accessibility). Although the RAA has not announced plans to extend the airport facility beyond the current 1,000-foot southern expansion, to avoid another costly relocation of the proposed 60-inch water main with a further runway extension, the final design also included supply and installation of an 84-inch casing pipe and casing spacers that is estimated to cost \$500,000. These factors combined to significantly impact the scope and cost of the proposed project. Staff validated these costs with the likely material supplier (Price Brothers).

The initial design estimate provided for only minimal modifications (tie-ins, etc) to the distribution system in conjunction with construction of the new 60-inch transmission main. However, as the design proceeded, a number of distribution issues, some previously known and planned (MRRP projects) and unknown were identified as needing to be addressed. These distribution system improvements over 5,960 feet will collectively cost approximately \$900,000. Further, contractors' legitimate concerns over being able to maintain a reasonable level of work productivity in the Grade Lane corridor while maintaining traffic flow, utility service, and continuous access to customers such as UPS impacted the project cost by approximately \$400,000 - \$500,000 that was not originally included in the engineer's estimate.

LWC staff has reached an agreement in principle with the RAA where the RAA will reimburse LWC \$1,608,485 for their prorated share of constructing new 60-inch transmission main for costs associated with the 60-inch water main presently within the right of way of Fern Valley Road. This share is approximately 50% of the cost of constructing 3,500 feet of new 60-inch transmission main. In addition, easements must be gained from the RAA, UPS, and the Kentucky Transportation Cabinet.

Mr. Conner inquired what would happen to the existing pipe. Mr. McCord stated LWC will abandon it in place, and RAA will either remove it and then fill and compact the void, or the main will be filled with a non-shrinking grout. Mr. Huber commented that the most difficult issue with this project is timing, because this main cannot be taken out of service most months of the year due to higher flow. Mr. McCord noted we must have this work completed in time to do the tie-in by April 15th or we cannot do the tie-in until November. We are planning for the inability to meet the April 15th date in the event of unavoidable delays.

Mr. Heitzman advised this is the best solution for LWC to get this main out of the direct path of the runway. The proposed easement language with RAA would require LWC to pay for all costs associated with any future relocation unless the property is transferred by RAA to non-governmental entity or if future law allows RAA to reimburse LWC for relocation costs. Mr. McCord stated two issues would have to be immediately addressed with the contractor if the contract is awarded, those being the contract completion date and the amount of casing pipe used. The project schedule has already been extended due to delays in reaching an agreement with RAA.

Mr. Rick Johnstone inquired why we are accepting this much financial responsibility for a project that seems to be caused by the RAA extending their runway over our line. Mr. Heitzman responded that half of the project (in terms of length) was already promised to be completed by LWC at our own cost in 1994. The other half of the project is what we have reached a tentative agreement with RAA to do a 50/50 cost sharing. In terms of property rights, eighty percent (80%) of this project is in former Right of Way and about twenty percent (20%) is in an old easement between LWC and RAA that states LWC will pay in the event RAA requires a relocation.

Dr. Wise moved to establish a new project budget of \$ 6,512,000 for relocation of the 60-inch main at the airport and the associated improvements to the adjoining distribution system and to authorize the President to award a contract in the amount of \$5,600,000 to MAC Construction and Excavating for construction of the project, contingent upon reaching a contribution agreement with the RAA and acquiring all easements and necessary permits from the RAA, UPS, the Commonwealth of Kentucky and Metro Government, all of which must be acceptable to LWC General Counsel. Mr. Martin seconded, and the motion carried.

Public Affairs and Customer Satisfaction Committee Report Provided

Ms. Marita Willis provided a report of the Public Affairs and Customer Satisfaction Committee's discussion and actions at its meeting on February 24, 2005. The CSI trend for serviced customers has been positive for the past two years. Since reaching 800, it has remained relatively steady with the exception of a drop in the fourth quarter of 2004. It is not clear what caused this drop. Regarding the calls received by the Customer Service Center, a very small minority of calls are concerning water quality or main breaks. We have to work to manage the call peaks. We are encouraging use of the Interactive Voice Response (IVR) system. The goal is to have at least 15% of all callers use the IVR. In Bullitt County, we have a phone available for walk in customers to

contact our Call Center, and those calls are given priority. The Service Rules and Regulations have been printed and 500 books were distributed to staff and various customer groups needing a hard copy. They were also posted on the Internet for external customers and the Intranet for internal customers. The new Service Deposit began being applied as in February. It has been applied to approximately 200 customers. .

Ms. Willis stated the Committee also received an update on 2005 General Assembly. Mr. Vince Guenther stated the budget has passed both houses and is fully expected to become law. It includes \$132 million for water and sewer projects and \$61.5 million for Kentucky Infrastructure Authority funding. Included in these amounts is a \$399,000 grant for Hill Top Road in Bullitt County. The grant is significant because it will enable us to extend water along Hill Top Road without using money from the Bullitt County reserve. Also included in the budget is full funding for retiree health insurance benefits without the addition of an Unescorted Retiree Adjustment Fee. Inclusion of this fee will be considered by the Blue Ribbon Commission on Healthcare, to which Vice President Susan Lehmann was recently appointed.

Mr. Guenther stated there were a few bills of interest that LWC watched during the session. HB 278 established a pool to cover high risk individuals for small businesses and, as originally proposed, would have resulted in a ½ of 1% tax on all health insurance premiums. However, the provision requiring the tax was removed from the bill, thereby eliminating any impact to LWC. HB 372 would have required all water and sewer labs in the state to be certified by NELAP, but the bill's sponsor agreed not to call it and wants some discussion on the use of NELAP certified labs in the state. This would affect LWC laboratories if it had passed. HB 59, awaiting the Governor's signature, provides an exemption under the Open Records Act for homeland security records produced by government agencies. HB 130, extending hazardous duty retirement to sewer plant operators and collection system personnel, did not pass. Also, HB 427, allowing multi year rate filings with the PSC did not pass, but the PSC has agreed to discuss the possibility of allowing this.

Ms. Willis advised LWC discussed the rate increase for 2005 as a "business trends" story with both Business First and the Courier Journal (Business Section). The Committee also generally discussed the make-up and functioning of the Customer Advisory Council.

First Quarter Dividend Declared

Mr. Miller advised Section 508 of the Series 1992 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 the City. The dividend declared for 2004, 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 adjustments is to be paid with or deducted from the regular quarterly dividend payments. The annual audit has been completed. Net income of \$28,569,016 requires a total 2004 dividend to the City of \$14,093,410. The total dividend declared during 2004 was \$13,766,392. The difference between the dividend declared for 2004 and the actual dividend computed for 2004 is \$328,018.

In addition, due to the change in policy to eliminate from its inception in 2002 the practice of deducting the rate differential for acquired systems from net income for the purpose of computing the dividend, the dividend from 2002 and 2003 is increased by \$1,526,239.

The net effect of these computations will result in an amount of \$1,853,257 to be added to the regular quarterly 2005 dividend payments in equal quarterly installments of approximately \$463,314.

The 2005 Annual Budget provides for a budgeted annual dividend of \$13,318,020, or quarterly dividend payments in the amount of \$3,329,505. Along with the quarterly amount for the adjustments, the total quarterly payments would be \$3,792,819.

Dr. Wise moved to approve the following resolution to declare the first quarter dividend to the Metro Louisville Government. Mr. Martin seconded, and the motion 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 1992 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 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 \$13,766,392 was declared in 2004 based on estimated annual net income while \$12,698,880 was paid in 2004, the difference being the amount of the dividend prepayment of \$1,067,512 which occurred in 2003, and

WHEREAS, the annual audit for 2004 has now been completed which establishes the full dividend for 2004 as \$14,093,410 based on actual annual net income of \$28,569,016, it would be in order at this time to amend the Board resolution of December 14, 2004 to increase the 2004 annual dividend by \$327,018, from \$13,766,392 to \$14,093,410, the difference to be added in installments to the quarterly 2005 dividend payments, and

WHEREAS, the Board of Water Works adopted a resolution at its meeting of December 14, 2004 to eliminate from its inception in 2002 the practice of deducting the rate differential for acquired systems from the net income available for the purpose of computing the dividend, the dividend from 2002 and 2003 to be increased by \$1,526,239, it would be in order to add that amount in installments to the quarterly 2005 dividend payments, and

WHEREAS, the 1992 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 2005 Louisville Water Company Annual Budget contemplates the 2005 annual dividend to be \$13,318,020, it would be in order at this time to declare a regular first quarter dividend of \$3,329,505;

RESOLVED, the 2004 annual dividend is increased from \$13,766,392 to \$14,093,410 and the difference of \$327,018 will be added in quarterly installments to the regular 2005 quarterly dividend installments, and

RESOLVED, the 2005 dividend payment is increased by \$1,526,239, this being the amount of the dividend from 2002 and 2003 due as a result of eliminating from its inception in 2002 the practice of deducting the rate differential for acquired systems from the net income available for the purpose of computing the dividend, to be added in quarterly installments to the regular 2005 quarterly dividend installments, and

RESOLVED, the regular first quarter 2005 dividend of \$3,329,505 is hereby declared, and further

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,792,819 to the Louisville / Jefferson County Revenue Commission on March 31, 2005, this being the first quarterly dividend for 2005 plus one quarter of the dividend adjustments for 2002, 2003 and 2004, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

Compensation Committee Report on the Human Resource Information System (HRIS) Provided

Mr. Conner reviewed with the Board the activities that have taken place regarding the HRIS since the last full BOWW meeting. It had been decided that the company should obtain an outside peer review of the process utilized by and the recommendation by staff for the HRIS. At the direction of the Compensation Committee, staff engaged Centric Consulting to conduct the peer review. Mr. Conner advised Directors that a thorough review of Centric's findings were included in the Board materials. These findings were reviewed with the Compensation Committee last Thursday, March 10. Rather than go through them in detail, he summarized Centric's basic finding of agreement with the process of Request for Competitive Negotiations (RCN) followed by staff and Centric's finding that PeopleSoft software is the appropriate solution for the organization's human resources technology needs. The real question for the Board is how the company should implement the system, specifically whether a "big bang," (i.e. all at once) approach should be used or a phased approach should be used. Mr. Conner stated the Compensation Committee is comfortable with the recommendation of PeopleSoft as the solution, especially given that "doing nothing" is not an option. However, the Committee felt it needed additional information regarding the costs of implementing the individual modules requested that were in addition to the Core modules.

Mr. Conner advised Centric also reviewed the alternative options of complete outsourcing of HR and the utilization of an Application Service Provider (ASP). Neither of these is a viable option due to the small size of our HR function and the lack of true savings in the face of loss of data control. Mr. Martin confirmed that contractors that handle outsourcing HR from the outside are not interested in companies the size of LWC.

Ms. Wendy Welsh stated she struggles with the addition of modules other than the core modules of HR, Benefits and Payroll. She does not feel the business case justifies additional modules. Mr. Conner asked if the Board is comfortable with the purchase of all the modules, but implementation of only the core modules now and Board consideration of the additional modules at a later time. Mr. Conner reviewed that staff is requesting purchase and implementation of HR, Benefits, Payroll, Basic Self Service, HRMS Portal Pack, Enterprise Learning Management (ELM), and eRecruitment. Mr. Martin stated it appears the extra modules beyond the core modules are only an additional \$30,000 to implement and, if this is the case, we should implement them now to save increased labor costs later. Mr. Conner commented that he received the implementation costs from

staff only today and had not had time to verify them or consider them. Ms. Welsh stated she does not believe enough information has been gathered on the number of recruitment transactions that occur for which eRecruitment is needed. Ms. Lehmann stated LWC received over 4000 resumes and managed 300 internal and 100 external job postings in 2003 and 2004.

Mr. Huber inquired whether the Board is comfortable with the purchase of all of these modules, with the consideration of what to be implemented later. Ms. Lehmann reminded the Board that the pricing given by these companies expires at the end of March 2005, and further delays place us at risk for not meeting the January 1, 2006 "go live" for payroll and for losing the implementation team proposed by Empower, the implementation provider.

Mr. Johnstone feels the Committee has completed the investigation it needs to do and, if the difference in cost to implement the additional modules is not significant, the Board should move forward with them all. Ms. Welsh again commented that she feels the full system being requested by staff is not justified for a company with 450 employees. Mr. Conner noted that Centric estimated savings from utilizing a phased approach. Ms. Welsh agreed, also noting that phasing the implementation allows staff to learn the requirements and perhaps not utilize an implementation partner on the later modules and also results in a less dramatic change for the organization.

Dr. Wise inquired as to the cost of this system proposed per employee. Mr. Huber reviewed Centric's estimates that what we are currently doing is costing the company \$1.7 million over 5 years. The five year cost of the mid-tier provider is estimated at \$2.367 million. The PeopleSoft with the "big bang" approach is estimated at \$2.548 million versus \$2.405 million with a phased implementation ELM. Ms. Kathy Schroeder advised that these costs include our labor costs, which other companies usually do not include when estimating costs of such systems. So, these costs may appear high when benchmarking.

Mr. Huber summarized that there appears to be concurrence from all Directors to purchase the seven PeopleSoft modules listed. With regard to implementation, he recommended the Board agree to implement all of the requested modules except ELM and eRecruitment, and to defer the decision of implementation of those two modules to the Compensation Committee for a decision.

Dr. Wise stated he feels we may be agreeing to pay too much for a system we do not need. Ms. Welsh stated she agreed. She feels because of how the RCN was put together, staff limited the result to what was received and eliminated mid-tier providers. Mr. Conner responded the consultant we hired opined the mid-tier solution is not appropriate for LWC. However, if there is this level of concern of Directors, Mr. Conner did not believe any action on this date was appropriate. Mr. Conner asked if Directors still have questions, and Ms. Welsh stated she does. Mr. Conner stated that Directors will have to immediately provide questions in order for staff to be able to respond in time for a thorough review of those responses by the Compensation Committee at its next meeting. The next Compensation Committee meeting is to be held sometime prior to the BOWW meeting on April 12, 2005. Directors will provide Mr. Conner any questions they have as soon as possible.

Closed Session

Ms. Willis moved to go into closed session to discuss proposed or pending litigation and property matters pursuant to KRS 61.810(1)(b) and (c) at 2:45 p.m. Ms. Harris seconded, and the motion carried.

Open Session Resumed

On the motion of Mr. Martin, seconded by Ms. Willis, and unanimously carried, the Board resumed open session at 2:58 p.m. No action was taken as a result of closed session.

2004 Year End Strategic Plan Results Reviewed

Mr. Huber advised the current plan has a horizon of 2008. We have specific measurable goals in four areas: Customer Satisfaction, Product Quality, Financial Results and Employee Quality of Work Life. Seven of fourteen of the goals were met for 2004. We spent more time in 2004 dealing with current issues to the detriment of strategic issues.

Regarding Customer Satisfaction goals, our 2004 average for overall CSI was 839, compared to a 2004 goal of 850. Our 2004 average for Serviced Accounts CSI was 796, compared to a 2004 goal of 800. Our 2004 rate increase was 4.9%, compared to a change in rate that was at or below the anticipated CPI plus 1%, and therefore did not meet the goals. None of the Customer Satisfaction goals were met.

Regarding Product Quality Measures, we meet all three of the distribution water quality goals for coliform, chlorine residual and turbidity by having over 99% of all samples taken negative or below limits, depending on the specific measure. The goal had been 99%.

Regarding Financial Measures, we did not meet the goal of earning a return-on-equity (ROE) at a target level of 1% less than the 5-year moving average ROE for the benchmark group of investor-owned utilities. The goal for 2004 was 9.07%. If budgeted deposits to the Infrastructure Replacement Reserve were made, our ROE would have been 8.85% and without those deposits, it was 9.74%. We did meet the goal to control Operations and Maintenance costs per metered customer to \$167.13, by achieving an O&M cost per customer of \$163.60. We did not meet the goal of achieving annual sales of 38.7 billion gallons. Our sales were 38.3 billion gallons. Finally we did not meet the goal of increasing operating revenue to \$106.3 million; our annual operating revenue was \$103.5 million. Mr. Martin commented that the method of calculating the ROE is going to be considered by the independent financial advisor.

Regarding Employee Quality of Worklife Measures, we met the 2004 goal of a lost time injury frequency rate of less than 3.13 and lost time injuries less than 16 total by having only 5 lost time injuries and a frequency rate of 1.09. We did not meet the 2004 goal of having less than 30 preventable vehicular accidents. We had a total of 37. We also did not meet the 2004 goal for an Internal Customer Satisfaction score of 3.55. The composite score was 3.30. We met both goals regarding contracts with Women and Minority-Owned Business Enterprises. The 2004 goal was 5% each, which we exceeded with 6.25% MBE contracts and 10.2% WBE contracts. Mr. Huber reminded the Board we had formerly utilized an Evaluated Bid program which included M/WBE participation, but had moved to the Good Faith Effort program, which is used by Metro Government. Dr. Wise inquired whether we have implemented a program requiring contractors to use a certain number of women and minorities on the job sites. Mr. Heitzman stated we have not required any certain number of women and minorities on the job site but we track the number from information supplied by contractors. Dr. Wise feels we should have a policy in place requiring a certain number women and minorities to be used on the jobsite.

Mr. Huber stated the Board needs to determine what role the Directors should play in the company's strategic planning. Many companies are considering this issue. Our strategic plan begins by stating our mission, vision and values, and Mr. Huber believes the Board could start with this. We also have 3 key constituencies – our customers, our owner and our employees. The Board could look at planning from the standpoint of constituency groups also. Mr. Conner believes strategic planning should be given preference in the meetings and that it would be appropriate to have a BOWW meeting dedicated solely to strategic planning. Mr. Martin agrees a dedicated meeting is appropriate, and the Mayor should be invited to provide input. Mr. Conner agrees we should have the Mayor's view, but does not think it is necessary to have the Mayor (as sole shareholder) present. Mr. Conner wants to use such a meeting to discuss the cyclical earnings issue caused by weather and the ability of the company to reserve against that. Mr. Miller advised he is working on a report on this topic for the June 2005 BOWW meeting. Dr. Wise commented it would also be appropriate to discuss exactly what business LWC is in, in light of recent discussions regarding Metro Government possibly operating LG&E as a wholly-owned subsidiary of LWC. The Directors were in consensus that a special-called BOWW meeting should be scheduled in June or July to discuss strategic topics only. Ms. Willis suggested having this meeting offsite at one of the places owned by Metro Government.

The Board conducted an executive session without management present. No action was taken.

There being no further business, the meeting was adjourned at 3:35 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
APRIL 12, 2005**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Marita Willis
Dr. Joseph Wise
Ms. Margaret Harris

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Vice President, Operations and Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Jim Smith, Business System Owner, Business Development
Ms. Barbara Crow, Process Owner, Providing Strategic Communications
Mr. Tony Gregory, Business System Owner, Providing Information Technology
Mr. Vince Guenther, Process Owner, Providing Governmental Relations

Visitors:

Mr. Steve Greseth, Black & Veatch Consulting Engineers
Ms. Debra Vaughn

The regular meeting of the Board of Water Works was held on Tuesday, April 12, 2005 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:41 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Dr. Joseph Wise moved to approve the minutes, seconded by Mr. Gerald Martin, and the motion carried.

Chief Executive Officer Report Provided

Mr. John Huber stated the Annual Report for 2004 has been completed. Board members were provided copies. He advised the Environmental Protection Agency continues to review and revise the regulations regarding lead. We had a program in the past with the school district to address lead from water fountains. The new regulations would provide, among other things, additional requirements for schools to flush lines after weekends, school vacations and holiday periods. Mr. Huber will keep the Board informed of developments that impact Company operations.

Financial Report Provided

Mr. Robert Miller provided the financial results thru March 2005. Results for March were mixed, in that we lost some ground we had gained on sales in the first two months of the year, but expenses continue to be low, reflecting the mild winter we experienced. Operating Revenues for March of \$8,202,271 were \$249,756 or 3.0% less than budgeted and \$345,400 or 4.4% more than 2004. The budget variance was due to residential water sales which were \$182,022 lower than expected. The prior year variance was due to the increase in water rates. YTD Operating Revenues of \$25,819,162 are \$348,763 or 1.4% more than budgeted and \$1,823,580 or 7.6% more than 2004. Operation and Maintenance Expenses for March of \$3,690,894 are \$107,576 or 2.8% less than budgeted and \$182,207 or 4.7% less than 2004. YTD Operation and Maintenance Expenses of \$10,623,282 are \$665,301 or 5.9% less than budgeted and \$702,391 or 6.2% less than 2004. Total Operating Expenses for March of \$5,972,476 are \$115,488 or 1.9% less than budgeted and \$33,404 or 0.6% more than 2004. The budget variance is due to lower than expected operation and maintenance expenses and depreciation expense offsetting higher than expected loss on disposition of property. The prior year variance is due to decreases in operation and maintenance expenses offsetting increases in depreciation expense, water service provided in lieu of taxes, and loss on disposition of property. YTD Total Operating Expenses of \$17,485,863 is \$697,094 or 3.8% less than budgeted and \$2,910 less than 2004.

Net Operating Income for March of \$2,229,795 was \$134,268 or 5.7% less than budgeted and \$311,996 or 16.3% more than 2004. YTD Net Operating Income was \$1,045,857 or 14.4% more than budgeted and \$1,826,491 or 28.1% more than 2004. Total Net Non-Operating Expense for March of \$173,296 was \$176,796 or 50.5% less than budgeted and \$140,938 or 44.9% less than 2004. The budget variance is due to higher than expected interest income, rental income, and allowance for funds used during construction. The prior year variance is due to increases in interest income and decreases in interest expense. YTD Total Net Non-Operating Expense of \$723,375 was \$352,326 or 32.8% less than budgeted and \$1,128,400 or 60.9% less than 2004. The prior year variance is due to early retirement incentive program costs which were incurred in January 2004. Net Income Before Distributions and Contributions for March of \$2,056,498 was \$42,527 or 2.1% more than budgeted and \$452,934 or 28.2% more than 2004. YTD Net Income of \$7,609,924 is \$1,398,183 or 22.5% more than budgeted and \$2,954,890 or 63.5% more than 2004. Capital Expenditures through March were \$14,220,351 or 15.6% of the 2005 Capital Budget of \$91,148,054.

Operations Report Provided

Mr. Greg Heitzman provided the operations report.

Production – The average production rate last month was 110.8 MGD, which is 1.5 percent lower than the 2004 March production of 112.5 MGD and 2.4 percent lower than the five-year average March production of 113.5 MGD.

Kentucky River Oil Spill Monitoring – The Environmental Protection Agency (EPA) and Kentucky Emergency Response Team are assessing the environmental impacts of the crude oil spill event that occurred in January. The amount of crude oil spilled has recently been revised to 262,542 gallons (6,251 barrels), which is about four times higher than the initial estimate of 60,000 gallons. There were concerns of the potential long-term residual impact of the spill on the River Bank Filtration (RBF) facility at B.E. Payne. As a result, Louisville Water Company (LWC) water quality staff coordinated with United States Geological Survey (USGS) and conducted a water quality survey around the RBF facility, in addition to the daily water quality monitoring at the well. Two rounds of samples were collected at four monitoring locations in the well field. Samples were analyzed for volatile organic chemicals, semi-volatile organic chemicals and other general water quality parameters. There were no detections of the volatile organic

chemicals in the samples collected. Trace amounts of semi-volatile organic chemicals were detected in the first round of samples, but none were detected during the second round. Daily monitoring results as of April 6 at the demonstration well showed no sign of contamination by the spill event. The Company expects to be reimbursed by Mid-Valley Pipeline for the full cost of the spill. Mr. Rick Johnstone asked whether such a reimbursement will positively affect the budget. Mr. Miller responded that it will have no effect because we already have booked it as a receivable.

Tyler Storage Tank – Staff entered into a contract to purchase property on which a storage tank will be located from the Nicklies Company. This site will accommodate the construction of a one MG storage tank along Taylorsville Road at the site of the proposed Kroger development. The current budget for the tank is \$1.86 million. Due to several factors, the cost to construct the tank will exceed the budget allowance approved by the Board in September 2004. Steel prices are currently at a premium, and the tank specification must be modified to address electrical shock potential during construction from nearby radio towers and to prevent the interference with the radio signal. Staff is using Tank Industry Consultants of Indianapolis to assist in the tank design. A modified budget request will be presented to the Board in May for approval and authorization to advertise and bid the tank.

Crescent Hill Slate Roof Project – Roof Resources is completing the design for the slate roof replacement and building improvements for the North-South Filter Building. The plan is to advertise and bid the project within the next 90 days. The project budget for the work is \$3.65 million, approved by the Board in December 2004. During final design, an inspection of the roof was performed, and significant damage to the slate roof was discovered. Mr. Heitzman provided photographs of the damage. The damage is likely a result of the ice and snow storm in December 2004, where ice slid off the chemical building roof, puncturing the slate roof on the adjacent North-South Filter Building. This discovery brings into question the condition of the chemical building slate roof. Previous inspection in 2001 indicated the chemical building roof to be in fair condition, and would not require replacement until after 2010. This damage was not present in the Fall of 2004. Staff has authorized the consultant to perform an inspection of the chemical building roof and prepare a construction estimate for replacement of this roof with the North-South Filter Building project. If this roof also needs replacement, it is a large enough overall project that an economy of scale exists to perform both replacements at the same time. Staff estimates an additional \$540,000 to replace the chemical building slate roof, bringing the total project to \$4.2 million. The consultant will complete the assessment in April, and a full report with recommendation will be provided to the Board in May.

Serving Customers Report Provided

Mr. Jim Smith provided the Serving Customers report in Karla Teasley's absence.

First Quarter 2005 Customer Satisfaction Results – Customer satisfaction increased in the first quarter of 2005 to the highest level experienced since the fourth quarter of 2003. The Total Customer Satisfaction Index (CSI) level is 851 which exceeds the Corporate Level II goal of 850. Most of the CSI factors increased for the quarter with new highs for customers' perceptions of customer service and information. The only segment that dropped in satisfaction for the quarter was the commercial non-service group, returning to 860 (from a high of 889 in 2004).

Customer satisfaction for the Service CSI recovered from the fourth quarter 2004 drop in satisfaction to 802, above the 2004 annual average of 796. This index score is above the Level III goal of 800 for customer satisfaction for the Corporate Performance Award. Commercial service numbers recovered from the substantial drop in the fourth quarter of 2004.

Wholesale Customer Proposed Rate Increase - At the Board's December 14, 2004 meeting, the 2005 Water Rate Schedule was approved. Effective May 1, 2005 the rate for all wholesale water purchased is \$1.31 per thousand gallons. Five of our six wholesale customers will also be charged an elevated service area surcharge of \$.25 per thousand gallons.

LWC has three wholesale customers that are regulated by the Public Service Commission. On March 11, 2005, the Company submitted the necessary paperwork to file the amended tariff request with the PSC for North Shelby Water Company, West Shelby Water District and North Nelson Water District.

The final component of the filing yet to be submitted to the PSC consists of letters of no objection from our regulated customers. LWC received a letter of no objection from West Shelby Water District April 4, 2005.

RAA – 60-inch Main Relocation at Airport - Staff met with representatives of the Regional Airport Authority (RAA) on March 23rd and March 29th to discuss their participation in funding the relocation of the 60-inch transmission main that lies in the area planned for extension of airport runways in 2006. The RAA has agreed to pay LWC \$1.608 million for 50% cost sharing of the 60-inch main relocation caused by the planned runway extension. It has also agreed in principle to easement terms that RAA will reimburse LWC for any future relocation of the planned water main within the new RAA easements as permissible by law. The RAA Board granted the RAA Executive Director the authority to execute the reimbursement agreement and the easements once they are in an acceptable form. The low bidder for this project, MAC Construction & Excavating, has agreed to extend their bid price through April 15, 2005. To maintain the current schedule, the RAA reimbursement agreement must be finalized and executed along with all easements obtained by this date.

AM/FM/GIS - On March 1, 2005, LWC and GRW Engineers, Inc. were jointly presented with an Engineering Excellence Award from the American Council of Engineering Companies (ACEC) Kentucky, for the development of the Automated Mapping/Facilities Management (AM/FM) geographic information system (GIS). The award was presented in recognition of excellence in the field of mapping and surveying technology, and was one of five Grand Awards given by ACEC-KY for engineering-related projects throughout the state of Kentucky.

Closed Session

Ms. Wendy Welsh moved to go into closed session to discuss proposed or pending litigation and personnel matters pursuant to KRS 61.810(1)(b) and (f), respectively, at 1:02 p.m. Mr. Martin seconded, and the motion carried.

Open Session Resumed

On the motion of Dr. Wise, seconded by Ms. Welsh, and unanimously carried, the Board resumed open session at 2:07 p.m. No action was taken in closed session.

Ms. Marita Willis moved to recommend the following salaries for company officers:

Greg Heitzman	Vice President, Operations and Chief Engineer	\$143,600
Robert Miller	Vice President, Supplying Financial Resources and Treasurer	\$134,500
Karla Teasley	Vice President, Serving Customers and Business Development	\$136,600
Barbara Dickens	Vice President, General Counsel and Secretary	\$125,600
Susan Lehmann	Vice President, Human Resources and Organizational Effectiveness	\$133,500
John Huber	President and CEO	\$198,800

Ms. Margaret Harris seconded, and the motion carried.

Board of Water Works
Regular Minutes April 12, 2005
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Compensation Committee Report Given

Mr. Conner provided the Board an overview of the committee's discussion regarding the Human Resources Information System (HRIS). Staff has renegotiated with Empower for the implementation of the system and there has been a \$120,000 reduction in the implementation cost proposed previously. Thus, the revised budget requested is \$2,566,000. Mr. Conner inquired whether Directors had any further questions regarding the HRIS. Mr. Martin moved to approve the budget for the purchase and implementation of a new HRIS in the amount of \$2,566,000. Ms. Welsh seconded, and the motion carried.

Audit Committee Report Given

Ms. Welsh provided an overview of the Audit Committee's meeting held March 29, 2005. The Committee met with a representative of Crowe Chizek, Ms. Laurie Haun, who provided a summary of the external auditor's findings. This was a full audit. The Audit Committee inquired of Ms. Haun what it would take for an external auditor to provide the Board an opinion regarding the adequacy of internal controls. Ms. Haun has replied that, although they conduct a full audit, it would take a much more extensive review and the auditor who performs the audit is not likely to want to provide an opinion regarding the adequacy of controls.

Ms. Welsh advised the Management Letter did not note anything significant, but the committee was made aware of three minor issues. Crowe noted three journal entries out of a sample of twenty selected for testing did not have review or approval by supervisory personnel. Management is addressing this by defining a new responsibility in the Oracle module that only allows non-supervisory employees to enter budget or actual journal entries. These entries are then posted by a different employee with only four employees allowed access to the posting responsibility in Oracle. During Crowe's review of water accounts receivable balances, they noted two errors from their sample of the 20 largest balances. Both of these errors were corrected in 2005, but the receivable balances at December 31, 2004 were overstated. Management has worked to define a process for all cancel re-bill accounts greater than \$10,000 so adjusting entries made after month end can be corrected if the period is still open. Additionally, Metering Services is reviewing and updating the edit process to check for significant changes in account billings prior to posting the initial bill.

During Crowe's review of bank reconciliations, they noted that the operating bank reconciliation included checks that have been outstanding for a long period of time, some in excess of one year. Management is working to resolve outstanding checks as many were from the old legacy system. Additionally, a process has been implemented to notify payees on old items after a defined aging.

Ms. Welsh advised that the proposals for an Information Technology General Controls Audit are expected to be received near the end of April. The IT Operating Plan will address the outstanding issue of backup hardware in the event the current equipment is rendered inoperable.

Ms. Welsh advised that the Warehouse Module for Oracle was considered by the Warehouse Management Team, but after presentation to the ELT, that Team will consider the fundamental question of whether LWC should continue operating a warehouse for contractors. The next physical inventory for the warehouse will be in June.

Ms. Welsh advised the committee reviewed the outstanding issues with the Internal Auditor and progress is being made toward resolution of the outstanding issues.

Mr. Conner stated it is difficult to know the right way to handle an audit to determine the adequacy of internal controls, in light of the Sarbanes-Oxley Act. LWC is not governed by Sarbanes-Oxley, which is very stringent, but certainly LWC wants to model the same high standards required by Sarbanes-Oxley. Mr. Conner feels comfortable with staff developing a plan in 2005 for an audit of internal controls, with the audit actually occurring in 2006.

Strategic Plan Overview Provided

Mr. Huber advised staff is providing an overview of the Strategic Plan so that all directors, many of whom are new, will be familiar with the current plan before the Board meets later in the year to discuss strategic planning. Mr. Heitzman provided a summary of the company's vision statement, which is "To be the water supplier of choice throughout the region; operating in a highly competitive, customer-focused manner; delivering outstanding quality, customer satisfaction, and value." We currently provide retail services throughout Jefferson County and in parts of Bullitt and Oldham Counties. We provide wholesale water service to portions of Shelby, Spencer, Bullitt and Nelson Counties. Mr. Huber emphasized we want to be the water supplier of choice to all residents for all uses, including drinking water versus bottled water purchased through other vendors. Mr. Heitzman stated we are operating in a highly competitive and customer-focused manner despite having a monopoly within Jefferson County. We benchmark within and outside of the water industry to ensure our business practices are the best practices. Mr. Heitzman concluded by emphasizing our focus on quality, customer satisfaction and value is at the core of all we do.

Mr. Miller reviewed the company's mission statement, which is "To serve the water needs of our customers through outstanding quality, service and value at a market return to our stockholder." He advised this means more than meeting public health and fire protection needs. As customer expectations grow, there is a greater need for additional services and more information, at the same time as we strive to exceed regulatory standards for quality, pressure and reliability. We are currently reviewing how we measure the market return to our stockholder, which makes up 32% of our overall rates. We must constantly strive to ensure the rates we set are fair to the customer while providing a fair return to the stockholder.

Ms. Susan Lehmann discussed the company's core values of Customer Focus, Teamwork, Pride in Workmanship, Trust, Empowerment, Diversity, Continuous Learning and Continuous Improvement. Our core values are the foundation and support for everything the company does. The company focuses on both internal and external customer needs and expectations. Staff works together to ensure corporate goals are met. We encourage employees to take pride and ownership in the work they do, empowering them to make decisions for which they are accountable and to complete work to satisfy customer needs within defined boundaries. The company believes in diversity and encourages appreciation of differences of all individuals. To be successful, we are committed to lifelong learning by personal development, training and education, and we believe in constantly striving for continuous improvement to achieve higher levels of performance every day.

Ms. Barbara Dickens discussed the governing legal conditions for the Company. The Louisville Water Company was chartered by an act of the General Assembly, and subsequently state statutes have been enacted to further define the role of the Company. The original Charter states the Company has the power to construct and establish a water system within the City of Louisville or elsewhere for the purpose of supplying the city and its inhabitants with water. So the Charter neither expressly limits our services within the City, nor expressly requires the supplying of water to be our sole purpose. Later, KRS 96.23 was enacted for cities of the first class or those with a consolidated government to own a corporation which is engaged in supply water to its inhabitants. Another statute, KRS 96.265, which authorized the county-wide extension program, permitted the company to "extend the corporation's facilities to provide

water services to persons within and outside the city of the first class, *including* extensions into counties adjoining its county of origin.” Therefore, Ms. Dickens advised the statutes do not expressly limit the company’s business to the supply of water within our region or even to adjoining counties only.

Mr. Smith provided an overview of our current marketplace and how we developed from a company serving 256 square miles 15 years ago to a company serving 624 square miles today. A 23-county regional area is considered to be the metropolitan area providing Greater Louisville with workers, supplies and services. This area includes Southern Indiana. Mr. Martin inquired whether we have determined we cannot serve Indiana counties. Mr. Huber stated we have not; we have considered retail service in Indiana, but it was not considered economically feasible. The urban areas of Indiana are served by the U.S. subsidiary of RWE, a German corporation. We provided a proposal a few years ago to provide water on a wholesale basis to that area, but the decision makers did not select it although it was a very cost efficient proposal for them. Mr. Huber advised we want to be in the urban service areas, not the rural service areas.

Mr. Smith stated we have also considered whether we can provide services we already do well through contract operations, such as billing or lab services. Mr. Smith reviewed the statistics regarding the number of customers compared to residential, industrial and commercial consumption. Despite increasing numbers of customers, consumption has declined. We now have fewer customers per miles of main and less consumption per customer. Regardless of the number of customers or consumption, we must still maintain the infrastructure, which is costly to do.

Certification Provided for Projects Approved in First Quarter

In conjunction with the new project approval authorization levels provided to the President by the Board at the January 11, 2005 meeting, the President is required to certify that approvals for projects within his authority are being granted pursuant to the Capital Projects Authorization Policy and Procedures. Mr. Huber certified that the following projects were approved in compliance with this policy and procedure from the time of the Board’s resolution through March, 2005:

- 11003 Notting Hills Section 1A - Developer Extension project
Total Asset Cost = \$190,460
Net LWC Cost (after reimbursement) = \$31,000
- 11029 Hebron Estates/780 Expansion - Nonbudgeted project
Total Cost = \$80,000
- 10529 Tyler Retail Center - Developer Extension project
Total Asset Cost = \$371,300
Net LWC Cost (after reimbursement) = \$139,800
- 11048 BEPWTP RBI Well Building Cooling Improvements - Nonbudgeted project
Total Cost = \$120,000
- 03625 Renovate South Coag Flocc/Sedimentation Basins-CHWTP - Change Action
Contract change = \$46,800
- 10573 Horsefly Hollow Rd-Collings Hill Road Grid-tie - Nonbudgeted project
Total Cost = \$250,000
- 10615 Zorn Water Tower Coating System Rehabilitation – Preliminary Design
Total Cost = \$300,000
- 02656 Replacement of 480 Volt Heating Transformer at CHFP – Preliminary Design
Total Cost = \$300,000
- 10662 Zorn Pump Station Structural Improvement – Preliminary Design
Total Cost = \$150,000
- 10613 CHFP HVAC Improvement – Preliminary Design
Total Cost = \$400,000

- 10611 BEP Lagoon #4 Security Fence Improvement – Preliminary Design
Total Cost = \$147,000
- 10640 System-wide Hydraulic Model – Final Design
Total Cost = \$115,500
- 00418 BEPWTP Improvements - Change Action
Contract change = \$111,687 (no change to total project estimate).

Certification Provided for Contracts Awarded in First Quarter

In conjunction with the new contract authorization levels granted to the President by the Board at the February 15, 2005 meeting, the President is required to certify that contracts and bids within his authority are being awarded pursuant to the Purchasing Policy and Procedures. The President certified that the following contracts were awarded in compliance with this policy and procedure from the time of the Board's resolution through March, 2005:

Procurement of Goods and Services

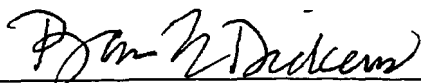
01-54	Telecommunications System and Switch Maintenance Renewal Awarded to Bellsouth Communications Systems, LLC	\$36,486
02-27	Fire Hydrants – 3 rd PPI Renewal Awarded to American Cast Iron	\$1,145,588
03-02	Water Bottles Awarded to Louisville Container (Bottle C) Awarded to Presence (Bottle A)	\$68,648 \$134,753
04-29	Water Treatment Chemicals – Poly DADMAC Awarded to Polydyne	\$27,067
04-33	Inspection, Maintenance & Repair of HVAC Systems – 1 st PPI Renewal Awarded to ACCO, Inc.	\$25,218
05-08	Brass Valves and Fittings Awarded to A.Y. McDonald Awarded to Cambridge Brass Awarded to Mueller Co.	\$40,224 \$37,194 \$279,872
	Awarded to Hayes Pipe Supply	\$77,451
05-09	Small Hand Tools Awarded to Allied Tools	\$128,474
05-14	Steel Casing Pipe Awarded to OPSales	\$67,500
05-17	Polywrap and Polytape Awarded to Hamilton – Polywrap	\$35,312
05-21	Sand Awarded to Rogers Group	\$27,395

Procurement of Professional Services

10233	Renovation of Coagulation Sedimentation and Softening Basins at BEPWTP Awarded to O'Brien and Gere Engineers, Inc.	\$498,944.
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There being no further business, the meeting was adjourned at 3:20 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

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**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
MAY 10, 2005**

Board Members Present:

Mr. Stewart Conner, Chair
Mr. Gerald Martin
Ms. Marita Willis
Dr. Joseph Wise
Ms. Margaret Harris

Not Present:

Mayor Jerry Abramson
Ms. Wendy Welsh, Vice-Chair
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government

Others Present:

Mr. John Huber, President
Mr. Rudolph Davidson, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Vice President, Operations and Chief Engineer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Mr. Robert Miller, Vice President, Treasurer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Ms. Amber Halloran, Business System Owner, Supplying Financial Resources
Mr. Jim Brammel, Business System Owner, Distribution Operations

Visitors:

Mr. Steve Greseth, Black & Veatch Consulting Engineers

The regular meeting of the Board of Water Works was held on Tuesday, May 10, 2005 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:35 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Dr. Joseph Wise moved to approve the minutes from the Annual Meeting held April 12, 2005, seconded by Mr. Gerald Martin, and the motion carried. Mr. Martin moved to approve the minutes from the Regular Meeting held April 12, 2005, seconded by Ms. Margaret Harris, and the motion carried.

Chief Executive Officer Report Provided

Mr. John Huber reported the company is experiencing good financial results because of increased water sales for this period. This could be a result of a lack of meter reading at the end of the year during the snow storm, which may have caused January revenue to include revenue normally billed in December. Staff will look into this possibility to see if this impacted revenue this quarter.

Mr. Huber advised the Good Faith Effort Program has been in place for several months. Since its inception, the Company has always awarded to the low bidder who has either met the 5% WBE and 15% MBE requirements or met the Good Faith Effort according to the Program's objective criteria. Recently,

the M/WBE Program Manager recommended, and the Bids and Awards Committee concurred, to deem an apparent low bidder non-responsive for failing to meet the Good Faith Effort requirements. Mr. Conner asked if we feel the criteria for making this determination is objective. Mr. Huber and Mr. Robert Miller both agreed it is. Dr. Wise inquired as to the bid difference between the lowest bid and the next highest, and Mr. Huber responded that it was less than \$10,000.

Financial Report Provided

Mr. Miller provided the financial results through April 2005. Operating Revenues for April of \$8,497,888 were \$733,958 or 9.5% more than budgeted and \$844,677 or 11% more than 2004. The budget variance was primarily attributed to residential water sales, which were \$588,224 higher than expected. YTD Operating Revenues of \$34,317,050 were \$1,082,721 or 3.3% more than budgeted and \$2,668,258 or 8.4% more than 2004.

Operation and Maintenance Expenses for April of \$3,270,017 were \$504,918 or 13.4% less than budgeted and \$29,687 or 0.9% less than 2004. YTD Operation and Maintenance Expenses of \$13,893,299 were \$1,170,219 or 7.8% less than budgeted and \$732,078 or 5.0% less than 2004. Total Operating Expenses for April of \$5,438,339 were \$555,135 or 9.3% less than budgeted and \$10,031 or 0.2% less than 2004. The Company experienced lower than expected operation and maintenance expenses and loss on disposition of property. The prior year variance is due to decreases in operation and maintenance expenses and loss on disposition of property offsetting increases in depreciation expense and water service provided in lieu of taxes. YTD Total Operating Expenses of \$22,924,203 is \$1,252,229 or 5.2% less than budgeted and \$12,941 or 0.1% less than 2004.

Net Operating Income for April of \$3,059,549 was \$1,289,093 or 72.8% higher than budgeted and \$854,709 or 38.8% more than 2004. YTD Net Operating Income was \$2,334,950 or 25.8% more than budgeted and \$2,681,199 or 30.8% more than 2004. Total Net Non-Operating Expense for April of \$295,412 was \$44,202 or 13% less than budgeted and \$79,371 or 21.2% less than 2004. The budget variance is due to higher than expected interest income, rental income, and allowance for funds used during construction. The prior year variance resulted from increases in interest income and other income. YTD Total Net Non-Operating Expense of \$1,018,787 is \$396,528 or 28% less than budgeted and \$1,207,770 or 54.2% less than 2004. The prior year variance was attributable to early retirement incentive program costs which were incurred in January 2004.

Net Income Before Distributions and Contributions for April of \$2,764,137 was \$1,333,295 or 93.2% more than budgeted and \$934,079 or 51.0% more than 2004. YTD Net Income of \$10,374,061 was \$2,731,478 or 35.7% more than budgeted and \$3,888,969 or 60.0% more than 2004.

Capital Expenditures through April were \$18,928,385 or 20.8% of the 2005 Capital Budget of \$91,148,054.

Mr. Conner commented that the percentages above budget seem really high. Mr. Huber responded that part of the reason for that is because we budgeted water sales more conservatively this year. Mr. Miller stated we have had low Operation and Maintenance expenses and we had a 6.5% rate increase, both of which are also contributing to the higher income. Dr. Wise asked why Operations and Maintenance costs were lower. Mr. Greg Heitzman responded that the company has had fewer main breaks this year. Mr. Martin noted that our profit margin is fifty percent higher year to date. Mr. Miller responded that overall we are having a much better year than last year.

Operations Report Provided

Mr. Heitzman provided the operations report.

Production – The average production rate last month was 114.8 MGD, which is 1.2 percent lower than the 2004 April production of 116.2 MGD and 2.4 percent lower than the five year average April production of 117.6 MGD. The year to date (YTD) production of 115.1 MGD is also lower than the 2004 YTD production of 116.1 MGD and the five year average YTD production of 117.0 MGD. Lower production levels can be attributed to local economic conditions and loss of water sales from the use of low flow, conservation fixtures. Mr. Rudolph Davidson asked if we experience an increase in water consumption during Derby. Mr. Heitzman said overall demand does not increase but there is an overall increase in the need for services in order to be prepared for Derby.

Distribution Operations – Distribution Operations staff worked diligently to ensure that LWC facilities in the vicinity of Churchill Downs and Kentucky Derby Festival events and routes are secure. The sites and routes of approximately fourteen Derby Festival events were evaluated for such things as leaks, loose or missing lids, depressions, missing fire hydrant caps, street plates, and barricades. The Festival event sites included Churchill Downs, Marathon and Mini-marathon routes, Chow Wagon, Pegasus Parade, Thunder Over Louisville, and others. A meeting was held at Churchill Downs with maintenance staff to understand the water supply for the newly renovated grandstand. As a result of these efforts, at least 24 work orders were generated and completed.

Advanced Treatment Technology Steering Group – The Steering Group for Advanced Treatment Technology (ATT) conducted its third meeting on April 21. Black & Veatch (B&V) Engineers presented a summary of water quality regulations, goals, and current performance levels for the Crescent Hill and B.E. Payne water treatment plants. Several of the established LWC goals are not mandated by the state or federal government, yet are critical in maintaining high customer confidence in the quality of water we provide. For instance, the absence of taste and odor is important to our customers but compliance is not regulated. B&V presented information on new filtration technology, including membranes and adsorption processes utilizing granular activated carbon (GAC) and power activated carbon (PAC). On June 7, the Group will be presented with alternative disinfection technologies, to include ultra violet (UV) disinfection and ozone disinfection. Pretreatment processes like sedimentation and solids capture will also be presented. Once all the various technologies have been presented, B&V will assist staff in conducting an analysis to compare the technologies and determine which technology option is best for the Company. The Steering Group will present findings and a recommendation to the Board in the fall of 2005. Mr. Conner asked whether we break out the costs of strategies that are mandated versus those that are not. Mr. Heitzman said we have not done so, but we could break these out. Mr. Conner stated he recognized what is required versus what is optional may not be clear cut. Mr. Heitzman stated some objectives address both required regulations and self-imposed standards.

Workforce Availability – Workforce availability has become an increasing concern for the effective operations of the Company. The unusually high number of employees who are on various types of leave – short or long-term disability, workers compensation, and authorized leave – is impacting the ability to fill classified union positions and complete work units. In addition, initiatives such as the mitigation of American Darling fire hydrants and reducing the backlog of service orders are placing additional burdens on the pool of available employees. Staff is working with Human Resources in an effort to understand the drivers for employee absences, and to initiate the hiring of a replacement pool of Laborers. Mr. Conner asked if the downsizing contributed to this issue. Mr. Heitzman stated we are attempting to determine the reason or reasons for the increase in unavailability. There are a total of 25 employees unavailable for one reason or another. We have reduced by two-thirds our seasonal workforce for the summer.

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Serving Customers Report Provided

Ms. Karla Teasley provided the Serving Customers report.

Performance Measures – The April abandonment rate was 5.5% compared to 3.5 % in March 2005, and 4.1% in April 2004. Bad debt for the month was \$73,176 compared to \$19,053 in March 2005, and \$44,621 in April 2004. Bad debt was \$31,259 over budget for the month and \$6,571 over budget year to date. Ms. Teasley advised the billing cycle drives some of the ebb and flow of bad debt because we bill half of our customers one month and the other half the next month. It takes 90 days for an unpaid balance to be considered bad debt. In the current period, many more customers had balances charged to bad debt and signed for service in April than in March, and this is reflected in the higher bad debt. Mr. Martin inquired how Service Found On (SFO) situations have impacted bad debt. Ms. Teasley explained the timeline associated with SFOs. Mr. Conner asked whether there are industry standards for the abandonment rate and bad debt. Ms. Teasley advised that 5% is the industry standard for the abandonment rate, and ½ to 1% of income is standard for bad debt.

Wholesale Rate Increase - LWC's wholesale rate increase for North Shelby Water Company, West Shelby Water District and North Nelson Water District was reviewed and accepted by the Kentucky Public Service Commission April 22, 2005. This new wholesale rate was effective May 1, 2005 as originally scheduled for all regulated and non-regulated wholesale customers of LWC.

Closed Session

Mr. Martin moved to go into closed session to discuss property issues and proposed or pending litigation pursuant to KRS 61.810(1)(b) and (c), respectively, at 1:06 p.m. Dr. Wise seconded, and the motion carried.

Open Session Resumed

On the motion of Ms. Marita Willis, seconded by Dr. Wise, and unanimously carried, the Board resumed open session at 1:28 p.m. No action was taken in closed session.

Strategic Plan Overview Continued from Previous Board Meeting

Mr. Conner advised that in keeping with the review of the current strategic plan, staff will be discussing additional aspects of the strategic plan, but first the Board needed to discuss the scheduling of the Board retreat. Mr. Conner proposed the Board hold the retreat on a Saturday, in light of the difficulty in finding an available date common to all directors. Holding the retreat on a Saturday was acceptable to all of the Directors.

Mr. Huber advised staff would be discussing the Assumptions, Strengths, Weaknesses, Opportunities and Threats in preparation for the Board retreat to discuss the strategic plan. Staff is providing the background for how the current plan was developed so that at the retreat the Directors can discuss our strategies for the future.

Ms. Teasley stated we have to consider what will be driving customer expectations in the future and make assumptions based on those drivers. Assumptions can be defined as management's estimation of marketplace attributes over the planning horizon. Ms. Teasley stated we should assume that expectations for service and water quality, including aesthetic characteristics, will escalate; that LWC water quality goals will remain stricter than regulatory standards; that negative press on the safety and quality of drinking water will affect public confidence; that marketplace needs and customer values must be

continually understood and addressed; and, that marketing strategies of bottled water industries and point-of-use device manufacturers will impact customer confidence.

Dr. Wise asked how we will handle water quality after it leaves the plant and from what delivery point should we be treating the water. Ms. Teasley advised we must meet regulatory requirements at the tap. We will have to decide whether we want to exceed the regulations at the plant and at the tap. Mr. Huber stated this involves risk management and customer trust. Customers expect us to meet the regulations, but they also expect us to manage the risks to them. The EPA does not allow point of entry/use systems to regulate the water quality for large water utilities. Those devices may be used for exceeding the regulations, but not for simply meeting them. Customers judge their water aesthetically, and this gets to public trust. Mr. Conner asked why we would consider improvements to exceed water quality regulations. Ms. Teasley explained the purpose is to provide higher quality water at a fair value. Mr. Conner feels it is already provided for a low price. Mr. Martin stated it will get more expensive to treat water to regulatory standards so alternative treatment strategies such as riverbank filtration are ways to reach those standards in a more cost efficient way. Mr. Heitzman advised cost is an issue because while we can treat water at the plant easily, it becomes more difficult as it leaves our plants. Therefore, decentralized solutions are in the forefront of strategies being considered by water utilities.

Ms. Teasley continued discussing assumptions we have made regarding customer service expectations for the future. We believed the community will continue to expect LWC operations to support and enhance quality of life and for water supply facilities to be safe and secure. We believe improved detection technology for microbes and pharmaceuticals will increase customer concerns for water quality. Additionally, the minimum regulatory requirement of pressure of 30 psi will not meet customer expectations in the future. Mr. Huber stated some evidence exists showing that animals are developing transgender properties due to endocrine disruptors. Mr. Huber advised this will be the new frontier for environmentalists. Our detection capabilities continue to grow. We can detect substances to parts per trillion, which is difficult to explain to customers. Pharmaceuticals and endocrine disruptors will end up in the water table because they are not fully absorbed by the individuals and are carried out in the wastewater system.

Regarding affordability, Ms. Teasley stated our customers expect water to be affordable and available to people of limited means, and what is affordable to our customers may change. MSD rate increases will impact LWC customer's perception of price/value. Acceptance of water rate changes above the CPI is dependent upon customer perception of increased value. Finally, the community expects water system growth and renewal to be timely and closely coordinated with community growth and development.

Mr. Heitzman discussed the assumptions related to Water Quality. Source water quality and treatment will continue to be challenging. Research and development will be a strategic enabler in effectively meeting our future needs. Ohio River and the adjacent aquifer will remain the primary source, requiring protection. Wellhead protection regulations will require continuing surveillance and enforcement efforts. Customer expectations and future regulations require new strategies and techniques in managing distribution water quality.

Mr. Heitzman stated it will be challenging to expand our service and delivery area while we maintain such high levels of water quality. We do a great job of treating at the plant, but as 130 MGD leave our plant, it becomes more difficult to keep the quality high. Customers expect consistent water quality and timely information on variations in water quality. Managing public health risks, meeting customer expectations and increasing regulatory requirements will increase operating costs and capital investments. We are always looking for smarter and more efficient ways to operate. Community health and safety issues require systems to mitigate threats to plant and distribution facilities. Endocrine disruptors and

other emerging health issues will result in new regulations. Our current treatment technologies do not remove pharmaceuticals and endocrine disruptors, but we may be required to do so in the future.

Mr. Miller discussed the assumptions related to Financial Resources. He stated we assume the CPI will increase by 2% to 3% annually. We may need a new borrowing to fund the capital plan during the next five years. Anticipated rate increases will not exceed the anticipated CPI plus 1%. Keeping rate increases within the CPI plus 1% will require productivity enhancements and aggressive cost control. Increasing customer expectations for service and new regulations will require additional capital and operational resources. Mr. Miller advised we are working with Public Financial Management to update our financial planning model and are also working with the University of Louisville to update our water sales forecast.

Ms. Teasley discussed the assumptions related to infrastructure and system growth. Population and demographics will change in accordance with forecasts of UofL Urban Studies Institute and State data center. As has been occurring, we believe consumption per household will decline and population density per mile of water main will decrease. Expansion into adjacent counties has resulted in running longer mains into areas with fewer customers, and this costs more. Concurrent opportunities for water sales and related services will arise. Sometimes the opportunities happen at one time and you have to address them all.

Ms. Teasley stated we must continue to invest in plant, facility and distribution infrastructure that will be required for long-term utility viability. We have to look one hundred years out and plan for a system that will be viable then. Developers and builders expect new methods to reduce cycle time and costs and provide "one-stop shopping" for approvals and permits. We are currently participating in a one-stop shop program with Metro Government and other agencies.

Efficient use of capital requires further capital improvement program optimization. Reliability concerns of the national power system will drive decisions regarding LWC power redundancy plans. This requires us to consider the redundancy of our own system. Purchase of tank sites for development will become increasingly difficult, driving early purchase decisions ahead of development. This is also something we are already experiencing.

Ms. Susan Lehmann discussed the assumptions related to our workforce. Embracing change is necessary to remain competitive and successful. This is true for both the company leadership and frontline employees. Continuous expansion of know how and expanded competencies are required to meet customer expectations. We must be a learning organization.

Ms. Lehmann stated we must effectively empower employees to continue our success as a Total Quality Organization. Just as it has been in the past, our partnership with Local 1683 will continue to provide opportunities for new initiatives. Pre-decisional involvement will benefit employees and LWC. Improvements in internal customer satisfaction are needed to drive improvements in external customer satisfaction and business results. Continuing as an employer of choice will require an integration of cultural diversity and an employee base which mirrors the diversity in our community. Finally, as we expand our distribution system and service area, we are likely to see an increase in resource needs.

Mr. Huber discussed the analysis of Strengths, Weaknesses, Opportunities and Threats. We define Strengths as internal capabilities that enable the pursuit of strategies. We define weaknesses as internal shortcomings that impair the pursuit of strategies. We define opportunities as external opportunities that support the pursuit of strategies. We define threats as external forces that thwart the pursuit of strategies.

Mr. Heitzman highlighted LWC's strengths. These are:

- Customer-focus.
- Regional, high quality, low-cost provider.
- High customer satisfaction.
- Skilled and knowledgeable employees dedicated to LWC's mission.
- Partnership with AFSCME Local 1683, for which we have won awards.
- Systems and process-based TQO.
- Awareness of employee perceptions.
- Abundant source of supply.
- Unique ownership and governance, giving us the advantages of a governmental organization, but allowing us to compete, as well.
- Financially sound.
- Product brand recognition of Pure Tap.
- Water industry expertise.
- Effective infrastructure renewal program.
- Information technology capabilities enable operational effectiveness.
- Ability to handle multiple business opportunities within existing resources
- An effective Public Information program.

Mr. Miller discussed the company's weaknesses. Generally, the main weaknesses are a delay in executing our capital program, the level of internal customer satisfaction, and inconsistently applied performance management. Ms. Harris asked Mr. Miller to clarify the lack of clear empowerment boundaries. Mr. Miller stated this results from a manager's unclear explanation of what the boundaries are, causing an employee to take an action not ultimately supported by management. The outcome is a de-motivation for the employee.

Ms. Teasley highlighted some of the opportunities available to the company. Specifically, LWC has the opportunities to promote regional economic development, to continue to expand diversity in workforce and business relationships, and to participate in research and development partnerships to improve effectiveness and efficiency, particularly in areas of infrastructure and water quality. As we expand workforce diversity and gain diversity in our business relationships, we need to determine how this can give us a competitive advantage. Regarding research and development, we participate in many of these type opportunities through the University of Louisville's Infrastructure Research Group and through the American Water Works Association, but we need to consider whether there are other opportunities of which we are not taking advantage. Our Strategic Innovation Team is considering these ideas.

Ms. Lehmann highlighted the threats the company has to prepare for and deal with today and in the future. Although there are many threats, some of the main threat issues are emergencies affecting the water supply; emerging health concerns with microbials, pharmaceuticals, endocrine disruptors, and other water quality issues; rising health care costs; and potential non-attainment of air quality regulations including impact on economic development and the company's regulatory obligations.

Mr. Conner emphasized the need for directors to become familiar with the materials they are getting over the past two months and in the next couple of months before the retreat. This will allow the Board to move forward to plan for the future.

Affordability of Future Water Rates Considered

Mr. Miller discussed the impact of the Metropolitan Sewer District's consent decree on LWC. MSD anticipates annual sewer rate increases of 6.5%-14.5% as a result of a consent decree filed with U.S.

District Court on April 25, 2005. In addition, the 2005-2014 Financial Plan included in the LWC 2005 Annual Budget contemplates annual water rate increases of 4.0% - 4.5%. As a result, the combined water and sewer bi-monthly bill could exceed \$100 and may become unaffordable for some low income customers. This will require consideration of affordability program alternatives.

Mr. Miller stated the reluctance to pay is not the same as the inability to pay. While the reluctance to pay may result in lower levels of value as perceived by the customer, the inability to pay for service results in a combination of lower revenues and higher expenses for the utility due to late payments, service disconnections, and uncollectible accounts.

It is important to understand the issue of affordability for our customers. Affordability is the ability of customers to pay for utility services billed to them. The affordability threshold is the percentage of income that a household can afford to pay to a utility through user charges. Factors affecting affordability for a community include the median household income, poverty levels, and minimum Social Security and Supplemental Security Income benefits. The affordability threshold is typically set by policy makers at 2% for water service plus 2% for wastewater service. The median Louisville residential bi-monthly water and sewer bill in 2005 is \$72.48 for 12,000 gallons (\$32.86 for water and \$39.62 for sewer *(assuming 6.5% rate increase effective August 1, 2005)*) These bill amounts are above the current 2% threshold for minimum social security benefits but below the 2% poverty threshold for a three person household and well below the 2% threshold for an average household in Jefferson County. If the poverty threshold remains at the current level and water and sewer rates increase at projected levels, then the combined water and sewer bill is forecast to exceed the affordability threshold for poverty-level customers by 2009.

Therefore, Mr. Miller advised we will need to consider the feasibility of an Affordability Program. Louisville Water Company does not have an affordability program comparable to cities with higher water rates and/or larger portions of the population living below the poverty level. Affordability programs in those cities typically consist of a combination of rate design and targeted assistance programs. A major issue for utilities which have an Affordability Program is how you qualify individuals for it. The process for determining eligibility for assistance in paying utility bills can be either managed in-house, outsourced, or simply based on eligibility for other aid programs. The cost for administering these programs varies widely from utility to utility based on the amount of information reviewed to establish qualification.

The company will have to evaluate the pros and cons of having such a program. Reduced bill delinquencies and related service costs are often cited as the primary benefits sought by utilities when implementing an affordability program. These are measurable results for which goals can be established to determine if an affordability program is achieving its intended objective. The most typical drawbacks to affordability programs are the cost of administration, the difficulty in sustaining the program over a long period, and the perceived unfairness of one class of customers being subsidized by the other classes.

Mr. Miller stated staff is currently evaluating alternatives related to monthly billing and automated meter reading. And, since affordability problems will likely occur first for bills with summer irrigation water usage, staff is considering options for equalized or level billing. Dr. Wise stated this is a major problem for LWC, perhaps even more so than for MSD. Mr. Conner feels our shareholder needs to be involved in the initial discussion of whether to have such a program. Mr. Miller stated we have to determine if such a program is sustainable over time. We also have to consider the question of whether distribution of wealth should be borne by the utilities in the community or just dealt with through taxes. Mr. Conner commented that it is an indirect tax because our shareholder is Metro Government.

Information Provided Regarding Strategic Innovation Initiative

In December the company selected Amber Halloran, BSO, Supplying Financial Resources, and Jim Brammell, BSO, Managing Distribution Operations, to attend a newly developed leadership class at the University of Louisville. The class, "Lead Through Continuous Change," was targeted at experienced managers and focused on objectives of enhancing the leadership, communication and change management competencies of participants. Several prominent corporations within the community were represented including Aegon, Brown-Forman, Humana, Papa Johns, Louisville Gas & Electric and others. The class met approximately two days per month and concluded in April. LWC's Susan Lehmann played an integral role in helping design and implement this new course.

Of the many concepts presented in the class, the concept of "Strategic Innovation" was particularly enlightening because of its applicability to problems currently faced by LWC, and because of the potential for this tool to help LWC identify new frontiers of revenue opportunities.

Strategy Innovation is a detailed five-phase process that is intended to precede traditional strategic planning. The purpose of strategy innovation is to identify new opportunities for the business to generate revenue. This requires a complete evaluation of the company's business model and a willingness within executive leadership to make changes to accommodate new revenue opportunities. A fundamental assumption of strategy innovation is that by thoroughly evaluating new markets, and aligning with corporate competencies, there are "frontiers" of new revenue opportunities that can be successfully entered.

The concept of Strategy Innovation was presented to LWC's Executive Leadership Team in the first quarter of '05. ELT embraced the process and directed that a team be formed to pursue this process for LWC. As a result a six member team was formed, sponsored by John Huber, and consisting of members with diverse experience from across the company. The team members are: Amber Halloran, BSO, Supplying Financial Resources; Jim Brammell, BSO, Managing Distribution Operations; Bruce Mingus, Vice-President, Local 1683; Rengao Song, PO, Monitoring & Researching Water Quality & Treatment; Carl Blanton, BSO, Supporting Organizational Effectiveness; and Jim Smith, BSO, Infrastructure Planning. The team is meeting weekly and is currently in the first phase. A project timeline has been developed and the milestone date for a deliverable has been set for early April of 2006. This schedule will allow the results of the strategic innovation process to flow seamlessly into the re-write of the strategic plan. As progress is made on this initiative, and as the various stages are completed, further updates will be provided to the Board.

Mr. Conner commented the team needs a legal and a political "weathervane" to ensure they are not going down a path the company should not follow. Ms. Barbara Dickens advised she serves as a resource to this team. Mr. Brammell commented they are not very far in the process and, at this point, are evaluating the efficacy of all ideas presented.

Budget Increased for Project 10609: Sandblast and Recoat Steel Storage Tanks – Bardstown Road Standpipe

The 2005-06 Capital Improvement Plan includes \$490,000 to rehabilitate the Bardstown Road Standpipe, a five million gallon storage facility built in 1980 in southeastern Jefferson County, near the Glenmary subdivision. The scope originally included recoating the exterior surfaces of the tank. An inspection of the tank interior has been conducted, and staff proposes expanding the scope to fully rehabilitate the structure. This facility is one of two bulk storage facilities on the 860 pressure zone. The coating failure found upon inspection leaves portions of the steel tank exposed to corrosion and also contributes to loss of chlorine residual and nitrification in the water.

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The revised scope of work for this project is proposed to include the following: recoating tank interior and exterior, extending the service life 25 years; installing water mixing and circulation piping to minimize loss of chlorine during the summer; accessing modifications for OSHA safety (new construction code compliance); and constructing a 1.4 million gallon detention basin to manage tank overflow, cleaning, and site drainage. The budget for the revised scope of work is \$1,393,000, with the recoating planned October 1 through December 31, 2005 to minimize downtime and impact on operations. Ms. Harris moved to increase the budget for the rehabilitation of the Bardstown Road Standpipe from \$460,000 to \$1,393,000. Dr. Wise seconded, and the motion carried.

Budget and Advertisement for Bid Authorized for Project 03638: Crescent Hill Filter Plant North-South Building Slate Roof Replacement

In December 2004, the Board authorized staff to proceed with advertisement and bid of the \$3.65 million slate roof replacement project for the Crescent Hill Filter Plant (CHFP) North-South Filter Building. Upon completion of the bid document in March, a final project walk-through was scheduled to verify all issues were addressed. During the review, a large area of damaged slate roof and roof decking were discovered just below the roof line of the adjacent CHFP Chemical Building. The December 2004 winter storm deposited 10 to 12 inches of snow, sleet, and ice. This mass apparently slid from the Chemical Building roof and impacted the Filter Building roof, resulting in the damage.

An inspection of the Chemical Building roof was conducted in 2001 which reported the remaining life to be approximately 10 years (2012). Following discovery of this recent incident, a follow-up inspection was conducted in April. This inspection revealed an increase in failure of the metal roof elements (gutters, flashings, cresting, etc.) plus an increase in slate damage.

The revised remaining life of the Chemical Building roof is estimated to be three to five years. This information, coupled with the risk to the investment planned for the North-South Filter Building, justify replacement of the Chemical Building roof under the current project. Future snow and ice slides will be mitigated by the addition of snowguards to both building roofs. The cost for this additional work is estimated to be approximately \$545,000, resulting in a new project budget of \$4.2 million. Dr. Wise moved to establish a new project budget in the amount of \$4.2 million for Project 03638 – Crescent Hill Filter Plant North-South Filter Building Slate Roof Replacement and to proceed to advertisement for bid. Ms. Willis seconded, and the motion carried.

Budget Increased and Authorization Given to Proceed with Final Design and Bid for Project 03832: Tyler Elevated Water Tank

The September 2004, the Board approved Project 03832 at a revised budget of \$1.83 million (original budget \$1.3 million) for construction of the Tyler elevated water tank. Unforeseen conditions related to site constructability and worker safety mitigation requires a further adjustment to the project budget. The scope of the project is to construct a one million gallon composite (reinforced concrete and steel) elevated water storage tank operating within the 900 pressure zone to serve the growing Taylorsville Road / Snyder Freeway corridor. The project includes engineering, property acquisition, construction, supply piping, telemetry, landscaping, and drainage facilities. The tank will provide improved system pressure, fire flow, and reliability to the Taylorsville Road area.

The conditions affecting construction of this facility include limited site size, adjacent commercial construction, and construction and worker requirements created by the AM radio transmission towers on Tucker Station Road. The construction site is one-half acre in size within the proposed Kroger development along Taylorsville Road. The limited construction space, in conjunction with the adjacent commercial

development, will result in a construction premium. In addition, the tank site is located within 1,000 feet of Clear Channel's radio tower. The steel tank presents a risk of radio signal interference and electric arcing during construction of the tank. Staff has consulted with both telecommunications experts and tank design specialists on methods to mitigate these risks. Construction methods will be altered to mitigate electric arcing potential, and workers will have to wear radio frequency detection devices and protective gear to safely execute construction. In addition, an allowance is provided to mitigate any signal interference caused by the structure. These mitigation methods will also result in a premium to the construction cost. Ms. Willis moved to increase the budget of Project 03832 – Tyler Elevated Water Tank from \$1.83 million to \$2.65 million and to proceed with final design and advertisement for bid for the project. Ms. Harris seconded, and the motion carried.

Executive Session Conducted

The Board went into Executive Session without management present at 3:07 p.m.

There being no further business, the meeting was adjourned at 3:12 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
JUNE 21, 2005**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government

Not Present:

Mayor Jerry Abramson
Ms. Marita Willis
Dr. Joseph Wise

Others Present:

Mr. John Huber, President
Mr. Greg Heitzman, Vice President, Operations and Chief Engineer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Mr. Robert Miller, Vice President, Treasurer and Acting Secretary
Mr. Jim Smith, Business System Owner, Infrastructure Planning and Business Development

Visitors:

Mr. Larry Gaddis, Black & Veatch Consulting Engineers
Mr. Kevin Gallagher, Caldwell Tanks

The regular meeting of the Board of Water Works was held on Tuesday, June 21, 2005 at Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:35 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Ms. Harris moved to approve the minutes from the Regular Meeting held May 10, 2005, seconded by Mr. Martin, and the motion carried.

Chief Executive Officer Report Provided

Mr. Huber reported that the National Association of Clean Water Agencies is soliciting federal funding for wastewater projects and discussions have begun in Washington, DC in consideration of a "water tax" to provide this funding. The American Water Works Association and the National Association of Water Companies have announced their opposition to this proposed funding mechanism. Mr. Huber noted that one of the highlights of the recent AWWA Annual Conference was Automated Meter Reading based on radio reads for system-wide installations. He also reported the results of the LWC tapping teams that competed at the conference, with congratulations to the women's team for their third place finish. He also noted that the AWWA Annual Conference also had several international materials and equipment suppliers, including General Electric.

Financial Report Provided

Mr. Miller provided the financial results through May 2005. Operating Revenues for May of \$8,774,497 are \$132,799 or 1.5% less than budgeted and \$653,866 or 8.1% more than May 2004. The budget variance is primarily due to a \$78,400 adjustment representing 98,000 residential customers that were overcharged in January. Operation and Maintenance Expenses for May of \$3,650,856 are \$142,215 or 3.7% less than budgeted and \$589,105 or 19.2% more than May 2004. Net Operating Income for May of \$2,839,181 is \$24,978 or 0.9% higher than budgeted and \$156,441 or 5.2% less than May 2004. Total Operating Expense for May of \$168,937 is \$297,739 or 2.6% less than budgeted and \$81,232 or 15.8% more than May 2004. The budget variance is due to lower than expected interest expense for the delayed borrowing. Net Income Before Distributions and Contributions for May of \$2,670,244 is \$322,718 or 13.7% more than budgeted and \$75,210 or 2.7% less than May 2004. YTD Net Income of \$13,044,304 is \$3,054,195 or 30.6% more than budgeted and \$3,813,760 or 41.3% more than 2004.

Mr. Martin requested an update of the financial planning work performed by PFM. Mr. Miller reported that the improvements to the financial planning model functionality have been completed and that the model would be updated to reflect the water sales forecast prepared by Dr. Cerrito and the revised capital spending plan for the Riverbank Filtration Project. He also noted that PFM is preparing a proposal for developing recommendations for establishing future return on investment targets. He expects this information will be available to the Board about one month in advance of the Strategic Planning meeting scheduled for September.

The Board discussed the agenda for the upcoming Strategic Planning meeting and encouraged Mr. Johnstone to communicate their interest in Mayor Abramson to attend all or a portion of the meeting in order to gain his perspective in balancing the competing interests of rate control, quality and services, and return on investment.

Operations Report Provided

Mr. Heitzman provided the operations report. The average production rate last month was 130.4 MGD, which is 3.3 percent higher than the 2004 May production of 126.3 MGD and 1.5 percent higher than the five-year average May production of 128.5 MGD. For the year to date, the production rate is comparable to the 2004 rate of 118.3 MGD. Due to river and weather conditions, algae populations in the river began increasing in late May and are causing taste and odor problems. Since May 26, geosmin has been detected in the river water at a concentration of near 10 ng/L, which is a level easily detected by customers with normal olfaction senses. Powder activated carbon (PAC) has been added at a dose of 75 pounds/MG and the treatment is effective in removing the odor. Staff anticipates the carbon treatment for taste and odor may be necessary during the entire summer season.

Mr. Heitzman also reported that the Company recently received the Director's Award from the EPA's Partnership for Safe Water. The award is given to utilities that have provided five continuous years of safe, high quality drinking water to customers. The award was presented at the American Water Works Association Conference in San Francisco. Only 37 utilities in the United States have achieved this level of performance by consistently exceeding EPA drinking water standards. LWC has used the Partnership for Safe Water goals in establishing annual water quality goals for filter performance at the Crescent Hill and B.E. Payne Treatment Plants. The Water Quality and Production staff is recognized for their diligent work in attaining this level of performance.

Mr. Heitzman stated that over the past several months, staff has worked with Metro Parks on evaluating alternative uses for the River Road Country Club property. The property is currently open to the public for general use and Metro Parks will be conducting a public information meeting on July 14, 2005 to accept suggestions for future use of the property. Since assuming control of the property from the Club,

LWC has incurred \$40,000 in expenses to clean and secure the building and site. Mr. Heitzman noted that additional expenses are estimated to be \$25,000 for the remainder of the year.

Mr. Heitzman provided an update on the Crescent Hill Alternative Treatment Technology Steering Group, stating that their next meeting will be held on August 16, 2005. He noted that the group agreed to further research five alternatives, including combinations with granular and powdered activated carbon and ozone. This work is in parallel with the value engineering analysis of the BE Payne Plant Alternative Treatment Technology bids that will be completed by August 2005. The Steering Group analysis and recommendations are expected to be completed by October 2005. Mr. Conner requested that the recommendations be presented at one meeting and considered for a decision at the following meeting.

Serving Customers Report Provided

Ms. Teasley provided the Serving Customers report. The installation of Automated Meter Reading (AMR) devices in the three pilot areas of KTHL, Goshen, and Shepherdsville is 99.92% complete. In May, an AMR Evaluation Project Team was chartered, consisting of individuals from across the organization. This team is currently preparing a financial evaluation of the cost/benefit of expanding AMR into other parts of LWC's service area.

Ms. Teasley reported that the State Attorney General's Office contacted LWC staff in March 2005 on a customer issue related to billing. After further investigation, staff has discovered a billing error which concerns customers billed during January and early February of 2005. The error, which relates to service charges for water, wastewater and drainage, resulted from delayed meter reading dates, which were implemented to avoid bill estimations during adverse weather conditions when staff could not access meters. Staff for LWC and MSD are in the process of validating the data quantifying the billing error. The water credit due LWC customers is estimated at approximately \$78,000. LWC staff will continue to work with the Attorney General's Office and MSD on the process and timing to provide credits to impacted customers.

Audit Committee Report Provided

Ms. Welsh distributed draft copies for the Audit Committee minutes from the meeting held on June 6, 2005, noting that the minutes had not yet been approved. She stated that the 2004 Annual Inspection identified 82 recommendations to improve the condition of the facilities. To date, progress has been made on all but 2 of the medium priority items. There were a total of 12 high priority recommendations – those recommendations where an incident or failure causes a life safety, water quality, production, or distribution issue. Of the 12, LWC disagreed with one, completed six, have two in progress, and has planned three. She said that Mr. Smith reviewed the high priority recommendations in detail and that staff intend to complete 75% of the recommendations by the September 2005 Audit Committee meeting and provide an update at that time.

Ms. Welsh advised that our former independent auditor, Crowe Chizek, had noted in its SAS-61 letter it could not express an opinion on the effectiveness of the company's internal controls. This statement had led Directors to ask what it would take to have such a review conducted. This would be a voluntary assessment, since LWC is not bound by the Sarbanes-Oxley Act, and not many companies are submitting to voluntary assessments of their internal controls. She described an analysis prepared by Mr. Miller regarding what is required under Sarbanes-Oxley, what the recommended best practices are, and what could be included in a plan for LWC. Mr. Conner agreed that he believes we should develop a plan to voluntarily comply. Ms. Welsh reported that the IT General Controls audit is moving forward using the COBIT method.

Ms. Welsh advised that the Code of Conduct and Ethics Survey questionnaires went out to all employees in January 2005. We have received responses to all the questionnaires and twenty-four of them needed

follow up based on an affirmative answer to one of the questions. Ms. Welsh noted that thirteen individuals answered the harassment question affirmatively. As a result, staff conducted follow-up to discuss the definition of harassment and to emphasize the time frame covered by the survey. During the follow-up meetings, three employees changed their responses to negative, resulting in only ten affirmative responses. She said that Mr. LeMaster reviewed how LWC's policy on receipt of gifts by employees compared to other local agencies and believes it compares favorably.

Ms. Welsh reported that Mr. LeMaster conducted a review of cash processing and determined that controls were sufficient to allow for a reasonably secured cash handling process. Also, Mr. LeMaster reviewed the outstanding issues from the audits he has conducted.

Ms. Welsh stated that the Committee desires that a policy statement regarding harassment and discrimination and regarding the Company's position on gifts and gratuities be provided to employees every other year that the full Code of Conduct survey is not conducted. Employees would be required to sign a statement indicating their understanding of the Company's position on these matters. Also, the Committee desires that all corporate officers disclose gifts to the Board, including any gifts made to a charity on behalf of the corporate officer.

Second Quarter Dividend Declared

Mr. Miller recommended adoption of a draft resolution to declare the second quarter dividend. Ms. Welsh to approve the following resolution to declare the second quarter dividend with a total quarterly payment of \$3,792,819:

RESOLUTION TO DECLARE SECOND QUARTER DIVIDEND TO THE CITY OF LOUISVILLE

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 1992 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 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, the Board passed a resolution on March 15, 2005 to adjust the 2004 annual dividend by \$327,018, from \$13,766,392 to \$14,093,410, the difference to be added in quarterly installments to the regular 2005 quarterly dividend, and

WHEREAS, the Board passed a resolution on March 15, 2005 to increase the 2005 dividend payment by \$1,526,239, this being the amount of the dividend from 2002 and 2003 due as a result of eliminating from its inception in 2002 the practice of deducting the rate differential for acquired systems from the net income available for the purpose of computing the dividend, to be added in quarterly installments to the regular 2005 quarterly dividend installments, and

WHEREAS, the 1992 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 2005 Louisville Water Company Annual Budget contemplates the 2005 annual dividend to be \$13,318,020, it would be in order at this time to declare a regular second quarter dividend of \$3,329,505;

RESOLVED, the regular second quarter 2005 dividend of \$3,329,505 is hereby declared, and further

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,792,819 to the Louisville / Jefferson County Revenue Commission on March 31, 2005, this being the second quarterly dividend for 2005 plus one quarter of the dividend adjustments for 2002, 2003 and 2004, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

Mr. Martin seconded, and the motion carried.

Board Members Reappointed

Mr. Conner reported that the Mayor has reappointed and the Metro Council has approved Stewart Conner and Marita Willis to serve another term on the Board of Water Works.. These terms expires April 30, 2009.

Information Provided Regarding Gene Snyder Freeway Transmission Main

Mr. Huber provided an update regarding the Gene Snyder Freeway Transmission Main project. The 2002-2021 Facilities Plan, prepared by Black & Veatch, recommended the construction of a transmission main following the Gene Snyder Expressway from the English Station Standpipe to Billtown Road. The need for this facility was based on continuing growth in eastern Jefferson County and the expected growth in the service areas of our Shelby, Spencer and Bullitt County wholesale customers. Construction was planned for completion in 2011 at a cost of \$15,547,000.

Mr. Heitzman stated that this project has been deferred for nearly fifteen years by constructing 12" and 16" mains during the Jefferson County Water Extension Program. With the pressure standard change, we need the ability to move more water from north to south in our system. Mr. Huber noted that there have been 13,274 customers added in this area during 1994 to 2004.

Mr. Smith explained that further analysis by planning staff and past operating experience during the drought of 1999 indicates the need for this facility is more urgent. Based on this analysis, the 2004 Capital Improvement Program included this project with preliminary design of this facility planned for 2004 to 2005, final design from 2005 to 2006 and construction scheduled for 2006 through 2009. Initial sizing and the project cost estimate of \$15,547,000 was based on construction of a 48 inch main from English Station to I-64, a 36 inch main from I-64 to Taylorsville Road and a 30 inch main from Taylorsville Road to Billtown Road. Sizing considerations are still underway.

The project estimate for preliminary design, easement acquisition and final design is estimated to cost \$725,000. This will require advancing \$425,000 originally slated for 2006 into the 2005 capital program. After completion of preliminary design, easement acquisition and final facility sizing, Board of Water Works approval will be sought for final design and bidding of this project.

Strategic Plan Overview Continued from Previous Board Meeting

The Board continued its review of the Strategic Plan through an overview of the Company's Constituents, Goals, Objectives and Risks. Mr. Huber explained how we define each of those concepts. He stated that risks will be discussed further at an upcoming meeting. He described three key constituencies: customers, stockholder, and employees.

Ms. Teasley discussed our first major group of constituents, our customers. The goal for Customer Service is to meet and exceed customer needs and expectations, including providing appropriate information on product quality and services. She reviewed the Customer Service objectives and described the risks affecting our ability to meet our Customer Service objectives.

Mr. Heitzman discussed Water Quality as a constituent, noting that this includes customers, the general public, and regulators. The goal is to assure safe water supply, meet water quality regulations and customer expectations for distribution water quality. He reviewed the Water Quality objectives and risks.

Mr. Miller discussed our Stockholder goal to recognize and support our stockholder's interests. He also reviewed the Employee goal to provide an environment which values quality of work life, continuous learning, employee contribution, and well being.

Mr. Huber discussed the other constituents that we must serve: Elected Officials - maintain effective communications and relationships with elected officials and their staffs; Regulatory Agencies - sustain effective partnerships with public health, water quality, and regulatory agencies to better serve our customers; Community - actively support employee and corporate participation in establishing and supporting community goals; and Suppliers - build partnerships to link suppliers and contractors to our diversity strategies and build supplier and contractor partnerships to support our ability to meet and enhance standards and service goals.

Contract Awarded for Project 99407: Goshen Elevated Water Storage Tank

Mr. Heitzman reported that two bids were received for construction of the Goshen Elevated Water Tank in Oldham County. This one million gallon tank will provide improved system pressure, improved fire flow, and a system expansion opportunity for an 840 pressure zone to be created in this growing region of the service area. The bids ranged from \$1,837,100 - \$2,111,100. The engineer's estimate was \$1,380,000. Discussion with the apparent low bidder indicated differences were in the costs for the foundation, concrete and steel, pipeline road bore, special cellular equipment mountings, and construction management. Mr. Heitzman introduced Kevin Gallagher, Vice President of Sales for Caldwell Tanks, who described raw materials supply pricing issues for steel. Mr. Heitzman also distributed information from the Engineering News Record regarding the cost index for construction, materials and steel for the past four years. After extensive discussion by the Board, Mr. Martin moved to authorize the Purchasing Manager to award a contract in the amount of \$1,837,100 to Caldwell Tanks, Inc. for construction of the Goshen Elevated Water Tank, plus establish a new budget of \$2,207,100, which includes an allocation of \$100,000 for consultant construction and coatings inspection services through the 18-month construction schedule. Ms. Harris seconded, and the motion carried.

There being no further business, the meeting was adjourned at 2:45 p.m.

Respectfully submitted,



Robert K. Miller
Vice President, Treasurer and Acting Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
JULY 12, 2005**

Board Members Present:

Mr. Stewart Conner, Chair
Mr. Gerald Martin
Ms. Marita Willis
Ms. Margaret Harris

Not Present:

Mayor Jerry Abramson
Ms. Wendy Welsh, Vice-Chair
Dr. Joseph Wise

Others Present:

Mr. John Huber, President
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Vice President, Operations and Chief Engineer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Ms. Amber Halloran, Business System Owner, Supplying Financial Resources
Mr. Carl Blanton, Business System Owner, Organizational Effectiveness

Visitors:

Mr. Larry Gaddis, Black & Veatch Consulting Engineers

The regular meeting of the Board of Water Works was held on Tuesday, July 12, 2005 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:30 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Mr. Gerald Martin moved to approve the minutes from the Regular Meeting held June 21, 2005, seconded by Ms. Margaret Harris, and the motion carried.

Chief Executive Officer Report Provided

Mr. John Huber reported some historical facts from 1852 that he discovered in conjunction with his service on the Marine Hospital Board. At that time, the consideration of whether to build a waterworks in Louisville was generating much discussion.

Financial Report Provided

Ms. Amber Halloran provided the financial results through June 2005. Operating Revenues for June of \$9,391,401 were \$503,782 or 5.7% more than budgeted and \$659,382 or 7.6% more than June 2004. There was an additional adjustment made in June to residential sales totaling \$70,918 representing an estimate to refund 98,000 residential customers that were overcharged in January. Total adjustment accrued year-to-date is \$149,318. The prior year variance is due to the increase in water rates and residential water sales. YTD Operating Revenues of \$52,482,949 are \$1,453,704 or 2.8% more than

budgeted and \$3,981,506 or 8.2% more than 2004. Operation and Maintenance Expenses for June of \$4,045,586 were \$143,578 or 3.7% more than budgeted and \$650,228 or 19.2% more than June 2004. This variance is related to higher production results in chemicals, overtime, and claims incurred. YTD Operation and Maintenance Expenses of \$21,589,742 are \$1,168,856 or 5.1% less than budgeted and \$507,254 or 2.4% more than 2004. Total Operating Expenses for June of \$6,330,790 were \$146,953 or 2.4% more than budgeted and \$902,693 or 16.6% more than June 2004. The budget variance is due to higher than expected operation and maintenance expenses related to increased production and claims reserves. The prior year variance is due to increases in operation and maintenance expenses, depreciation expense, and water service provided in lieu of taxes. We had expected to do an additional borrowing in May of \$40 Million Dollars, but that borrowing has been postponed.

YTD Total Operating Expenses of \$35,190,309 is \$1,263,053 or 3.5% less than budgeted and \$1,700,058 or 5.1% more than 2004. Net Operating Income for June of \$3,060,611 was \$356,830 or 13.2% higher than budgeted and \$243,310 or 7.4% less than June 2004. YTD Net Operating Income or \$17,292,640 is \$2,716,758 or 18.6% more than budgeted and \$2,281,447 or 15.2% more than 2004. Total Net Non-Operating Expense for June of \$243,475 was \$224,220 or 47.9% less than budgeted and \$171,989 or 41.4% less than June 2004. The budget variance is due to higher than expected interest income and allowance for funds used during construction and lower than expected interest expense for the delayed borrowing. The prior year variance is due to an increase in interest income. YTD Total Net Non-Operating Expense of \$1,431,199 is \$918,487 or 39.1% less than budgeted and \$1,460,991 or 50.5% less than 2004. The prior year variance is due to early retirement incentive program costs which were incurred in January 2004.

Net Income Before Distributions and Contributions for June of \$2,817,136 was \$581,049 or 26.0% more than budgeted and \$71,322 or 2.5% less than June 2004. YTD Net Income of \$15,861,441 is \$3,635,245 or 29.7% more than budgeted and \$3,742,438 or 30.9% more than 2004. Capital Expenditures through June were \$29,172,351 or 32.01% of the 2005 Capital Budget of \$91,148,054 or 3% of our revised capital budget.

Mr. Martin asked if we calculate profit margins and track them historically. Ms. Halloran said we do not track that currently but we can do so in the future and add it to the report. Mr. Huber noted there is a rise in residential sales but a decline in commercial and industrial sales, even compared to a conservative budget. Mr. Connor inquired whether there is a correlation between pumpage and water sold. Mr. Huber noted there is up to a two-month lag between consumption and billing. Mr. Martin discussed the increases in 2004 in revenue per customer. Mr. Huber responded it relates to higher irrigation sales.

Operations Report Provided

Mr. Gregory Heitzman provided the Operations report. Due to hot and dry weather conditions in June, the Company set a new record for daily water production in June. On June 24, we recorded pumping of 201.5 MGD and on June 25, we recorded pumping of 204.5 MGD. The previous pumping record was 198 MGD set in August of 1999. Production staff successfully managed the high demand situation with very few low pressure complaints. During the high demand period, the B.E. Payne plant was operated at full 60 MGD capacity for the first time since expansion of the plant, thereby preventing a negative impact to the elevated service area pressures and without any water quality problems. The new filter design and performance of the plant exceeded operating expectations. At the Crescent Hill Filter Plant, however, managing the performance of the filters under the peak demand conditions was a challenge due to their physical design and condition but the filtered water quality targets for turbidity were met for the month. Mr. Heitzman compared this successful effort to the experience in the Summer of 1999 when we were met with significant operational challenges. The high demand reinforces the need to accelerate the Gene Snyder Freeway transmission project. During the recent peak demand, we were using every capability we

had to get water to the Fern Creek and Mt. Washington areas. For the month, the average production rate was also at a record high of 157.7 MGD, which is 13.3 percent higher than the June 2004 production of 139.2 MGD and 11.0 percent higher than the five-year average June production of 142.1 MGD. For year-to-date production, the pumping rate of 124.8 MGD is 2.6 percent above the 2004 pumping rate of 121.7 MGD and 1.4 percent above the five-year average of 123.1 MGD.

Due to river and weather conditions, algae population in the river started to increase in late May and was causing taste and odor problems. Geosmin was detected in the river water at a concentration of near 10 ng/L; a level that can be easily detected by a normal person. Powder activated carbon (PAC) was added to the treatment process for about a month at a dose of 75 pounds/MG, and the treatment was effective in removing the odor and preventing potential customer complaints regarding taste and odor. The taste and odor event may reoccur if dry weather continues. The total chemical cost for treating this taste and odor event was \$82,000.

The unusually dry weather, combined with record pumping through the distribution system, resulted in an unusually high number of 12-inch "split pipe" main breaks. This trend began in May and continued through June. These main breaks are characterized by the pipe splitting longitudinally, typically for the entire length of a section of pipe. Because this mode of failure is "catastrophic," there is typically a higher occurrence of street and property damage, and emergency response must be immediate. In May and June there were fourteen and fifteen split pipe breaks, respectively; which is much higher than a typical spring-summer period.

Serving Customers Report Provided

Ms. Karla Teasley provided the Serving Customers report. Customer satisfaction increased again in the second quarter of 2005 to the highest level experienced since the survey and index were initiated in 1994. The Total Customer Satisfaction Index (CSI) level is 856 for the quarter and 853 YTD which exceeds the Corporate Level II goal of 850. Customer satisfaction for the Service CSI remained stable at 801 for the quarter and YTD. Commercial service numbers dropped slightly for the quarter.

Staff implemented several new procedures in order to ensure that the billing situation that occurred in January and early February does not impact customers in the future. Upon learning of the error, immediate changes were made to the method used to process a bill that must be canceled and then re-billed in the case of adjustments, reading or billing errors, to ensure that proper fees are charged. In addition, staff has reviewed the billing system's control table files and are prepared to make programming changes to those files to properly assess all service charges should similar events arise again. Staff are also consulting with Alliance, LWC's billing system vendor, to identify long-term solutions that protect against this error occurring again. Staff for LWC and MSD are completing their validation of the data quantifying the billing error. The estimated water credit due LWC customers has been revised to approximately \$150,000 and was reflected in June financial statements. Credits are expected to be issued to impacted customers with the next billing cycle.

The Metered Water Ratio team has taken several steps toward meeting the objectives of its 2005 Action Plan. In the second quarter, Metering Services staff improved processes to more timely address and repair meters not registering, eliminating the significant backlog of this work that existed in January 2005. In addition, Metering Services staff worked to increase the number of field tests conducted on LWC's large meters (3 inch and larger). Cross training existing personnel has increased staffing flexibility and as a result the number of large meters tested through June 2005 is up significantly over year-to-date June 2004. Staff is drafting a comprehensive back billing policy, projected to be implemented later this year, to consistently address billing oversights when they occur. The Duty Exchange program that was re-initiated in 2005 is ahead of schedule with approximately 7,000 meters exchanged through June. In the

second quarter, staff also began to arrange for testing LWC's plant production meters in the third quarter of this year.

The June abandonment rate was 7.8% compared to 5.0 % in May 2005, and 5.0% in June 2004. Bad debt for the month was \$45,190 compared to \$72,842 in May 2005, and \$53,426 in June 2004. Bad debt is \$3,273 over budget for the month and \$40,770 over budget year to date. Customer Service took more calls (3,000 more) than normal and had slightly lower availability rate.

LWC received a Five Year Director's Award from the American Water Works Association for producing drinking water that continually surpasses federal water quality standards.

Closed Session

Ms. Marita Willis moved to go into closed session to discuss proposed or pending litigation pursuant to KRS 61.810(1)(c), respectively, at 1:15 p.m. Mr. Martin seconded, and the motion carried.

Open Session Resumed

On the motion of Mr. Martin seconded by Ms. Willis, and unanimously carried, the Board resumed open session at 1:31 p.m. No action was taken in closed session.

Strategic Plan Overview Continued from Previous Board Meeting

The Directors received a presentation on the Strategies and sub-Strategies contained in the 2004-2008 Strategic plan. This discussion did not include review of the tactics, which are operational in nature, for completing each sub-strategy.

Mr. Heitzman stated the first strategy is to invest in treatment and delivery systems and technologies that deliver a quality of water service proven to assure public health and safety, meet customer expectations, and exceed regulatory standards. Several sub-strategies support this first strategy. We want to Ensure high-quality water and safety in the treatment and in the distribution system. We need to continue renewal in treatment and delivery systems to ensure reliability. This is evidenced by our commitment to the Main Rehabilitation and Replacement Program (MRRP) and investment in our plants to replace aging equipment. We are striving to install and have operational appropriate advanced treatment technologies at B.E. Payne & Crescent Hill Filter Plant by 2012. This initiative is scheduled in 3 phases, and we are working on Phase 3 currently. We are implementing 2002-2021 Facility Plan recommendations to meet quality, quantity and reliability requirements. We must develop and maintain leading edge know-how and competencies in the science of water treatment and delivery. We recognize we must be able to recruit knowledgeable people to advance the science of water treatment and delivery. We must work to expand Ohio River and aquifer source water protection, and have done this through involvement in with ORSANCO and their technical advisory group since its inception.

Ms. Halloran reviewed the second Strategy, which is to operate competitively and demonstrate leadership in the water supply marketplace, focusing on customer satisfaction and the drivers of quality service and value. To fully realize this strategy, we must institutionalize the Total Quality Organization principles of systems-based management, empowerment, quality of work life, and partnership within LWC. To do so, we must build competitive advantages and focus on all aspects of performance management. We have to strengthen business partnerships and relationships with key agencies, suppliers, and partners, including involvement in the community. We have to look for new ways to increase value to the stockholder and customer. The challenge is to continue to maintain value to our stockholders while also considering our obligations to our customers. In essence, we have to use best practices to anticipate and meet our

customer requirements. It is key for us to ensure a sustainable cost structure and specifically focus on costs that are increasing faster than the CPI such as insurance and fuel.

Ms. Teasley presented the third strategy, which is to increase water revenue by selling more water. To do so, we must implement improvement and extension programs in Bullitt and Oldham County service areas. We have to support sound community planning and design in Jefferson, Oldham, and Bullitt counties. We need to expand water sales in regional retail and wholesale markets where it is mutually beneficial. We have completed many projects to expand our retail area. The bigger challenges are now in the wholesale markets, which will increase sales, and therefore, increase revenue. When we seek to increase water sales, we have to consider how to do so within the boundaries of existing urban infrastructure and support community activities to revitalize brownfields/grayfields. We are always looking at ways to encourage growth and redevelopment in urban areas where our infrastructure is underutilized. Mr. Martin wondered whether this is the strategy we need to use if we want to look at nontraditional ways to increase revenue.

Mr. Carl Blanton presented the fourth strategy, which is to achieve and maintain a high quality of work life as defined in the Next Level Plan. This strategy requires us to offer competitive compensation and benefits with effective reward and recognition programs to enable the recruitment and retention of skilled employees. We must set compensation levels to reward employees appropriately, and we accomplish that through market pricing of jobs. We have to build on the strengths of a diverse workforce to meet our operational objectives. We value diversity and realize it makes us more successful. We need to enhance training and development that facilitates continuous learning and improvement to meet operational objectives. Finally, we must foster an environment that promotes effective communication so that all employees feel free to ask questions and provide feedback. We believe in partnering with employees to encourage them to be owners in the work and the results we achieve.

Ms. Teasley discussed last strategy, which seeks to enhance customer satisfaction and achieve best in class customer service by resourcing and implementing the Enhancing Customer Satisfaction and Customer Confidence Program Plan. LWC has had an enhancing customer satisfaction program in place for a number of years. This includes striving to improve processes to meet customer values, needs and expectations. We have to foster better communication and understanding between cores, systems and processes. This focuses on internal processes to see what level of internal customer service and satisfaction we can achieve because internal customer satisfaction directly impacts external customer service and satisfaction. We have to enhance the Customer Education Program. We must continually strive to enhance customer service and achieve "best in class" customer service by providing reliable and timely access to information through implementation of the Information Technology Strategic Plan. As we provide better tools to our employees, such as ECIS and AMR, these tools allow us to provide better service to our customers and will provide a higher level of customer satisfaction.

Certification Provided for Projects and Change Actions Authorized in the Second Quarter 2005

Mr. Huber certified the following projects have been approved in the Second Quarter of 2005 in accordance with the Capital Projects Authorization Policy and the Procedure related thereto, except for occasions when projects were closed out, and change actions were processed without the committee and the President approval. We have taken steps to ensure this practice will not continue, so that approval of change actions strictly follows the procedure.

10609	Sandblast and Recoat Steel Storage Tanks – Paint Bardstown Rd tank	
	Project budget estimate =	\$ 460,000
10269	I-65 16" DI Transmission main from Shepherdsville Industrial Park to Chapezc Ln	
	Project budget estimate =	\$ 750,000

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10355	Chenoweth Lane area main replacement	Change in project budget estimate =	\$ 231,000
10516	Manslick Road main replacement	Change in project budget estimate =	\$ (98,000)
10027	Fordson Way area main replacement	Change in project budget estimate =	\$ 139,000
10135	Reservoir Ave 36"/8" main replacement	Change in project budget estimate =	\$ (86,707)
03603	Goshen area main replacement	Change in project budget estimate =	\$ 62,621
10585	Pitts Point Road area main replacement	Change in project budget estimate =	\$ 21,639
11034	Samuel St lead service renewals	Project budget estimate =	\$ 110,000
11006	Metro Paving Plan lead service renewals	Project budget estimate =	\$ 290,540
10487	Old Brooks Hill Road petition water main extension	Project budget estimate =	\$ 115,000
10611	BEP Plant Lagoon #4 Security Fence Replacement	Change in project budget estimate =	\$ 58,000
10565	Homeland Security facility enhancement	Project budget estimate =	\$ 450,000
99402	Riverbank Filtration Phase II – Cash flow revision	Project budget estimate =	\$ 37,323,300
00494	Wolf Pen Branch 36" transmission main Phase I	Change in project budget estimate =	\$ 34,012
10556	Cedar Glen Section 1 Developer Extension request with LWC betterment	Total Asset Cost =	\$ 110,610
		Net LWC Cost =	\$ 21,000
11048	BEP RBI Well Building HVAC Improvements	Change in project budget estimate =	\$ 32,940
11016	Downtown Bridge main relocation	Total Asset cost =	\$ 1,000,000
		Net LWC Cost =	\$ 0
10609	Paint Bardstown Rd tank	Change in project budget estimate =	\$ 923,000
01743	Gene Snyder Freeway transmission – Preliminary Design	Project budget estimate =	\$ 15,547,000
11015	Clifton Heights Ave main replacement	Project budget estimate =	\$ 312,700
11055	Shelbyville Rd III – Eden to Burnley main replacement	Project budget estimate -	\$ 1,265,000
11022	Ferguson Lane	Project budget estimate =	\$ 128,988
03607	Westport Transfer Station Surge Tank	Change in project budget estimate =	\$ 49,809
03832	Tyler Settlement Elevated Water Tank	Change in project budget estimate=	\$ 820,000
99407	Goshen Elevated Water Tank	Change in project budget estimate=	\$ 200,000
10354	Liberty Street Area Main Replacement	Change in project budget estimate=	\$ 56,641

10355	Chenoweth Lane area Main	Change in project budget estimate=	\$ 50,774
3638	CHFP Slate Roof Replacement	Change in project budget estimate =	\$ 540,000
11085	Keith Hollow Water Main Extension	Project budget estimate =	\$ 115,000
03641	Ventilation Improvements at Crescent Hill Pump Station	Change in project budget estimate =	\$ 78,000
2648	Ventilation Improvements at Zorn Pump Station	Change in project budget estimate =	\$ 115,000
2327	Castleman Branch Water Main Extension	Project budget estimate =	\$ 276,500
03316	Keith Hollow Water Grid-Tie & PRV Station	Project budget estimate =	\$ 125,000
02312	Barralton Hill & Pendleton Road Water main extension	Project budget estimate =	\$ 171,500
10648	Renovation of ¾" & 1" Meter sets – Annual Allowance	Change in project budget estimate =	\$ (32,800)
10239	Human Resources & Payroll Information System	Change in project budget estimate =	\$ 232,980
11072	Locust Creek Section 6	Total Asset Cost =	\$ 395,890
		Net LWC Cost =	\$ 71,500
10459	Wolf Pen Branch 36 inch Transmission Main Phase II	Project budget estimate =	\$ 3,388,900
11094	Seelbach Ave Area Main Replacement	Project budget estimate =	\$ 275,000
11096	Upper River Road Main Replacement	Project budget estimate =	\$ 120,000
3523	Crittenden Drive II Main Replacement Project	Change in project budget estimate =	\$ 76,895
11015	Clifton Heights Area Main Replacement Project	Change in project budget estimate =	\$ 86,300
10209	Stonestreet Rd 12" Main	Change in project budget estimate =	\$ 40,000
11088	US 60 Shelbyville Rd Improvements Notting Hill at Shelby County	Total Asset Cost =	\$ 135,200
		Net LWC Cost =	\$ 23,400
10394	KY 22 at Murphy Lane	Project budget estimate =	\$ 150,000
		Net LWC Cost =	\$ 0
01743	Gene Snyder Frwy Transmission main – Cash flow revision	Project budget estimate =	\$ 15,547,000
02750	KY Hwy 61 12" Grid-tie	Change in project budget estimate =	\$ 49,000
99416	Waste Wash Water Holding Tank and Pump Station	Change in project budget estimate =	\$ 37,170

10414	Shelbyville Rd II, Breckenridge Ln to I-264	Change in project budget estimate =	\$ 190,000
10415	Westport Rd, Primrose Dr to Ambridge Circle	Project budget estimate =	\$4,752,000
03662	Louisville International Airport 60" relocation	Change in project budget estimate =	\$ (33,540)
03510	Wayne Supply main replacement	Change in project budget estimate =	\$ 91,100
03662	Louisville International Airport (Standiford Field) 60" relocation Phase 3	Change in project budget estimate =	\$ 42,657
10382	Kentucky St area main replacement	Project budget estimate =	\$ 2,265,050
01702	Construct Dry Ridge elevated water tank – Cancelled	Project budget estimate =	\$ 750,000
02602	Construct Dry Ridge Booster Pump Station – Cancelled	Project budget estimate =	\$ 200,000

Certification Provided for Contracts and Bids Awarded in the Second Quarter 2005

Mr. Huber certified the following contracts were awarded in accordance with the Purchasing Policy and Purchasing Procedures in the Second Quarter of 2005.

CAPITAL PROGRAM

02661	Pave Cardinal Hill Road		
	Metro Louisville Public Works		\$35,250
04-42	Engineering Services - Project 10269 / I-65 16-inch Transmission Main between KY 480 & Shepherdsville Industrial Park		
	O'Brien and Gere Engineers		\$41,376
	Quest, Inc.		\$36,895
05-25	Chenoweth Lane Main Replacement Project		
	Tom Brown Construction		\$207,774
05-26	HVAC Improvements for RBI Well Building at BEPWTP		
	Ivey Mechanical Company		\$129,440
05-50	Project 10609 - Paint Bardstown Road Tank		
	Currens Company, Inc.		\$714,660
Project 11015	Clifton Heights Area Main Replacement Project		
	MAC Construction & Excavating, Inc.		\$229,48
10354	Liberty Street Area Main Replacement Project		
	Tom Brown Construction		\$746,335
10611	B.E. Payne Lagoon #4 Security Fence Improvement		
	Basham Construction & Rental Co., Inc.		\$107,000

PROCUREMENT OF MATERIALS AND SERVICES

00-66	Small and Large Meter Vault Frames & Lids - 4th PPI Renewal	
	General Foundries - Monitor Casting and Lids and Lids Only	\$30,625
	Bingham & Taylor - Light and Heavy Frames/Lids and Lids Only	\$273,735
01-11	Cold Water Meters - 4th PPI Renewal	
	Neptune Technology Group	\$1,354,679
01-55	Automated Meter Reading (AMR) - 3rd CPI Renewal	
	Neptune Equipment Company	\$39,565
02-27	Fire Hydrants - 4th PPI Renewal	
	American Cast Iron Co.	\$1,169,648
04-21	Janitorial Services - 1st CPI Renewal	
	Purvis Professional Cleaning Services	\$58,917
	National Janitorial	\$25,523
	KIMCO Corporation	\$68,623
	Adams Cleaning	\$48,024
04-23	HRMS / Human Resources Management System	
	Empower Solutions, Inc. - Implementation Service	\$949,879
	Oracle Inc. - Software, Maintenance and Training	\$392,872
04-34	Locating Services - 1st CPI Renewal	
	Utility Locating & Mapping Service	\$469,658
05-04	Mail Service	
	United Mail	\$1,273,778
05-22	Zorn Pump Station #3 Motor Repair	
	Mohler Technology, Inc.	\$27,150
05-23	TOC Analyzer	
	Ionics	\$38,724
05-28	Spoils Recycling - Unit Price Contract - Multiple Awardees	
	Merlu dba Mother Earth	\$248,625
05-30	Contingency Contract for Motor Repairs	
	Magnetec Industrial Services	\$20,630
05-32	1 Ton Cab and Chassis	
	Pearce Motor Co., Inc.	\$53,228
	Bill Collins Ford	\$53,306
05-36	Polyvinyl Chloride (PVC) Pipe	
	PW Eagle (Formerly ETD)	\$1,024,420
05-37	Restraint Joint Adapters	
	Hayes Pipe Supply Co.	\$142,859

05-38	Valve Boxes Hughes Supply Co.	\$103,400
05-39	Pipe Repair Couplings, Sleeves and Bell Joint Clamps Hughes Supply Co.	\$29,974
05-47	Harco, Inc. Fleet Vehicles Peterson GMC-Kenworth	\$22,771 \$271,943
05-53	03-317, Walls Hollow Booster Pump Station Bullitt County Extension Program Southern Pipeline Construction Co. (CWBE)	\$84,30
05-56	EMC Hardware, Software, Service and Maintenance EMC Corporation	\$155,732
KY State Contract	Sun Server Purchase Pomeroy	\$42,763
State Contract	This acquisition includes 2 Sun V440 servers and associated maintenance Pomeroy Computer Resources	\$44,580

PROCUREMENT OF PROFESSIONAL SERVICES

04-42	Distribution System Design and Construction - Pipeline, Pump Stations, and Tanks - 11055 Shelbyville Rd III - Eden to Burnley QK4	\$50,000
99-402	Value Engineering Exercise - Phase II Riverbank Filtration Tunnel and Pump Station Jordan Jones & Goulding	\$70,500
Professional Service	2005 Annual Inspection Black & Veatch	\$34,114

PROCUREMENT OF SOLE SOURCE MATERIALS AND SERVICES

Sole Source	Renewal of Oracle Maintenance Support Oracle Corporation Alliance Data Systems EMC Corporation Oracle Corporation	\$33,748 \$22,100 \$87,038 \$164,944
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Authorization Given to Proceed with Final Design and Bid for Kentucky Street Area Main Replacement Project

The Board approved the 2002/2003 and 2004/2005 Main Replacement and Rehabilitation Program (MRRP) in January 2002 and November 2003, respectively, including the 26th Street Area project. The original project was to clean and line these mains, but after further review of the recent maintenance records by Infrastructure Planning, replacement is more suitable. The Kentucky Street Area Main Replacement Project will include Kentucky Street, 25th Street, 26th Street, 32nd Street, Garland Avenue, Greenwood Avenue, Howard Street, Maple Street, and Midway Street, Grand Ave, 24th St., and 36th St.

The portion of 32nd Street north of Garland Ave was removed from the project because Metro Public Works repaved the street earlier this year. The pipe footages for replacement were increased approximately 5% to allow for the renewal of intersections and in anticipation of the need for additional pipe for vertical and horizontal offsets to avoid obstructions along the alignment of the pipeline. The cost estimate for the replacement includes material costs, upsizing of most of the mains from 6" to 8", 196 service transfers, and 325 service renewals. This replacement work will help to improve hydraulic capacity, water quality and fire flow availability in this area. Mr. Martin moved to increase the Kentucky Street Area Main Replacement Project budget by \$1,142,382 from \$1,122,668 to a Budget of Record of \$2,265,050 and to proceed with the final design and advertisement for bids. Ms. Willis seconded, and the motion carried.

Apportionment Warrant Register Amended

The Board of Water Works approved a resolution for the issuance of Apportionment Warrants for Old Routt Road; Routt Road to South of Floyd's Fork Creek at its November 14, 2000 meeting in accordance with KRS 96.265. Mr. John M. Biller contacted LWC staff to request the removal of 4118 Routt Road from the register. Mr. Biller owns the property known as Tax Block 48 Lot 94, (noted in the register as 4118 Routt Road) for which he received an Apportionment Warrant assessment. Mr. Biller bought Tax Block 48 Lot 94(4118 Routt Road) in 1994 and combined the parcel with Tax Block 48 Lot 83 (noted in the register as 4200 Routt Road) prior to the assessment. During the initial project study, the Property Valuation Administration (PVA) data showed these parcels as two separate properties owned by two different owners, and therefore, we assessed the properties separately. Easement and Right of Way staff subsequently researched the property and confirmed that, on May 25, 1994, it was sold to John Biller & Teresa Biller. Therefore, Tax Block 48 Lot 94 was incorrectly assessed an Apportionment Warrant. Ms. Willis moved to amend the Apportionment Warrant Register, thereby removing Tax Block 48 Lot 94 (W.M.T. Story & April Story) from the Register adopted by the Board on November 14, 2000 in accordance with KRS. 96.265. Mr. Martin seconded, and the motion carried.

Executive Session Conducted

The Board went into Executive Session without management present at 2:05 p.m.

There being no further business, the meeting was adjourned at 2:15 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
AUGUST 9, 2005**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis

Not Present:

Mayor Jerry Abramson
Dr. Joseph Wise

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Mr. Jim Asseff, Business System Owner, Facility Design & Construction
Mr. Don McKay, Business System Owner, Managing Business Risk
Mr. Jim Smith, Business System Owner, Infrastructure Planning and Business Development
Dr. Jack Wang, Business System Owner, Managing Water Quality
Ms. Kay Ball, Program Manager, Riverbank Filtration Project
Mr. Ed Chestnut, Assistant to the President for Strategic Planning & Corporate Measures

Visitors:

Mr. Larry Gaddis, Black & Veatch Consulting Engineers

The regular meeting of the Board of Water Works was held on Tuesday, August 9, 2005 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:40 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Mr. Gerald Martin moved to approve the minutes from the Regular Meeting held July 12, 2005, seconded by Ms. Margaret Harris, and the motion carried.

Chief Executive Officer Report Provided

Mr. John Huber reported that some studies have shown disinfectant by-products regulated in drinking water to cause First Trimester miscarriages. Another study conducted at the University of North Carolina found no causal relationship between disinfectant by-products in drinking water and miscarriages, but showed a very weak relationship with brominated compounds in drinking water. LWC's brominated compounds are very low. Mr. Huber noted that the Energy Bill signed last week did not give the petroleum companies a waiver of liability for MTBE caused injuries. Legislation requires any lawsuits related to these injuries to be filed in federal court. We have had no MTBE issues.

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Mr. Huber also noted the Senate Committee on Environment and Public Works authorized a bill providing \$15 Million for water infrastructure and \$20 Million for waste water infrastructure. The bill would provide some funding for our RBF initiative but is not likely to be enacted.

Financial Report Provided

Mr. Robert Miller provided the financial results through July 2005. Operating Revenues for July of \$10,315,611 are \$33,356 or 0.3% more than budgeted and 11.9% more than July 2004. The budget variance is lower than had been anticipated and staff is reviewing the algorithm for the monthly spread of the revenue budget. YTD budget allocation is where it should be now, but it was too low earlier in the year. YTD Operating Revenues of \$62,798,559 are \$1,487,060 or 2.4% more than budgeted and 8.8% more than 2004. YTD Operation and Maintenance Expenses of \$25,831,915 are \$857,101 or 3.2% less than budgeted and 4.9% more than 2004. YTD Total Operating Expenses of \$42,080,247 is \$845,720 or 2.0% less than budgeted and 6.2% more than 2004. YTD Net Operating Income or \$20,718,313 is \$2,332,780 or 12.7% more than budgeted and 14.6% more than 2004. YTD Total Net Non-Operating Expense of \$1,734,728 is \$1,071,520 or 38.2% less than budgeted and 47.4% less than 2004. The prior year variance is due to early retirement incentive program costs which were incurred in January 2004. YTD Net Income of \$18,983,584 is \$3,404,300 or 21.9% more than budgeted and 28.4% more than 2004. Construction work in progress decreased by \$21 Million with the close of the Payne Plant improvements project and several other large projects to fixed assets.

Operations Report Provided

Dr. Jack Wang provided the Operations report. Due to dry weather conditions during a portion of the month, the average production rate for the month was significantly higher than that of July 2004. The average production rate of 154.4 MGD was 14.5 percent higher than the July 2004 production of 134.9 MGD and 3.1 percent higher than the July five year average production of 149.7 MGD. The production rate was extremely low, approximately 129.2 MGD, during mid-July because of the residual impact from Hurricane Dennis. The average production during that period was 129.2 MGD, indicating that base water sales are decreasing. Due to higher than normal productions in June and July, the year to date average production of 129.1 MGD is 4.4 percent higher than 2004 and 1.7 percent higher than the five year average. We had no problem supplying water to all areas, but it was more challenging in the Fern Creek area.

On July 13, LG&E advised the Company and the public of potential power outages in Northeast Jefferson and Oldham Counties, which would have a significant impact on water production at the B.E. Payne plant in Prospect. The recent plant upgrade included installation of a dual power feed from LG&E and installation of on-site, diesel generators to power the plant at 50 percent capacity or 30 MGD during emergency power interruptions. Staff will conduct an exercise the week of August 1 to operate the B.E. Payne plant at 30 MGD capacity and supplement the Elevated Service Area with water from the Crescent Hill plant, through the expanded Westport Transfer Station. LG&E has agreed to waive their electric demand charge during the exercise.

Staff received chemical bids for the period beginning October 2005. The prices for most of the chemicals increased, with a significant increase for the primary coagulant (ferric chloride). The impact of the chemical price increase is estimated at \$95,000 for 2005 and \$400,000 for 2006. Staff is evaluating alternatives to reduce this budget impact. Mr. Huber advised that LWC previously used ferric chloride that was a by-product of another chemical process but discovered water quality problems with too much manganese in the chemical, causing "black water" complaints. Thereafter, we required the supplier to

limit manganese, but our supplier could not ensure the limits. This has resulted in a change in what is being supplied which has driven up costs and is reflected in the recent chemical bids.

Until this past June, the Company supplied school systems (public, parochial, and private) in Jefferson, Bullitt, and Oldham Counties with one gallon containers of water during boil water advisories. This past spring, our bottled water supplier discontinued the ability for the Company to obtain gallon containers with a LWC label. In addition, the Jefferson and Oldham County school systems have requested they be provided with the eight ounce bottles, which are safer and more convenient to distribute to school children during an emergency. In response to these events, we have expanded our bottled water production to accommodate the school system emergency water needs, beginning with the new school year. An estimated 2,500 cases or 120,000 eight ounce bottles of water will be provided annually to meet the emergency water needs at an estimated cost of \$40,000.

Mitigation of the stem corrosion problems on American Flow Control fire hydrants is approximately 95 percent complete. The number of field personnel performing this work has been reduced from six to two. A total of 2,643 American Darling hydrants installed between 2003 and 2005 have been inspected. Of these, approximately 1,171 stems have been replaced. The mitigation program will be complete by September and all costs associated with this effort are expected to be reimbursed by American Flow Control.

Serving Customers Report Provided

Ms. Karla Teasley provided the Serving Customers report. On Tuesday, July 19, 2005, Louisville Water Company held the first meeting of the newly formed Shepherdsville Advisory Board (SAB). The SAB consists of three representatives appointed by the Mayor of Shepherdsville. The Mayor appointed himself, Mr. Hubert Richmond, and Mr. Terry Whittaker to serve on the Board. The SAB shall provide advice and counsel to the President of LWC Board of Water Works on issues related to Shepherdsville service area and the Shepherdsville Water Improvement Program. The SAB will automatically cease to exist at the time of rate equalization. Items discussed at the initial meeting included the charter for the new group, an update of the Shepherdsville Reserve Fund and an overview of completed and planned capital improvements in the area.

Ms. Teasley reported that LWC's documentary "WaterWorks: 150 Years of the Louisville Water Company" recently received national honors from the Alliance for Community Media's Hometown Video Festival. The video was produced by LWC and Metro TV. Copies will be given to local libraries and a shorter version will be created for area schools.

Closed Session

Mr. Marita Willis moved to go into closed session to discuss property and proposed or pending litigation issues pursuant to KRS 61.810(1)(b) and (c), respectively, at 1:08 p.m. Ms. Wendy Welsh seconded, and the motion carried.

Open Session Resumed

On the motion of Ms. Willis, seconded by Mr. Martin, and unanimously carried, the Board resumed open session at 1:25 p.m.

Decision Made to Purchase Property

Ms. Welsh moved to exercise the Board's option and purchase an 11 acre site in Eastern Jefferson County off Aiken Road for \$298,000. Ms. Harris seconded, and the motion carried. This site will be used to replace the existing standpipe at Long Run Park and address high demands and low pressure for this area.

Public Affairs and Customer Satisfaction Committee Report Presented

Ms. Willis, Chairperson of the Public Affairs and Customer Satisfaction Committee, provided a report of the Committee's meeting on July 28, 2005. New regulations that would force low income credit card users to pay higher minimum payments may negatively impact their ability to pay water bills. Ms. Willis reported that call volume and IVR usage are both up but there has been a slight decrease in the abandonment rate. LWC is looking for ways to handle the increased call volume.

LWC is adopting a new water industry standard to better manage water loss (previously called "unaccounted for water"). The cross functional team in charge of the conversion has created a water audit to help develop water loss reduction strategies, increase revenues and improve customer service. We have 14%. There has been no formal way to measure this in the past.

Ms. Willis advised LWC customers may be able to pay water/sewer bills on-line through the Interactive Web Response (IWR), an enhancement of the original Customer Information System (CIS). LWC's IWR Team is currently benchmarking other utilities, validating the budget and developing a Request for Competitive Negotiation (RCN).

Ms. Willis reported that LWC has a "Water Shortage Response Plan," which is a part of our overall Emergency Preparedness and Disaster Services Plan. This plan can be used anytime that meeting customer water demand could be an issue such as during a drought, contamination or infrastructure problem.

The Environmental Working Group (EWG), an environmental activist organization, will release a website this summer containing a list of U.S water utilities and any violations they have received between 1996 and 2002. This is old information that has already been covered by the local press but that could spark negative publicity for LWC. We had 82 violations in that six year period, most of which occurred because of problems with a contract lab. LWC's Public Information group is prepared to respond should we get inquiries.

Ms. Willis advised and Mr. Huber reported "blast" communications are being considered (over 500 people at a time). Such a tool could assist LWC with boil water advisories. Mr. Huber noted that there are other opportunities to reach large numbers of people, such as trailing at the bottom of the TV screen.

EPA and water industry research foundation conducted a study to determine whether trihalomethanes (associated with chlorine) cause first trimester miscarriages. The study concluded it does not, contrary to a previous study.

B. E. Payne Plant Advanced Treatment Technology Update Given

Ms. Ball, Program Manager for the Riverbank Filtration Tunnel Project at the B. E. Payne Plant, provide an update of the value engineering exercise being conducted for this project due to the low bid of \$48.4 million, which exceeds Jordon, Jones, and Goulding Engineer's (JJ&G) estimate of \$31 million by \$17.4 million. Following the bid, JJ&G conducted a post-bid analysis to determine what caused the significant variation from estimate to bid. Their analysis, presented to the Board in March, identified a number of

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factors that account for the discrepancy. The major areas of discrepancy include: the gas tunnel classification, construction cost escalation, tunnel shaft construction, limited construction hours, and limited competition for the project. The value engineering exercise evaluated these areas for opportunities of redesign.

After thorough review of the project elements, and consultation with bidders and specialty contractors, JJ&G conducted a workshop with LWC operations, maintenance and engineering staff, Dave Schafer of Schafer and Associates, Dr. Joe Hagerty of University of Louisville, and Mike Unthank of United States Geological Survey (USGS) to evaluate the alternatives. During the workshop, 11 alternative designs were identified by the participants. The alternatives were evaluated, ranked, and grouped into three categories: solid and soft rock tunnel options with vertical or collector wells; pipe solutions with horizontal collector or vertical wells; and hybrid gravity solutions, using combinations of horizontal and collector wells.

Following the workshop, five alternatives were evaluated in detail for constructability and feasibility; including a construction cost estimate. Each option has advantages measured in terms of cost, constructability, construction risk, customer impact, operations, and maintenance. The five selected alternative designs include:

- Alternative A – Solid rock tunnel, with submersible pump station, vertical wells
- Alternative B – Solid rock tunnel, above grade pump station, vertical or collector wells
- Alternative C – Micro-tunnel (soft rock), above grade pump station, collector wells
- Alternative D – Transmission main connecting collector wells with submersible pumps
- Alternative E – Hybrid solution of gravity collector and vertical wells for 35 MGD capacity using existing pump station, and new pumped vertical wells connected to existing RBF demo well system for 10 MGD capacity, total 45 MGD capacity

JJ&G expects to complete their cost analysis by August 15 for the September Board meeting. These results will also be integrated into the Crescent Hill Advanced Treatment Technology work being conducted by Black & Veatch Engineers. The objective will be to produce an alternative design of 45 MGD capacity that can be constructed within the \$31 million budget allocation. Mr. Connor asked if any of these change the aesthetics. Ms. Ball stated aesthetics was part of the review process and it may require additional communication with the consultants who participated. There would be no above ground structure other than the pump station. The collector and vertical wells would be capped at grade. These changes should open up the project for new bidders who were not willing to bid it as formerly designed. Mr. Conner asked whether all this requires a total re-bidding. Ms. Ball stated it would require re-bidding. Mr. Conner asked what the Board will need to do at the September 2005 BOWW meeting. Ms. Ball stated the Board will need to approve a final redesign of the project at the regular meeting in September.

Crescent Hill Treatment Plant Advanced Treatment Technology Update Given

Dr. Wang stated LWC retained Black and Veatch Engineers (B&V) in November 2004 to evaluate advanced treatment technologies for the Crescent Hill Treatment Plant. The scope of work includes: evaluation of new technology alternatives; facilitating a Technical Workgroup of LWC staff and a Steering Group of Board members to prioritize the alternatives; and performing a cost evaluation of three alternatives. The Steering Group's objective is to reach a consensus decision on the best treatment technology to construct for the Crescent Hill Water Treatment Plant. LWC staff, Black & Veatch Engineers, Jordon Jones and Goulding Engineers, and United States Geological Survey (USGS) have participated in the decision process by providing critical information necessary for consideration. The groups reviewed: advanced treatment technology options, current and future water quality regulations,

water quality goals, operating parameters and operating risk, plant maintenance, constructability, and the feasibility of retrofitting the existing treatment plant while maintaining operations.

The Technical Workgroup is charged with establishing water quality goals to meet the project objectives, evaluating advanced treatment technologies, and prioritization of the treatment alternatives for presentation to the Steering Group. The Workgroup membership was selected to represent a wide range of operations, maintenance, engineering, and management experience in advanced water treatment.

Over the past six months, the Steering Group was presented with the following advanced treatment technologies for consideration: Riverbank Filtration (RBF) technology; membrane filtration technology; granular activated carbon and powder activated carbon adsorption technology; ozone disinfection technology; ultraviolet disinfection technology, and modifications to conventional treatment processes currently in use by LWC. In parallel, the Technical Workgroup reviewed these treatment technologies and developed water quality goals that each technology must achieve. The Technical Workgroup conducted a three-day workshop to identify advanced technologies appropriate for implementation at Crescent Hill. Black & Veatch Engineers provided the Workgroup with nine preliminary alternatives based on water quality goals and compatibility with other processes. The Workgroup screened out four of the nine alternatives by discussing and reviewing each thoroughly.

After completion of the criteria rankings and weightings, the Technical Workgroup conducted the analysis of each of the five alternatives using the Criterium Decision Plus software. The Technical Workgroup's findings were presented to the Steering Group on June 7 and resulted in ranking the five alternatives remaining. In response to Mr. Conner's comment about the cost of RBF, Dr. Wang stated cost was a component of the analysis.

Mr. Huber commented that ozone generation is very expensive. Mr. Martin noted that if we utilize a river intake method we must use something like ozone to treat the cryptosporidium and giardia organisms found in the water and must use something such as Biologically Activated Filters (BAF) or Biologically Active Carbon (BAC) to treat taste and odor.

On June 7, the Steering Group also experimented with the weightings using the Decision Criterium Plus software. The software consistently identified the same top three alternatives. The Steering Group authorized Black & Veatch to perform a detailed cost evaluation, including life-cycle costs, of the top three alternatives. The evaluation will include capital construction costs, as well as operation and maintenance costs over the life of the asset. The Steering Group also recommended the Board of Water Works be provided an opportunity to review the criteria, weightings, and the decision making process used for selection of the three alternatives. This will provide an opportunity to reconsider any options not being evaluated. Black & Veatch will present their cost evaluation on August 16 to the Steering Group. The Steering Group will then work to achieve consensus on a recommended course of action for the Board of Water Works at the September meeting.

Enterprise Risk Management Discussed

Mr. Miller and Mr. Don McKay presented an overview of the Enterprise Risk Management program. Mr. Miller explained that LWC uses a standards definition of business risk as the threat that an event or action will adversely affect an organization's ability to achieve its business objectives and execute its strategies successfully; Enterprise Risk Management is a process to identify potential events that may affect the organization, to manage risks to be within its risk tolerance, and to provide reasonable assurance regarding the achievement of its objectives.

To develop our own approach, we have utilized the "Internal Control Integrated Framework" approach developed by COSO. We have not spent a significant amount of time on quantitatively determining if a risk is likely to occur but rather, what to do to prevent the risk from occurring and what to do if it does occur. Additionally, we have participated in the AwwaRF Project, "Risk Analysis Strategies for Better and More Credible Decision Making." Mr. McKay has taken steps to work with insurance brokers to get major risks insured. From here, we need to incorporate Enterprise Risk Management Capabilities in Decision Support and conduct the next Iteration of Risk Identification, Assessment, and Management Methodology.

Mid-Year Strategic Plan Measurements Reviewed

Mr. Ed Chestnut reported on the progress toward strategic goals, which are goals from 2004 through 2008, and our 2005 goals.

We are on target to meet our Customer Satisfaction goal. Regarding the goal to increase our Customer Satisfaction Index (CSI) to 850 by 2008, the CSI increased again in the second quarter of 2005 to the highest level experienced since the survey and index were initiated in 1994. The Total Customer Satisfaction Index (CSI) level is 856 for the quarter and 853 YTD which exceeds the Corporate Level II goal of 850. Under the goal to increase the Serviced Accounts CSI to 815 by 2008, the CSI remained stable at 801 for the quarter and YTD. This index score is above the Level III goal of 800 for customer satisfaction for the Corporate Performance Award. Commercial service numbers dropped slightly for the quarter with decreases in all factors affecting customer perceptions. We are not meeting the goal to control water rate changes at or below the anticipated change in the Consumer Price Index plus 1%, the water rate increase implemented at the beginning of 2005 is 3.1% higher than the forecast change in the Consumer Price Index +1% for the year as prepared by the Congressional Budget Office in January 2005. This forecast will be updated in mid-August 2005. Mr. Huber pointed out that 3.5% of the 6.5% ate increase was because we dropped the water sales forecast.

LWC water quality goals are all on track except one. The distribution water quality goal regarding coliform bacteria, an indicator of contamination, is on target with the rate of negative coliform samples averaging 99.8%. The results were a significant improvement from 2001 when the total coliform negative was typically below 98% during summer months. The distribution water quality goal regarding chlorine residual is 100% above target. Nitrification control strategies implemented in 2002 enabled us to effectively maintain the chlorine residual throughout the distribution system during the last 3 years. The water quality goal regarding turbidity is not on target. While it has been significantly reduced over the past 5 years, the turbidity levels have on average been 99.6% below the target of 0.5 ntu.

Regarding our financial measures, we have a strategic goal to earn a return-on-equity at a target level of the 5-year moving average ROE for the benchmark group of investor-owned utilities. The 2005 return on equity goal of 9.22% is on target to be met following higher than expected water sales for the first half of the year. Our goal to control increases in O&M cost per metered customer to be no higher than \$175 by 2008 is on target with Operation and Maintenance cost per metered customer of \$80.40 for the first half of the year. This is the result of sustaining the cost reductions achieved in the previous year combined with a significantly reduced number of water main breaks. Mr. Huber pointed out that this is measured against all other investor-owned utilities where we are best in class. We are above our goal to increase water sales to 42.5 billion gallons by 2008. Water sales of 17.9 billion gallons are above the budgeted level and the previous two years. Finally, we are above targeted levels for the goal to increase water revenue to \$124 Million by 2008, with actual operating revenue of \$50.1 million for the first half of the year which is 2.8% above targeted levels.

We are on target to meet most Employee Quality of Work Life measures. Regarding our goal to reduce lost time injury frequency to 3.4 by 2008, the number of lost time injuries for the first half of 2005 was five (5). The lost time injury frequency rate was 2.16 per 200,000 hours worked. Additionally, for our goal of reducing the rate of preventable vehicular accidents to 0.85 by 2008, the actual number of preventable vehicular accidents for mid-year 2005 was 10. The actual preventable vehicular accident rate was 0.72% per 100,000 miles driven compared to the goal of 1.06. We have a goal to attain a composite Internal Customer Satisfaction score of 85.24 (4.26 on a 5 point scale), 2004 ICS Survey score was affected by an organizational restructuring resulting in reduced staff, the elimination of some business processes, the integration of some business processes with other processes, and selected processes being reassigned to different business systems.

Regarding the Minority Business Spending goal to achieve 15% of value of contracts awarded by 2008 to MBE and 5% of value of contracts awarded by 2008 to WBE, the 2005 Minority Business Enterprise spending goal is not on target to be achieved following lower than expected results for the first half of the year. Management is evaluating changes to the procurement procedures to improve results in this area. The Women Business Enterprise spending goal is on target for the year. Mr. Miller noted we have changed how we measure this goal. Before 2005, we measured the percentage from the amount committed to be spent by contractors. Since the beginning of 2005, we have measured it from the amount actually spent by contractors for sub-contractor performed work because we found that sometimes contractors were not spending the contract funds with M/WBE contractors even when there was a commitment to do so.

Mr. Huber summarized these are going well with the exception of contract dollars spent with minority sub-contractors.

20 Year Water Sales Forecast Reviewed

In a continuing effort to effectively forecast water sales for the next twenty years, Louisville Water Company worked with Dr. Patricia Cerrito and compiled monthly data for the thirty year period from January 1975 through December 2004. The data included usage and number of customers for each customer class: residential, commercial, industrial, wholesale, other, and total. The data were first forecast both monthly and yearly with a 20-year lead (240 months) without using any dynamic regressors. Dynamic regressors, as follows, were added sequentially to ensure against over-fitting: population census data and number of households for Jefferson County, Bullitt County, Oldham County and the state of Kentucky; personal income for Kentucky residents; and employment and the number of businesses for Kentucky. In addition, for usage (but not for the number of customers), the PDSI index (Palmer Drought Severity Index) was included.

For the most part, the addition of economic regressors contributed little to the forecast for the next 20 years, indicating that most of the forecast comes directly from the trends in usage and in the number of customers for the previous 30 years. Therefore, the trends in both usage and number of customers are fairly robust, which suggests confidence in the forecasted results. The monthly forecast indicates a very seasonal and slightly increasing pattern for residential, commercial, wholesale, other and total. There was a seasonal, decreasing monthly pattern for industrial. The yearly forecast, while not seasonal, indicated a similar increasing (decreasing for industrial) trend. It appears that the rate of increase in customers will offset the rate of decrease in consumption per customer, resulting in a flat trend line for total consumption over the next twenty years.

Mr. Chestnut reported the rate of change in the number of customers is increasing but it is slowing. Mr. Chestnut advised there are five factors we should consider in the future: support of economic development; expansion of our sales area; continuation of pay for growth policies; management of

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decreasing per customer usage; and exploration of non-traditional business. Total consumption over the next twenty years is projected to be essentially flat and is dependent upon an increase in the number of customers to offset the decrease in the usage per customer. If the number of customers does not increase by the predicted amounts, then the total consumption is expected to decrease. These consumption forecasts are being incorporated into the long-range financial plan. Mr. Martin asked whether these five factors will be discussed at the Strategic Planning Retreat, and Mr. Huber stated they would.

Regionalization Policy Discussed

Mr. Jim Smith reviewed the Board's current Regionalization policy, adopted in February 1995, which established guidelines for growth of LWC's retail service area, set provisions for providing wholesale water to systems in adjacent counties, and defined acceptable conditions to operate and maintain water systems in adjacent counties under lease agreements. It also established the cost of service methodology for water rates. The policy defined LWC's primary market area as Jefferson County and surrounding counties. Expansion of retail service was limited to Jefferson County and areas in adjacent counties. It required the system to meet urban supply standards with reasonable capital investment. The expansion of retail service must be in the best interest of both the customers acquired and existing LWC customers.

Provisions for supplying wholesale water were based on mutual interests of the wholesale customers and LWC customers, willingness to enter into a contractual agreement for wholesale water service and PSC approval, if subjected to PSC regulation. Wholesale water service is limited to adjacent counties delivered at the county line or another mutually agreeable point. The policy does allow LWC to own and operate transmission lines to wholesale customers in adjacent counties.

Considerations for leasing water systems in adjacent counties included requiring lease terms adequate enough to justify setup costs, limiting lease arrangements to water systems designed and built to urban water supply standards including fire flow capacity, and requiring the leased systems to have sufficient financial resources to fund capital improvements and service debt.

The regionalization policy required rates to be based on the cost of service for retail service in acquired systems, leased systems and wholesale water service. The cost of service for acquired systems and leased systems should include the costs of capital improvements for improving the system to urban supply standards, costs to extend water service to unserved areas, costs for acquiring the system and operating costs. Leased systems may include a surcharge designed to service debt, provide funds for needed capital improvements, fund depreciation and cover operating costs incurred by the leased system.

Several limiting factors in the existing policy may need to be addressed for LWC to fully pursue future regionalization opportunities. Geographically limiting LWC's regionalization efforts to adjacent counties may result in LWC forgoing significant, financially viable opportunities in areas outside of this territory. Limiting retail water service to urban water systems will not allow LWC to pursue acquisition opportunities in rural systems. Technical advances in automation and small-scale treatment systems, federal and state funding initiatives and potential public/private partnerships may transform rural systems into attractive business opportunities. LWC's reliance on the sale of drinking water only will limit our ability to tap markets such as non-potable water sales, combined water and wastewater services, and contract services. Additionally, our reliance on 100% ownership of supply assets, customers and service territories may limit our ability to pursue partnering opportunities and participation in regional water supply commissions. It is recommended the existing Regionalization policy be reviewed during strategic planning to assure the policy provides LWC with the guidance to fully pursue future regionalization opportunities.

Contract Awarded for Project 03638: Crescent Hill Filter Plant Slate Roof Replacements

Mr. Jim Asseff stated that two bids were received for replacement of slate roofs on the CHFP North-South Filter and Chemical Buildings. The scope of work includes slate replacement, painting interior truss work, masonry rehabilitation of the North-South Filter Building, and other miscellaneous architectural improvements. This project will provide a 75-year life extension to the buildings. These structures are projected to house treatment processes and/or support services indefinitely. The bids ranged from \$3,128,571 to \$3,350,000. The estimate prepared by project consultant Roof Resources, Inc. was \$3,800,000. Discussion with bidders indicated the major difference is salvage value of the existing slate; the consultant considered the value to be negligible due to difficulty in removal, however both bidders included salvage value in their bid. Four other eligible bidders declined to bid due to business risk related to the complexity, longevity, and/or bonding required to execute this project. Staff and the consultant communicated this project bid notice to contractors within the Midwestern market, but bid interest beyond the local market was minimal. Ms. Welsh moved to authorize the Purchasing Manager to award a contract in the amount of \$3,128,571 to American Roofing and Metal Company for CHFP Slate Roof Replacements. Ms. Harris seconded, and the motion carried.

Authorization Given to Proceed with Final Design and Bid for Project 10415: Westport Road Transmission Main from Primrose Drive to Ambridge Circle

Ms. Teasley stated the Kentucky Transportation Cabinet (KTC) intends to widen Westport Road from Primrose Drive to Ambridge Circle. In the 2005 Capital Budget, LWC has budgeted two projects for relocation work and for system improvements within this section of Westport Road. Project No. 10415 will combine the two budgeted projects and will provide coordination with the KTC roadway work. KTC expects to bid the road work on October 21, 2005. The project includes relocation of approximately 500 feet of 48-inch concrete water main and replacement of 10,100 feet of 24-inch water main with a 30-inch water main from Chenoweth Lane to Ambridge Circle. The existing 24-inch transmission main suffers from frequent breaks and leaks. It will serve as a supply main to the Westport Road BPS so that the Marquette 30-inch can become a discharge main to supply the planned Oxmoor 36/42-inch main to connect to the Ellingsworth 36-inch main and the 24-inch Cross County Header that are both located at Linn Station Road and Hurstborne Parkway. This configuration will eliminate the need for the proposed Lake Avenue 24-inch transmission main to the Cross County Header for a budgeted savings of \$4,200,000. The distribution main replacement scope was originally planned for 6,280 feet of replacement from Primrose Drive to Ambridge Circle. However, only 5,000 of 6" water main from Primrose Drive to Beechwood Road will be replaced with a 12" water main and a 200 foot 6-inch grid tie from Westport Terrace to Walser Road. Service relocations and transfers along with fire hydrant replacements are also included within the scope of this project. These distribution improvements will address concerns regarding reliability and flow. The proposed project budget for this work is \$4,752,000, with the KTC cost participation being \$1,141,000 or 24%. KTC will review the LWC's final-design plans and specifications, as well as the cost estimate prior to advertisement for bid. LWC's contribution of \$3,611,000, or 76%, is primarily due to the upsizing and replacement of water mains and the related distribution grid-ties. Mr. Johnstone asked the age of the existing facilities in this area. Mr. Huber stated it dates around 1920 and has experienced many main breaks. Ms. Welsh moved to authorize staff to proceed with final design with a budget of record of \$4,752,000 and to advertise for bid. Ms. Harris seconded, and the motion carried. An Agreement with the KTC will be drafted based on the successful bid price. A subsequent request will be made to the Board of Water Works to enter into the agreement with KTC.

Budget Increased and Authorization Given to Proceed with Final Design and Bid for Combined Projects 00401 and 03-600: Zorn Intake Improvements and Zorn Station # 3 Improvements

Mr. Smith advised the Capital Improvement Plan includes a combined \$3,040,000 for improvements to the Zorn Intake facility and Zorn Pump Station #3. The conceptual scope of work included replacement of mechanical equipment within each facility and rehabilitation of the building structures. A Preliminary Engineering Report prepared by consultant Camp, Dresser and McKee (CDM) recommends these improvements proceed as planned, plus recommends additional improvements to extend the life of the structures. The Zorn Intake facility was constructed in 1910 and provides intake of source Ohio River water. The facility houses submerged openings for suction, plus mechanical equipment to screen debris for protection of pumping equipment. This facility was last upgraded 20 years ago and is in need of new equipment and structural improvements to provide a 20-year life extension to the facility. Zorn Pump Station #3 was constructed in 1918 and houses two pumping units (Units #6 and #7), piping, and valves to provide 120 MGD source supply. Pumping Unit #7 has been overhauled, however Pumping Unit #6 is in need of overhaul but cannot be isolated due to aged, failed valves. The suction piping and valves are original to steam pumping equipment and were converted to electrical motors and centrifugal pumps by 1950. Work in Station #3 will include overhaul of Pumping Unit #6, replacement of piping and valves to provide operational and maintenance flexibility and improve the reliability of the station. The building improvements will improve safety and extend the life of the facility. Ms. Harris moved to authorize combining Projects 00-401: Zorn Intake Improvements and 03-600: Zorn Station #3 Improvements, increasing the project budget from \$3,040,000 to \$5,142,000, and proceeding with final design and advertisement for bid. CDM Engineers will be retained for the design and contract administration for this project, with a professional services contract approved by the President. Mr. Conner sought clarification of the amount of the increase in budget. Mr. Asseff advised that the consultant recommended additional improvements after conducting their assessment of the facility's condition. Mr. Huber advised which items were not in the original budget. He also advised this is marine construction because some work is underwater. There may be some issues that are not known and, therefore, we are carrying a larger contingency (15%) than usual. Mr. Huber advised this work is critical, even if we proceed with RBF at CHFP because that project is 7 to 10 years out and we have made all the repairs we can make to this facility. Ms. Welch seconded, and the motion carried.

Budget Increased and Contract Awarded for Shelbyville Road Main Replacement Project

Ms. Teasley stated that although originally projected to be partially main replacement and partially clean and line, further review of the recent maintenance records for these mains by Infrastructure Planning indicated that these mains are better candidates to be completely replacement. The Shelbyville Road II Main Replacement Project also added a dual 12" water main along a portion of the alignment instead of a single 16" main reduce the number of long services, hydrant leads and cross-street tie-ins that would create a costly maintenance and traffic congestion when a break occurs along Shelbyville Road. The pipe footages for main replacement were increased approximately 72% to allow for the installation of dual 12" mains, the renewal of intersections and to address additional pipe for vertical and horizontal offsets that may be needed to avoid obstructions along the alignment of the pipeline. The cost estimate for the replacement includes materials, 76 service transfers, 24 service renewals, 6 service relocates, and 15 service discontinues. The unit cost for the replacement of these mains is \$121.94/ft which is below the initial estimate of \$157.59/ft. This replacement work will help to improve hydraulic capacity, water quality, reliability and fire flow availability in this area along with decreasing the costs for any future maintenance and service connections. Ms. Welsh moved to increase the Shelbyville Road II Main Replacement Project budget by \$428,000 from \$1,245,000 to a Budget of Record of \$1,673,000 and to authorize the Purchasing Manager to award the construction contract to Southern Pipeline Construction Company to proceed with construction and final acceptance into the distribution system. Ms. Willis seconded, and the motion carried.

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Executive Session Conducted

The Board went into Executive Session without management present at 3:14 p.m.

There being no further business, the meeting was adjourned at 3:25 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
SEPTEMBER 20, 2005**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis
Dr. Joseph Wise
Mayor Jerry Abramson

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Vice President, Operations and Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Mr. Don McKay, Business System Owner, Managing Business Risk
Mr. Jim Smith, Business System Owner, Infrastructure Planning and Business Development
Ms. Kay Ball, Program Manager, Riverbank Filtration Project

Visitors:

Mr. Larry Gaddis, Black & Veatch Consulting Engineers
Mr. Robert Wierzbicki, Jordan Jones & Goulding Engineers
Mr. David Haas, Jordan Jones & Goulding Engineers
Ms. Karen Wunderlin, The Wunderlin Group

The regular meeting of the Board of Water Works was held on Tuesday, September 20, 2005 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:32 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Ms. Margaret Harris moved to approve the minutes from the Regular Meeting held August 9, 2005, seconded by Mr. Gerald Martin, and the motion carried.

Committee Reports Deferred

In light of the length of the agenda and the planned address by Mayor Jerry Abramson, the consensus of the Board was to defer the Compensation Committee and Audit Committee reports until the October BOWW meeting.

Chief Executive Officer Report Provided

Mr. Conner asked whether any BOWW member had any questions of any staff as a result of the reports provided prior to the meeting. There were no questions.

Second Quarter Dividend Declared

Section 508 of the Series 1992 Water System Revenue Bond Resolution provides that the Louisville Water Company pay the Louisville / Jefferson County Revenue Commission an annual dividend on the Louisville Water Company stock owned by the City in quarterly installments, such payments to be based on the estimated annual net income and as nearly equal as possible. The budgeted net income of \$29,321,700 for 2005 requires payment of an annual dividend of \$13,318,020 in quarterly installments of \$3,329,505. The quarterly dividend must be increased by \$463,414 to reflect one quarter of the \$1,526,239 dividend adjustments for 2002 and 2003 and one quarter of the \$328,018 dividend underpayment for 2004. Ms. Wendy Welsh moved to adopt the following resolution, which provides for a total quarterly payment of \$3,792,819.

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 1992 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 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, the Board passed a resolution on March 15, 2005 to adjust the 2004 annual dividend by \$327,018, from \$13,766,392 to \$14,093,410, the difference to be added in quarterly installments to the regular 2005 quarterly dividend, and

WHEREAS, the Board passed a resolution on March 15, 2005 to increase the 2005 dividend payment by \$1,526,239, this being the amount of the dividend from 2002 and 2003 due as a result of eliminating from its inception in 2002 the practice of deducting the rate differential for acquired systems from the net income available for the purpose of computing the dividend, to be added in quarterly installments to the regular 2005 quarterly dividend installments, and

WHEREAS, the 1992 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 2005 Louisville Water Company Annual Budget contemplates the 2005 annual dividend to be \$13,318,020, it would be in order at this time to declare a regular third quarter dividend of \$3,329,505;

RESOLVED, the regular third quarter 2005 dividend of \$3,329,505 is hereby declared, and further

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,792,819 to the Louisville / Jefferson County Revenue Commission on September 30, 2005, this being the second quarterly dividend for 2005 plus one quarter of the dividend adjustments for 2002, 2003 and 2004, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

Ms. Harris seconded, and the motion carried.

Return on Equity Target Discussed

Mr. Robert Miller provided information to the Board regarding the Return on Equity target to provide the sole stockholder, the City of Louisville, with a reasonable return on invested capital. Since 1989, this

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target has been set based on the five-year moving average returns for a benchmark group of investor-owned utilities. This approach provided a close tie to the marketplace and ensured comparison with consistent financial reporting standards and regulatory requirements. After nearly twenty years of using this methodology, there are key drawbacks that have become apparent: the previously set target of one percent less than the five-year moving average was phased out in 2004 and 2005 in order to provide a target return commensurate with the actual returns earned by investor-owned utilities; annual data for the original benchmark group is decreased and is now available only in filings from public service commissions; and, because weather, economic conditions, and other factors have occasional adverse impacts on earnings results for the benchmark utilities, staff has excluded the effect of extraordinary items from the earnings results but factors considered "ordinary" for accounting purposes can cause utilities to fall short of the financial returns allowed by their public service commissions in their rate cases.

After careful consideration, staff recommends phasing out the current target based on historical earnings and replacing it with a new target based on the simple average of returns on equity allowed by state public service commissions for investor-owned utilities with common equity of more than \$100 million. The simple average of the allowed returns on equity for those utilities is 10.0%. Staff believes that this proposed target methodology would be more timely, relevant, fair, and reasonable for establishing annual budgets and setting water rates. This proposed methodology would be phased in over a three-year period; in 2006, the target rate would be computed as two-thirds based on the previous historic benchmark method rate of 9.22% and one-third based on the PSC-allowed ROE rate of 10.0%. The return on equity target for 2006 based on this proposed methodology would be 9.48%, up from the 2005 target of 9.22%, and would yield an estimated budgeted dividend of \$14.8 million, up from the 2005 budgeted dividend of \$13.3 million.

Mr. Huber emphasized we are carefully considering this due to its strategic importance. Mr. Martin inquired whether Public Financial Management Consultants are considering this issue, and Mr. Miller advised they are. Mr. Martin requested the Board await the results of the PFM report before setting the return rates and other financial objectives for 2006 in the Long Range Plan. Mr. Conner asked about the impact of higher earnings on regulated utilities. Ms. Karla Teasley advised PSCs sometimes order rate cases if the utility does not voluntarily submit to one when there are repeated or consecutive years of higher earnings. Dr. Joseph Wise commented this is a serious issue due to the past rate increase and the current revenue forecast. Ms. Welsh agreed this is something the Board must address. This matter will be discussed in more detail when the Preliminary Budget is presented in October.

Scope Modified for Riverbank Filtration Project at B. E. Payne Plant

Mr. Robert Wierzbicki of Jordan, Jones and Goulding (JJ&G) presented the results of the Riverbank Filtration (RBF) value engineering exercise requested by the Board subsequent to the bid results for RBF at the B. E. Payne Treatment Plant. Mr. Wierzbicki advised JJ&G analyzed the factors driving the cost of the bids, considered value engineering modifications, reviewed the resulting alternatives available and drew conclusions. He reported the major cost drivers were the classification of the tunnel as gaseous, the tunnel and access shaft depth, the need for specialty well drilling equipment, and the nationwide construction cost escalation at the time of the bid. Mr. Wierzbicki described how the various alternatives were developed. JJ&G and staff considered the collection, conveyance and pumping methodology, the desired construction cost of \$31 Million or less, the desired peak flow of 45 Million Gallons Daily (MGD), the public desire of below grade facilities, and the set geographical boundary lines. Mr. Wierzbicki briefly described the evaluation criteria and their weighting. Mr. Martin asked whether non-consideration of cost in the evaluation is because the assumption of the evaluators was that the best alternative would be selected for the \$31 Million. Mr. Wierzbicki responded in the affirmative, further stating that all alternatives can be completed for that amount.

Mr. Wierzbicki discussed the benefits and risk of each type of well, each type of tunnel, and submersible versus above-grade pump stations. The analysis conducted by JJ&G and staff concluded two alternatives were available: Alternative A, a pipeline conveyance option with radial collector wells and multiple below-grade pumping stations with submersible pumps, or Alternative B, a tunnel conveyance option with radial collector wells and a single above-grade pumping station on LWC property. Mr. Wierzbicki discussed the analysis of these two options. This additional analysis led to the development of an additional alternative, which is to modify Alternative B by extending the conveyance tunnel to the existing low lift pumping station (LLPS), convert the tunnel shaft to a pump station, house the electrical equipment in the LLPS, and consider using a siphon between the tunnel shaft and LLPS during non-peak flows to eliminate pumping. This Alternative C would produce 46.7 MGD and cost \$27.8 Million. Alternative A would produce 57.2 MGD and cost \$18.5 Million. Alternative B would also produce 57.2 MGD, but would cost \$29 Million. Mr. Wierzbicki recommended Alternative C because it is easier to operate and maintain, it re-uses existing assets, the tunnel spoils can be handled on LWC property, it uses familiar radial collector well technology, it is safer and more secure, and it allows for future expandability of the RBF system. Mr. Wierzbicki also discussed other considerations the Board should make to improve and lower the cost of the project.

Mr. Conner inquired regarding the difference between Alternative A & C. Mr. Wierzbicki stated the 2 main differences are aesthetics (below grade facilities) and submersible pumps, which are different and costly to maintain. Mr. Huber stated the extra \$9 Million allows us to manage the risks better, specifically the flood risk. Mr. Huber believes Alternative C also provides more reliability. Mr. Conner asked how much of the additional \$9 Million is aesthetics. Mr. Wierzbicki stated it is about one-half of the additional cost. Mr. Huber stated flooding is a serious concern because if you have equipment that is flooded, you cannot reach the pumps for maintenance. Ms. Welsh wondered whether the 1937 flood is the correct measurement. Ms. Ball stated it is the best measurement according to the Army Corp of Engineers. Mr. Huber noted current flood and drainage standards would lessen the impact of a flood event equivalent to the 1937 flood. Dr. Wise questioned whether there is redundancy built into the equipment. Mr. Wierzbicki responded there is but it depends on what and how much you want to make redundant. We could have redundancy on each pump station at our cost.

Regarding aesthetics, Dr. Wise asked to whom we are trying to provide comfort regarding aesthetics. Kay Ball advised it is mainly Transylvania Beach and Mayfair Avenue residences. Mr. Wierzbicki stated a premium is being paid for aesthetics. Dr. Wise asked whether it could be bid in different ways in case the bids for Alternative C were too high. Mr. Huber commented that we may want to consider above grade pumping stations. Mr. Heitzman stated we have made commitments to residents in the area for below grade facilities. He agreed we are paying a premium for aesthetics but stressed the cost is also due to our need for reliability and operational maximization. Mr. Heitzman fears bidding it both ways will increase costs and/or discourage potential bidders because those who can bid pipeline work may not be able to bid tunnel work.

Mr. Conner asked what the next step would be if the ground below is found to be gassy. Mr. Huber stated we would have to stop and consider the other alternatives. We will bore approximately every two-hundred feet. It is classified as gassy because JJ&G had conducted borings down the road about 1500 feet away and found gas at a very low point, much lower than we will tunnel. Even with borings, if we find nothing, it will be classified as potentially gassy so it will be monitored for gas but it will be more unlikely. If the contractor finds gas, it could be a change action to vent gas, have non-explodeable equipment, and take other precautions, even though contractors have been put on notice of the potential. Mr. Heitzman said the determination of the presence of gas is a critical path item before we proceed to final design. Ms. Welsh noted it is possible we could proceed with final design after determining no gas exists and then find gas. She asked whether that would require a change action. Mr. Heitzman stated the bid documents can be drafted with either party assuming the risk. However, if we set it up to have the

contractor assume the risk of gas, then the contractor will add it into their bid price and will get a windfall if they never encounter gas. Mr. Wierzbicki believes the finding of gas will add \$5.5 Million to the project.

Mr. Martin commented that for \$9 Million more we actually get less capacity. Mr. Haas stated this is because we do not currently have ability to run horizontal laterals under properties along the river not owned by LWC. Mr. Heitzman stated these are near the East End Bridge path, and there may be an opportunity to acquire easements in which to place these lines in the future once the bridge construction begins.

Mr. Johnstone asked what is visible on Alternative C. Mr. Heitzman said everything would be below grade. Mr. Conner asked what makes up the additional to get to the total project cost of \$31 Million. Mr. Wierzbicki said the additional \$10 Million includes the cost escalation contingency, aesthetics, and operability and maintainability enhancements. Mr. Conner expressed concern that the additional cost is at least half way driven by aesthetics or having all facilities underground. Mr. Johnstone stated we could have a less costly solution if we could get residents and River Fields to agree to continue the current method with the above ground collection wells like we have now. However, this would be difficult. Mr. Conner stated this is not a legal issue; it is a political one. River Fields is interested in protecting the area's aesthetics.

Mr. Heitzman reviewed the proposed budget compared to the existing budget. Staff recommends proceeding with design and bid of a 6,000' Hard Rock Tunnel with horizontal collector wells. It will be bid in August 2006, contract awarded September 2006, and completed in 2009. He also recommends increasing the JJ&G contract by \$5,704,300, with a total revised budget of \$40,824,800. Mr. Conner asked if we were already considering the premium for aesthetics when we considered the first project. Mr. Heitzman confirmed we had. Mr. Martin commented that there appears to be less moving parts in the Hard Rock Tunnel proposal, which would equate to less maintenance and less cost. Mr. Huber confirmed that is correct. Mr. Martin also noted there is a longer life asset with the tunnel, which also provides lower annual depreciation expense and higher net income to LWC. Dr. Wise stated he would prefer deferring the issue of project selection until a determination is made regarding whether the tunnel is gaseous. Mr. Heitzman amended his recommendation to request authority to increase the JJ&G existing contract by \$515,000 to increase Task I, preliminary engineering and subsurface investigations, to \$1,248,700 for a total revised contract of \$3,838,300 to allow additional subsurface investigation. Dr. Wise made the motion as recommended, Ms. Welsh seconded, and the motion carried.

2005 Annual Inspection Report Given

In order to fulfill Bond Covenants set forth in the Series 1992 Bonds, LWC is obligated to have an annual inspection conducted by an independent Consulting Engineer. Black & Veatch performed an inspection and review of the water supply and treatment facilities and the financial management and rates system. The Louisville Water Company engaged Insurance Audit and Inspection Company to perform the insurance review and LWC staff were interviewed. Black & Veatch concluded that the water supply and treatment facilities and associated equipment have been maintained in good repair and sound operating condition and are capable of continuously supplying water to the Company's customers. Black & Veatch also found LWC is making commendable progress in funding, scheduling and implementing capital projects and correcting deficiencies raised in previous Annual Inspections but should correct high priority items as soon as possible. The audit inspected 17 facilities at 7 locations and noted 19 High Priority items, 51 Medium Priority items and 20 Low Priority items to be addressed.

Larry Gaddis of Black and Veatch highlighted the High Priority Recommendations from the audit. In general, Black & Veatch recommends LWC:

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- Perform an audit of the electrical system one-line diagrams to ensure these drawings reflect the current status of such systems and update and revise our drawings as appropriate;
- Perform an audit of the facility power system data contained in the most recent documented power system short circuit analysis and protective device coordination studies and perform new power system studies if information is outdated or incomplete; and
- Have a plan to transfer of this institutional knowledge that may be lost through retirement or attrition since it represents significant value for system operations and maintenance.

With regard to the Zorn Avenue River Screen Structure, Mr. Gaddis stated screening equipment and portions of the screen tower support structure are clearly beyond their useful service life and should be replaced and the access to lower levels should be improved. In terms of the Zorn Avenue Raw Water Pump Stations, Mr. Gaddis recommended evaluating the reliability of Pump Station #2 by assessing the pump station's structural, electrical and mechanical systems and consider modifications to the suction and discharge valves and piping on Pump Station #6 to simplify the flow pattern and improve accuracy of the flow meter. In reviewing the condition of the Crescent Hill Filter Plant, Mr. Gaddis stated several factors hinder efficient operations of the filters and LWC should evaluate the filter hydraulics and improve flow distribution to South filters, upgrade East and New East filters to increase filtration capacity, consider retiring the North filters, and design a new filter backwashing system that is more efficient and incorporates a filter to waste capability. Mr. Gaddis advised the audit found the 84" gate valve in the finished water clear well broken open and in need of repair due to the fact that 4 of the 7 high service pumps take suction through this gate valve. He noted LWC has a Fall/Winter project in place for repair of the valve operator and that the work must be coordinated with periods of low water demand.

Regarding LWC insurance, Mr. Gaddis noted LWC was able to obtain increased limits at a premium lower than that of the previous year's policy due to increased competition in the market. Some changes in our insurance were recommended, specifically having a 90-day (rather than the state minimum of 75-day) notice requirement in the event of cancellation, non-renewal, or material change, and requiring as broad additional insured status as available when contracting with other entities.

Regarding the financial management, rates and charges review, Mr. Gaddis stated LWC operates in a sound financial manner. He recommended LWC evaluate an alternative basis for rate of return, develop a more robust performance management tool, incorporate comprehensive financial planning into the rate making process, monitor trends in quality of service and customer satisfaction, provide annual funding for the Infrastructure Replacement Reserve Fund, and assess current policies and procedures for effectiveness and appropriateness with the new governance model the Board has adopted recently.

Mr. Conner noted the Audit Committee is the recipient of the status reports on these recommendations on a quarterly basis. Mr. Martin inquired whether Black & Veatch's recommendation on the Infrastructure Replacement Reserve is a general recommendation or takes into consideration the lack of funding to that reserve in the past two years. Mr. Gaddis stated it considers the lack of funding during the past two years. Mr. Miller noted the report will be filed with the Bond Trustees.

Mayor Jerry Abramson Addressed Board Regarding Upcoming Strategic Planning Meeting

Mayor Abramson began his comments by thanking all Board members for their commitment to the Board on behalf of the citizens of Metro Government and customers of the Louisville Water Company. He stated their contribution is vital to the community.

As we consider future opportunities, Mayor Abramson believes the merged Metro Government may present new opportunities for government departments, agencies, and utilities to work together to glean Board of Water Works

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further efficiencies. For instance, there may be efficiencies of scale for procurement of fuel and fleet vehicles. Combined activities for fleet maintenance might create certain efficiencies, and there are numerous other possibilities.

Mayor Abramson discussed the unique structure and ownership of the Louisville Water Company. When there was discussion of the local electric utility being sold by its parent company, the Louisville Water Company was a natural choice for ownership if the utility was to be sold. This unique structure and ownership has created opportunities in the past and may present other opportunities in the future.

Mayor Abramson referred to the depth and breadth of experience among the board members and is looking forward to "out of the box" thinking at the strategic planning retreat next week. The Mayor encouraged the board to work through the process to create new ideas, not simply relying upon how things have been done in the past.

Mayor Abramson firmly stated the most important objective for LWC is to continually produce safe, high quality water, but the dividend is important to the city and should be considered a key objective.

Mayor Abramson has been an active member and leader of the National Conference of Mayors. The organization has information on how various cities provide services and tactics they have pursued to increase efficiency. Mayor Abramson offered to provide access to this information as the strategic plan is developed and possible tactics are evaluated.

Mr. Martin referred to the position of the city as the shareholder of the Louisville Water Company. He inquired how the Mayor thought net income should be disbursed when the Company's earning performance exceeds expectations. The Mayor again affirmed that safety and quality of the product along with maintaining the system should come first. In the event earnings exceed the budgeted expectation, The Mayor is interested in maximizing the dividend within constraints of the dividend formula. When the dividend exceeds the amount budgeted, Metro Government uses it for one-time capital expenditures.

In closing, Mayor Abramson reiterated he would like the Board to look for synergy to create efficiencies among Metro Government departments, agencies, and utilities. Ms. Welsh questioned if the Mayor was comfortable with expansion into adjacent areas. Mayor Abramson replied Metro Government is comfortable with expansion so long as the Company is requested to move into a new arena and the expansion is mutually beneficial. On behalf of the board and the staff, Mr. Conner thanked the Mayor for the discussion and advised we are looking forward to discussing the outcome of our strategic planning retreat next week with the Mayor.

2005 Financial Results Forecasted

Mr. Miller advised three issues significantly affect the financial results for 2005: water sales are forecast to be \$3.6 million higher than expected due to infrequent occasions of rainfall during the irrigation season; interest expenses are forecast to be \$1.3 million lower than expected due to the deferred borrowing following the deferral of the Payne Plant Advanced Treatment Technology Project; and operation and maintenance expenses are forecast to be \$0.6 million lower than budgeted because there have not been any large unexpected expenses requiring funding from the budget contingency. As a result, the net income forecast for 2005 is \$5.5 million more than budgeted. The dividend forecast for 2005 is \$3.5 million more than budgeted. This forecast assumes normal sales and expenses patterns for the remainder of the year. Mr. Huber commented that interest on bonds we anticipated selling never materialized, since the question remains whether we should use the additional revenue or a portion thereof for funding to the Infrastructure Replacement Reserve or whether it should simply go to the bottom line and be figured into the dividend calculation. This is a determination yet to be made.

Types and Purposes of Financial Reserves Discussed

Mr. Miller stated LWC has several types of financial reserves where funds are segregated for specified uses. The first are Bond Covenant Restricted Reserves. These reserves are currently governed by covenants contained in the Master Bond Resolution. The purpose of the Bond Covenant Restricted Reserves is to provide controls for the disbursement of funds for capital projects described in the Bond Issue Official Statement and for the deposit of funds for repayment of the bonds.

Distribution System Extension and Improvement Reserves are governed by policy of the Board of Water Works. The purpose of these reserves is to provide controls for the disbursement of fees collected from customers for the construction of specific types of distribution system extensions and improvements.

The Acquired System Rate Differential Reserves are governed by policy of the Board of Water Works in consideration of the views expressed by Advisory Boards for acquired systems. Upon the acquisition of an existing water system, the Board of Water Works typically commits to hold the water rates constant at the current level for the acquired system until such time as the "rate differential" collected would be equal to the cost of the system acquisition plus any improvements needed to raise the acquired system's distribution system to LWC construction standards. The rate differential is computed as the cumulative difference between the revenues collected at the acquired system rates and the revenues that would have been collected at the existing LWC rates. The purpose of these reserves is to provide controls for the deposit of the rate differential and for the disbursement of those funds for construction of specific capital projects in the service area of the acquired system.

The Infrastructure Replacement Reserve is governed by policy of the Board of Water Works. The purpose of this reserve is to provide supplemental funding for infrastructure renewal projects.

There is one Louisville Water Company fund not covered by the restrictions described above – the U.S. Treasury SLG Fund. It represents the amount of funds that were no longer required from the Series 1986A and 1986B Bond Reserves following the refinancing of those bonds in 1992. These funds are illiquid, though, invested in U.S. Treasury SLG securities maturing in 2013.

Risk Mitigation and Rate Stabilization Reserve Discussed

Mr. Miller discussed additional developments surrounding a Risk Mitigation and Rate Stabilization Reserve. In September 2004, staff proposed the Risk Mitigation / Rate Stabilization Reserve as the preferred mechanism to provide funding to offset the effect of year-to-year swings in revenues and expenses and to provide for stabilization of future water rate changes. After consideration of this matter with the Financial Advisor and Bond Counsel, staff has determined that the objectives identified at that time might better be accomplished through another alternative, i.e., by use of Statement of Financial Accounting Standards No. 71: Accounting for the Effects of Certain Types of Regulations as an additional alternative for consideration. Staff intends to review this accounting standard with the external auditors and the Audit Committee prior to bringing a recommendation to the Board of Water Works.

Last year several factors were identified that have increased the variability of our financial performance, specifically higher self-insured retention levels for liability claims, sudden increases in security costs when terror alert level rises, write-off of undepreciated value of infrastructure assets, and debt service costs associated with large long-term borrowings. Because of uncertainties surrounding the size and timing of expenses associated with these factors, it has not been considered prudent to incorporate these items at full amounts in each year in which they might occur. Instead, staff has budgeted for normal expected levels of activities plus an overall contingency amount. Staff considered several alternatives for financing these factors, including increasing the contingency portion of the Operations and Maintenance

Budget, increasing the discretionary component of the Infrastructure Replacement Reserve, budgeting water sales at a more conservative level, or creating a Risk Mitigation / Rate Stabilization Reserve. Staff previously recommended a Risk Mitigation/Rate Stabilization Reserve, but factors have developed which leads staff to change this recommendation.

Staff evaluated several funding sources for creating this reserve. At that time, it appeared that the most expeditious method would be from existing cash reserves. However, after reviewing this matter with Bond Counsel (Spencer Harper of Ogden, Newel & Welch), it was determined that the reserve could not be established without adverse impact on bondholders only through deferred dividend payments. Also, the creation of the reserve would require a complex change to the dividend covenant in the bond issue that would have the unintended effect of making the dividend calculation less transparent. We could set up the reserve using bond proceeds from an upcoming bond issue or refinancing.

As a result, staff reviewed these risk and rate issues and alternatives with the Financial Advisor, Public Financial Management (PFM). PFM has provided information on Statement of Financial Accounting Standards No. 71: Accounting for the Effects of Certain Types of Regulations used by several clients to accomplish the same intentions. SFAS No. 71 provides guidance in preparing general purpose financial statements for most public utilities. In general, the type of regulation covered by this statement permits rates to be set at levels intended to recover the estimated costs of providing regulated services or products, including the cost of capital (interest costs and a provision for earnings on shareholders' investments). For a number of reasons, revenues intended to cover some costs are provided either before or after the costs are incurred.

If a regulatory authority provides assurance that incurred costs will be recovered in the future, this Statement requires companies to capitalize those costs as regulatory assets to be included in the ratemaking process and recovered in future periods. If current recovery is provided for costs that are expected to be incurred in the future, this Statement requires companies to recognize those current receipts as liabilities to be included in the ratemaking process and recognized as revenues in future periods. This Statement is widely used by investor-owned gas and electric utilities, but has not been widely adopted by municipally-owned water utilities.

The expected advantage from this Statement is the ability for accounting treatment of expenses to more closely match the timing of the recovery of those expenses through rates. This would be based on Board of Water Works authorization for recovery through rates of certain costs in years other than in which they occur. This would require specific Board action on each occasion when this Statement is invoked. The likely disadvantages from this Statement are from the introduction of Regulatory-Prescribed Accounting into statements that have previously used only Generally Accepted Accounting Principles and from the potential "stack-up" future rate increases resulting from the deferral of current expenses into future years.

Mr. Miller advised regulated utilities commonly use this accounting treatment. He recommends if we decide to use it at all that we use it sparingly. Mr. Conner asked if LWC can use this since we are not regulated. Mr. Miller responded that the Board of Water Works is the regulating entity for purposes of this Statement. The external auditor would have to certify that use of this Statement is appropriate. Mr. Martin asked whether this would affect the dividend, and Mr. Miller stated it would affect net income in the current year adopted because it moves expenses to future years. Staff intends to review this accounting standard with the external auditors (Strothman and Company) and the Audit Committee prior to bringing a recommendation to the Board of Water Works.

Budget Increased and Authorization Given to Proceed with Final Design and Bidding for Project 00407: Long Run/Aiken Road Elevated Water Tank

Mr. Heitzman provided an overview of the project to construct a one million gallon elevated water storage tank operating within the 900 pressure zone to serve growth in eastern Jefferson County. This new tank will replace an existing 850,000 gallon ground storage tank at Long Run Park to improve system pressure and fire flow to this portion of the service area. The project includes engineering, consultant services, property acquisition, tank construction, and associated site work. The location of this tank was moved approximately one mile as a result of radio frequency (RF) problems that would likely result with the WHAS-AM radio broadcast tower. Tank Industry Consultants, Inc. (TIC) has been retained to provide design services on this project and develop a project cost estimate. The recommended budget is \$2,965,000, which does not include any increase that may result from the impact of Hurricane Katrina in the Gulf area. The increase of \$1.3 million is due to the current construction premium for elevated storage tanks (\$800,000); engineering design and RF analysis (\$140,000); property acquisition (\$225,000); and a project contingency of five percent (\$150,000). The property acquired is 11 acres and has the potential for being partially surplus or used for an additional LWC purpose. Staff has considered whether another option other than a tank solution could address the pressure and fire flow issues in this area, but believes an elevated storage tank is the correct solution in this situation. Dr. Wise inquired how materials increases affect project management cost. Mr. Heitzman responded that it does not directly affect project management costs, but if material prices are significantly too high, it may drive alternative design work, which does increase project management costs. Mr. Martin moved to increase the budget of Project 00407: Long Run Elevated Water Tank from \$1,650,000 to \$2,965,000, and to proceed with final design and advertisement for bid for the project. Dr. Wise seconded, and the motion carried. The bids for the project will be presented to the Board for approval and award of contract.

Budget Increased and Authorization Given to Proceed with Bid for Combined Project 10233: Renovate B. E. Payne Coagulation, Softening and Chemical Feed Systems, and Authorization Given to Establish Budget and Proceed with Final Design and Bid for new project to Renovate North Filters at the Crescent Hill Treatment Plant

Mr. Heitzman, the Board authorized staff in February 2005 to proceed to renovate the coagulation, softening, and chemical feed systems at B. E. Payne Water Treatment Plant (BEP) with a budget allocation of \$12.4 million. The consulting engineer, O'Brien and Gere, completed their 95 percent design review, and staff recommends several additions to the project scope and budget and the implementation of extensive coordination efforts with concurrent projects at both Crescent Hill Treatment Plant and Zorn Pumping Station. The comprehensive project at BEP includes renovation of the coagulation and softening systems and installation of new chemical feed systems for the first time since the plant went into service nearly 30 years ago (1977). Upgrading these systems also prepares the treatment plant to accommodate riverbank source water, which will require softening to reduce calcium concentrations. During the final design phase, several scope additions have been identified and recommended, including:

- installation of a second electrical feed for the mixing equipment
- replacement of the control valves in the coagulation and softening basins
- increasing the carbon dioxide storage capacity from 9 days to 20 days
- revising the project schedule from 30 months to 36 months to accommodate other major projects at Crescent Hill and Zorn
- increasing construction administration resources for the extended project schedule

The revised schedule will assure a minimum 205 MGD system capacity during peak demand periods and a 180 MGD capacity during slack demand periods. The peak day of record occurred in June 2005 at

204.5 MGD. Review of the BEP project schedule and coordination with other on going plant projects revealed a significant vulnerability of total system capacity during construction. In order to assure reliable system capacity of 205 MGD during peak demand periods, the contractor would be limited to construction from October to April. The limited construction window would further increase contract costs by an estimated \$600,000 and extend the construction period from 36 months to 52 months.

Staff has identified an alternative to keep the total construction time to 36 months. This can be achieved by replacing the media in six filters at CHFP, which will provide a reliable 20 MGD supply during the summer peak demand period. The expanded construction window would eliminate the need to extend construction into a fourth year. The CHFP North Filters were constructed in 1909. The filter media – consisting of gravel, sand, and anthracite – was last replaced in 1970. This filter gallery is maintained for peak summer demand periods, as reserve capacity. Currently, five of these filters have been removed from service due to their inability to meet water quality goals for turbidity and particle removal, which has hindered the reserve capacity. The replacement of the media in six of the 12 filters will also prepare for future filter work planned at Crescent Hill over the next 5 years. The recommended project budget to replace the media is \$360,000, yielding a cost savings for the BEP coagulation project of \$240,000. Dr. Wise inquired whether we will increase daily production by 20MGD. Mr. Heitzman stated the project will provide additional capacity for peak demand.

Dr. Wise moved to increase the budget for the B. E. Payne Coagulation and Softening Systems Renovation from \$12,403,768 to \$14,300,000 and proceed to advertisement for bid and to proceed with engineering design and advertisement for bid for an unbudgeted capital project in the amount of \$360,000 to renovate North Filters at the Crescent Hill Treatment Plant. Ms. Welsh seconded, and the motion carried.

Resolution Adopted to Issue Apportionment Warrants pursuant to KRS 96.265 for Bearcamp Road: Existing Water Main to the County Line

Ms. Karla Teasley advised the Board a public hearing was held October 4, 2001 for the extension of water service along Bearcamp Road: Existing Water Main to the County Line. The Board of Water Works adopted a resolution for Bearcamp Road: Existing Water Main to the County Line on November 13, 2001 recommending the proposed water service extension to Jefferson County Fiscal Court for final approval and passage of an ordinance. Subsequently, Fiscal Court approved Ordinance No. 1, Series 2002 on January 8, 2002 (a copy of which is attached) for the Bearcamp Road: Existing Water Main to the County Line project. The construction contract was awarded to Tom Brown Construction Company.

With the completion of this public water main extension the Board of Water Works is required to issue Apportionment Warrants against the properties assessed in accordance with KRS 96.265. In accordance with the recommendations of the Task Force Report the cost of the extension will be by the equal assessment method for the cost of \$5,450 for each lot or tract abutting this extension and currently not served. Apportionment warrants will be assessed against 29 properties. Ms. Welsh moved to adopt the following resolution for the issuance of Apportionment Warrants and liens against 29 benefited properties along Bearcamp Road: Existing Water Main to the County Line in accordance with KRS. 96.265:

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of **Bearcamp Road: Existing Water Main to the County Line** main extension project authorized by Ordinance No. 1, Series 2002 of the Jefferson Fiscal Court, adopted on January 8, 2002 such warrants to be against twenty nine (29) benefited properties identified by present ownership and official records set forth on Exhibit A, attached,

each apportionment warrant to be in the principal sum of \$5,450 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

Ms. Willis seconded, and the motion carried.

Authorization Given to Award Contract, Increase Engineering Services Contract and Increase Total Project Budget for Jackie Way Main Replacement Project

Ms. Teasley advised the Board needed to consider this project change action because, pursuant to Board policy, it exceeded \$250,000 and therefore is under the authority of the Board. Bids were received and opened on July 13, 2005 for the Jackie Way Area Main Replacement Project. The Project Manager recommended award of a combined bid (Base and Alternate) to Southern Pipeline for a total contract amount of \$1,159,000. This amount is \$352,000 (44%) in excess of the original estimate of the contractor cost, but only \$68,320 (6%) in excess of the estimate prepared immediately before bids (\$1,090,680).

The original project included the replacement of under-sized asbestos-cement (AC) pipe and PVC main along Jackie Way and other streets in the subdivision on the southeast corner of Highway 44 and I-65. To facilitate design of the project and to develop a "best practices" guide for the disposal and/or abandonment of AC pipe, the services of an engineering consultant (QK4) were enlisted. Based on research performed by the consultant and meetings with the Risk, Legal, Operations, and Safety areas at LWC, the scope of the project was later modified to include the removal and disposal of the existing AC mains.

The Consultant Cost was originally estimated to be \$55,000. During design and development of the project plans and specifications and research into "best practices", some additional work items were assigned to the consultant – creation of nine easement plats for the grid-ties, design of 2,700 feet of additional pipeline, design of a drainage structure impacted by the main installation, further investigation and research into the disposal of AC pipe, and separation of the bid documents into a base bid and an alternate bid. The cost for these additional work items has increased the primary engineering design contract to \$69,200

During construction of this project several methods of removal of the AC pipe will be piloted - auger reaming, pulling, and excavation - to determine which is the most economical and efficient method. Proper disposal of the pipe will be handled by National Environmental Contracting (NEC) acting as a sub-consultant to QK4 Engineers. NEC will also provide air monitoring during removal of the AC pipe, sampling and testing of the excavated soil and guidance to LWC and the Contractor regarding proper techniques for excavation and handling of the AC pipe on this and future projects involving AC mains. While it is anticipated that on future projects these sub-consultant services will be provided by an environmental consultant attached to the Contractor, it is felt that during this "pilot" project LWC should exercise more control over these items of work. The estimated cost for the sub-consultant services is \$104,875 including \$89,875 (\$5/foot for pipe disposal) and \$15,000 for other on-site engineering services (expertise, sampling and testing).

As a result of the bid prices, increased involvement of the Consultant, and significant involvement by a Sub-Consultant, the total project cost has increased by \$401,900 (35.3%) to \$1,539,075. The resulting unit price is \$78.48/linear foot. Disposal of the AC pipe, the cost of temporary by-pass for lay-in-place

construction, and the additional on-site sampling and testing has added \$5 to \$10 per foot to the cost of the project.

Mr. Martin moved to authorize the Vice President of Serving Customers and Business Development to award a contract in the amount of \$1,159,000 to Southern Pipeline, increase the Engineering Services contract with QK4 to \$174,075 (\$69,200 Consultant, \$104,875 Sub-Consultant), increase the total project budget to \$1,539,075, and proceed with construction of this project. Ms. Willis seconded, and the motion carried.

BOWW Meeting for October 2005 Rescheduled

Due to scheduling conflicts, it was the general consensus of the Directors to move the October regular meeting to October 18, 2005 at 12:30 p.m. This will be a special-called board meeting.

Executive Session Conducted

The Board went into Executive Session without management present at 3:40 p.m.

There being no further business, the meeting was adjourned at 3:50 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
SPECIAL-CALLED MEETING MINUTES
OCTOBER 18, 2005**

Board Members Present:

Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson
Mr. Stewart Conner, Chair

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Vice President, Operations and Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Ms. Amber Halloran, Business System Owner, Supplying Financial Resources and Controller
Mr. Jim Smith, Business System Owner, Infrastructure Planning
Ms. Barbara Crow, Process Owner, Providing Strategic Communications

The special-called meeting of the Board of Water Works, to consider the items on the agenda for the cancelled October 11th meeting, was held on Tuesday, October 18, 2005 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Vice-Chairperson Wendy Welsh called the meeting to order at 12:35 p.m.

Minutes from the Previous Meeting Reviewed and Approved

After discussion, Dr. Joseph Wise moved to approve the minutes from the Regular Meeting held September 20, 2005 with changes to the draft minutes as follows:

- Adding Mr. Greg Heitzman as an attendee;
- Changing the time at which the meeting was called to order to 12:32 p.m.;
- Adding the following sentence as the third sentence to the second full paragraph on page 3: "Mr. Martin requested the Board await the results of the PFM report before setting the return rates and other financial objectives for 2006 in the Long Range Plan;"
- Deleting the words "worth to us" and adding "lower annual depreciation expense and higher net income to LWC" in the third full paragraph on page 5;
- Deleting the period at then end of the sentence in the third full paragraph on page 7 and adding the word "but" before "the dividend";
- Deleting the words "controls for the distribution of fees collected from customers for the construction of specific types of distribution system extension and improvements" and add "supplemental funding for infrastructure renewal projects" in the fourth full paragraph on page 8.
- Adding the word "not" before "be established" in the second full paragraph on page 9 and adding an additional sentence in that paragraph stating as follows: "We could set up the reserve using bond proceeds from an upcoming bond issue or refinancing."

Mr. Gerald Martin seconded the motion and it carried. Dr. Wise moved to approve the proposed minutes from the special-called meeting held September 27, 2005, Ms. Margaret Harris seconded, and the motion carried.

Chief Executive Officer Report Provided

Mr. John Huber discussed the key points agreed to by the Board at the Strategic Planning retreat held on September 27th. Specifically, the Board wishes to explore regional expansion in an area approximately 75 miles around Louisville, to explore horizontal and vertical integration as a means for growth, to seek synergies with other agencies for efficiency, and to become a force for economic development. Each one of these items will have a team address it. The teams will be led by staff members Greg Heitzman, Karla Teasley, Bob Miller and Ed Chestnut. Mr. Huber suggested a different board member serve on each team as a liaison to facilitate effective communication of the progress of the teams to the rest of the Board. The goal is to have the work completed by the teams by mid-year 2006 and update the strategic plan for 2007-2011.

Financial Report Given

Mr. Miller provided the financial report for September. YTD Operating Revenues of \$85,636,171 are \$3,982,601 or 4.9% more than budgeted and \$9,336,027 or 12.2% more than 2004. YTD Operation and Maintenance Expenses of \$34,014,404 are \$481,607 or 1.4% less than budgeted and \$2,057,653 or 6.4% more than 2004. YTD Total Operating Expenses of \$55,646,351 is \$4,233 more than budgeted and \$3,902,034 or 7.5% more than 2004. YTD Net Operating Income or \$29,989,820 is \$3,978,368 or 15.3% more than budgeted and \$5,433,994 or 22.1% more than 2004. YTD Total Net Non-Operating Expense of \$2,461,679 is \$1,294,971 or 34.5% less than budgeted and \$1,523,291 or 38.2% less than 2004. YTD Net Income of \$27,528,141 is \$5,273,340 or 23.7% more than budgeted and \$6,957,285 or 33.8% more than 2004. Capital Expenditures through September were \$43,304,173 or 47.51% of the 2005 Capital Budget of \$91,148,054.

Mr. Huber noted we want to discuss how to deal with the interest we would have paid had we not deferred the borrowing we originally planned. This amounts to approximately \$1 Million. Dr. Wise inquired whether these are actual dollars as opposed to just an accounting treatment. Mr. Miller confirmed these are actual dollars.

Operations Report Provided

Mr. Heitzman reported the average production rate in September this year, which was 137.4 MGD, was 5.3 percent lower than the September 2004 production of 145.1 MGD. September 2004 was typified with dry weather conditions, compared to September 2005. Due to higher than normal productions from June to August, the 2005 year to date production of 133.7 MGD is 4.7 percent and 2.0 percent higher than 2004 and the five year average production, respectively.

Serving Customers Report Given

Ms. Karla Teasley advised the September abandonment rate was 5.3% compared to 11.5% in August 2005, and 3.9% in September 2004. Bad debt for the month was \$60,577 compared to \$62,840 in August 2005, and \$55,842 in September 2004. Bad debt is \$18,660 over budget for the month and \$98,271 over budget year to date. Mr. Martin inquired about the amount of bad debt. Ms. Teasley advised this will be mitigated to a degree by the newly implemented service deposit. Dr. Wise asked whether this applies to long term, good customers, and Mrs. Teasley advised it applies to any customer applying for water

service with a history of bad debt, so neither existing customers nor customers re-applying who have paid their bills timely are required to pay it.

Ms. Teasley reported customer satisfaction dropped for the third quarter from a second quarter Total Customer Satisfaction Index (CSI) of 856 to 842. This drop occurred in the areas of perception of customer service, information, reliability and price/value. Water quality remained stable from the second to the third quarter. Residential service is the only segment of the index that increased during the third quarter. The year-to-date average for the Total CSI is 850, which meets the corporate Level II goal (850). Customer satisfaction for the Service CSI increased to 806 which was the previous high for the service index reached in the 3rd quarter of 2004. The year-to-date average of 803 exceeds the Level III goal for customer satisfaction for the Corporate Performance Award (800). Satisfaction of residential customers increased for water quality, information and price/value and the residential service index score reached a new high of 814. Ms. Welsh noted there was a drop in December last year and asked if this is typical for December. Ms. Teasley responded it is not necessarily common and it could be related to the rate increase that was upcoming in January because the new rates had been reported by the media before December. It could also be associated with higher main breaks

Closed Session Held

Ms. Marita Willis moved to go into Closed Session to discuss Property, Litigation and Personnel matters pursuant to KRS 61.810(1) sections (b), (c) and (f) respectively at 1:10 p.m. Dr. Wise seconded, and the motion carried.

Open Session Resumed

Mr. Martin moved to return to Open Session at 1:54 p.m., seconded by Dr. Wise and the motion carried. There was no action coming out of closed session.

Compensation Committee Report Given

Ms. Welsh provided the Board with a summary of the discussions at the last Compensation Committee meeting held August 15, 2005. Ms. Welsh advised the Committee had been updated on the status of the goals for the Corporate Performance Award and the Executive Incentive Plan. The Company is meeting all goals for the Corporate Performance Award.

With regard to the ELT Shared Goals, Ms. Welsh advised we are meeting the goal related to the Capital plan and revenue, but the Committee considered a recommendation by Mr. Huber to modify the goal relating to the Riverbank Filtration Program as a result of the unusually high bids received on that project. The Board was comfortable with modifying that goal to require a report to the Board of the ATT Steering Group's evaluation of the various alternatives for Phase III by October. The metered water ratio improvements goal is being met and Human Resources is evaluating information to determine if the performance evaluation goal is being met. The Executive Incentive Plan goals are being met with the exception of one part of the water quality goal on individual filter turbidity, which was not met in a previous quarter

Ms. Welsh advised the Committee also discussed salary and benefits for 2006 and the issues the company is facing with rising costs. Mr. Huber advised we are providing benefits at the 75% of the market. Mr. Martin asked whether there would be any follow-up by staff on this, and Mr. Huber advised staff could provide some additional information, but had not been asked for a specific action by the Committee. Dr. Wise pointed out some benefits are determined due to participation in the County Employee Retirement System. Mr. Huber agreed, but noted that many other benefits are negotiable. The Committee also

received an update of the status of the labor agreement negotiations and the new Talent Resource Planning initiative.

Audit Committee Report Given

Ms. Welsh provided a summary of the discussions from the last Audit Committee meeting held on September 16, 2005. She advised the Committee met with Bill Meyer with Strothman & Company CPAs, which we have contracted with to perform outside auditing services and the Committee discussed the issue of Sarbanes-Oxley compliance with him. She conveyed Mr. Meyer's belief that LWC already exceeds the level of internal controls you usually see in government agencies. Mr. Meyer had stated, and the Committee agreed, it would require a tremendous dedication of human and financial resources to obtain the Sarbanes-Oxley certification of internal controls, and LWC could certainly adequately review and test its internal controls without completing the full certification process.

Ms. Welsh advised the Committee received the Annual Inventory Report. The Company is continuing to evaluate the issue of whether to operate a warehouse.

Ms. Welsh stated we have obtained an outside review of our IT general controls. She stated the number one priority is having adequate controls for Disaster Planning and Recovery. A main component of this control is having a person dedicated as the Information Security Officer. She felt this is the most difficult and costly activity to implement out of the audit findings. The other items are being adequately addressed by IT. She reported IT has suggested an audit plan schedule that appears to be reasonable.

Ms. Welsh summarized the outstanding issues from previous audits.

Preliminary 2006 Budget Discussed

Mr. Miller provided an overview of the Preliminary Budget and Financial Plan. The Budget is a static document and remains unchanged during the year, whereas the Financial Plan is a more dynamic document and will be updated throughout the year.

The 2006 Capital Budget is \$73.1 million, and the 2006 Operating Budget is \$117.5 million. The Preliminary Long Range Financial Plan includes the 2006-2015 Proforma Income Statement, the 2006-2015 CIP Funding and Debt Plan, and the 2006-2015 Capital Expenditures Plan. Mr. Miller advised that at this time staff is requesting permission to file the Preliminary Annual Budget and Long Range Financial Plan with Metro Government and Trustee.

Mr. Miller provided some background to the Board regarding how the Budgets and Financial Plan are developed. The Capital Budget is developed based on 2002-2021 Facilities Plan and 2005 Annual Inspection Report, and it contains all construction or acquisition projects having an expected useful life of more than one year. Most of these elements are one-time construction items, and the remainder are recurring equipment replacement purchases, such as fleet, tools, and information technology. Mr. Jim Smith and Ms. Teasley work with project managers to identify project requirements and realistic cash flows and construction schedules. The Capital Budget is reviewed by the Capital Projects Authorization Committee and the President for approval to submit to the Board of Water Works.

Mr. Miller stated the Operating Budget is developed based on the 2004-2008 Strategic Plan and certain planning parameters such as projected water sales, union contract and salary scale increases, and anticipated inflation rate. From the Strategic Plan, synoptic operating plans for each system are developed for the budget year. The Controller works with Business System Owners to develop draft

budgets based on these synoptic operating plans. The Operating Budgets are reviewed by the Business System Owners Council and the Executive Leadership Team for approval to submit to the Board.

Mr. Miller explained how these budgets are controlled under our current policy and procedure. All projects must have an acceptable business justification prior to proceeding with preliminary design. For projects less than \$2 Million having an acceptable business justification, staff has been authorized to proceed to final design and bid. For projects greater than \$2 Million, staff must obtain authorization from the Board of Water Works to proceed with final design and bid and then again to award and execute Contract. Any project change orders or contract change orders greater than \$250,000 require board approval. These items are handled internally through project budget sheets that require approval by the respective operating areas, Capital Projects Authorization Committee and the President. Board members see these as new business to proceed on a project, as bid tabulations for contract award, and as old business for change actions. This process is certified by the president and reviewed by the Internal Auditor on a quarterly basis.

Controls for the Operating Budget results are reviewed monthly by the Executive Leadership Team through a package prepared by the Supplying Financial Resources group. This package contains a thorough review of the income statement components. Based on the current financial results as well as forecasts for pumping and water sales, determinations are made if special measures are needed in order to achieve the earnings target. These results are summarized in the report that is presented to the board each month.

In terms of funding, the Capital Budget is funded primarily from cash generated from operations; that is, profits not paid out as a dividend plus non-cash expenses like depreciation (\$29.5 million). Developers and homebuilders also provide a significant portion that covers distribution system extensions, water services and fire hydrants (\$15.8 million). For large capital budget years, the Capital Budget is also funded from a draw down of cash reserves (currently approximately \$19 million). As the cash reserve levels are drawn down towards minimum working capital levels (sixty days of O&M expenses or about \$8.3 million), plans are initiated to begin the borrowing process. The borrowing planned for 2006 is \$32 million.

Mr. Miller advised the Operating Budget is funded almost entirely from water sales (more than 94%) and is computed as the sum of all of the revenue requirements: Operation and Maintenance expenses, Depreciation, Water Provided in Lieu of Taxes, Retirement of Assets, Net Non-Operating Expenses, and Net Income. Approximately 4% of the operating budget is funded from sewer billing services and late payment penalties. Less than 2% of the operating budget is funded by interest income on our investments.

Mr. Miller provided highlights of the 2006 Capital Budget, which totals \$73.2 million. Infrastructure Replacement / Rehabilitation amounts to \$30.3 million. This includes: Water Main Replacement /Rehabilitation; Distribution Center Facilities and Equipment; Relocation of Facilities; and Pumping Station and Treatment Plant Facilities and Equipment. System Improvements add up to \$20.4 million. These include Advanced Treatment Technology Phase II and III, BE Payne Plant Coagulation and Softening Basins, Crescent Hill Drainage and Solids Improvements and Information Technology Projects. There is \$12 Million in the Capital Budget for growth-related Improvements, including new transmission mains, storage tanks and booster pump stations. There is \$20.4 million for self-financing improvements, such as the Bullitt County Water Extension Program, Developer Financed Distribution Main Extensions, and Fire Hydrants and Service Lines. Mr. Miller noted Automated Meter Reading is not currently included in the capital budget.

Mr. Miller discussed highlights of the 2006 Operating Budget. The Budget shows water sales increased by 3.5%, with the water sales budget increased from 37.5 BG to 38.8 BG, based on forecast developed in conjunction with a University of Louisville statistician, Dr. Patricia Cerrito. This is back to the level budgeted in 2004. This budget assumes Operation and Maintenance expenses will be up \$3.4 million or 7.3% and depreciation will be up \$1.5 million or 7.6%.

Mr. Miller stated the Return on Equity Target of 9.48% based on phasing out five year moving average of investor owned utilities computed at 9.22% (two-thirds) and phasing in current allowed return of 10.0% (one-third). This yields a budgeted net income of \$31.5 million (\$2.2 due to higher ROE target) and a budgeted dividend of \$14.8 million (up \$1.5 million, also due to higher ROE target).

In summary, Mr. Miller stated the issues affecting the rates are increased O&M expenses, increased depreciation expenses, increased free water, and increased net income, which are all offset by increased budgeted water sales and a decreased funding of Infrastructure Reserve.

Regarding future budgeting and planning, Mr. Miller stated the highlights from the Pro Forma Income Statement and Financial Plan include:

- Return on Equity target assumed at 9.48% for 2006, 9.74% for 2007, and 10.0% for 2008-2015.
- Water consumption forecast nearly flat over next ten years.
- Infrastructure Replacement Reserve funding \$2.1 million in 2007, \$1.3 million in 2008, none afterwards.
- Operations and Maintenance expenses are projected to increase by component at about 3% per year.
- Depreciation increase and borrowing tied directly to capital expenditure program.
- Total debt planned over next ten years \$263 million.
- Interest Expense for borrowings are included in non-operating expense.
- Principal payments on Series 2001 bonds conclude in 2014. Principal payments on new bonds commence immediately.
- Water rates are projected to increase by 5.0% to 5.25% each year from 2007 through 2010 and by 3.0 to 4.0% from 2011 through 2015.
- Debt service coverage falls slightly below 2.0 times but remains ahead of minimum debt service coverage covenants in the Bond Resolution.

Mr. Huber stated we put the budget together with sales of 38.8 BG and this amount is very restrictive in the event any contingency occurs. The 4% rate increase proposed is very conservative. Using the Public Financial Management (PFM) planning model, the proposed increase for next year would be about 5.25%. Our sales volatility is growing. Additionally, the CPI has increased by 4.7% over the past 12 months. Mr. Huber stated the Board may want to consider a 4.5% rate increase and use that additional money for the Infrastructure Replacement Reserve. We could also consider dropping our sales forecast. If we had a major percentage rate increase this year, it may help to lower it next year. Ms. Halloran advised if we take a 4.5% rate increase, we would likely need only a 4.9% rate increase next year.

Dr. Wise asked Ms. Barbara Crow how such a rate increase would be perceived this year on the heels of a year in which we provided a greater than budgeted dividend to the Metro Government. Ms. Crow stated this involves the same issues we manage for each rate increase, but we are certainly affected by the impact from other utility rate increases, which have been substantial. Ms. Welsh expressed concern about setting a rate that is too low and resulting in a much larger rate increase next year.

Mr. Martin stated he wants to get input from PFM regarding the determination of depreciation expense because it could effect how we establish the useful life of our facilities. He also wants PFM to provide input on how we calculate the ROE. He wondered whether we could set the rate increases at increments.

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Dr. Wise stated we should not have more than one increase in rates per year, and Mr. Rick Johnstone agreed, adding that our rate increases are relatively small compared to other utilities in the area.

Mr. Miller noted the BOWW's decision to fund the Infrastructure Replacement Reserve (IRR) in the past has been viewed as wise stewardship by many customers and media reports. A 4% increase does not provide any funding for the IRR, but a 4.5% increase would yield approximately \$500,000 for the IRR.

Dr. Wise and Mr. Johnstone requested staff to provide schedules showing varying rate increases at the November BOWW meeting. Directors expressed interest in seeing proposals to level out future rate increases. Dr. Wise moved to file the Preliminary 2006 Annual Budget with the Trustees and the Metro Government. Ms. Willis seconded, and the motion carried.

Best Governance Practices Discussed

Mr. Miller provided the Board an update regarding the ongoing discussion of best governance practices. At the Audit Committee meeting on June 6, 2005, staff presented the highlights of the draft Sarbanes-Oxley Best Practices Implementation Plan, noting that a more detailed plan would be presented at the September meeting. At the Audit Committee meeting on September 16, 2005, staff presented items described in the Implementation Plan for consideration by the Board of Water Works: Corporate Governance Policy and Procedures; Audit Committee Charter update; Code of Ethics for Senior Financial Officers; Whistle-Blower Procedure; and, a proposed change to Executive Incentive Plan

The Audit Committee was in consensus regarding the adoption of each of the elements to the Board of Water Works at the November 2005 meeting to assure continued public confidence in the financial integrity and operations of Louisville Water Company.

Recommended Internal Controls Certification Practices

Mr. Miller reported staff has performed extensive research regarding voluntary compliance with the evaluation and certification of internal controls consistent with Sections 302 and 404 of the Sarbanes-Oxley Act of 2002. At this time, only one organization has been found to have voluntarily sought certification of internal controls by external auditors. Staff has identified the additional resources that we believe would be necessary to accomplish this certification, but believe that LWC should not pursue an internal controls evaluation and certification to the full extent required by the Sarbanes-Oxley Act of 2002 based on the perception that the benefits from doing so are outweighed by the costs and disruptions to the business - to pursue a Sarbanes-Oxley compliant internal controls certification would entail a major disruption to several business systems and require between \$500,000 and \$1,000,000 in additional funding over the next two to three years. Mr. Miller stated, in lieu of pursuing a Sarbanes-Oxley compliant internal controls certification, staff recommends that management develop and implement these plans:

- Develop more straightforward and usable definitions of Control Deficiency, Significant Deficiency, and Material Weakness that reflect specific levels of risk.
- With the assistance of outside expert advice, develop a standard methodology to be used within all business systems to identify, document, evaluate, and certify internal controls.
- Incorporate a review or audit of internal controls methodology compliance as requirement in the System Certification requirements.

This recommended approach would require a certification by each business system owner and would involve a review of the internal controls documentation and testing by internal or external auditors through a defined set of agreed-upon procedures. Staff believes that this approach would implement the

best practices and achieve for LWC the benefits envisioned by Congress when the Sarbanes-Oxley Act was passed. Furthermore, it would operationalize and institutionalize this approach into the daily activities of each business system. Directors were in consensus with staff's recommendations regarding the Company's internal controls processes.

Corporate Policies Considered

Ms. Barbara Dickens advised the Company is attempting to review and revise all its current policies and create new policies where policy gaps have been identified. Certain policies have been earmarked as policy statements that should come directly from the Board of Water Works. As such, those policies will be submitted for the Board's approval. The process of Board policy approval involves the Board reviewing these policies as a First Reading one month, making any changes that may be necessary based on that review, and then considering them the following month as a Second Reading, for approval at that time.

Mr. Miller reviewed a new Corporate Governance Policy, which is in keeping with the previous communication to the Board on this issue. Ms. Dickens reviewed a new policy entitled, "Access to Official Company Meetings and Records" to govern our requirements under the Kentucky Open Records Act and the Kentucky Open Meetings Act. Ms. Dickens reviewed an existing policy on Corporate Charitable Donations, which is being proposed for amendment. There were no comments from Directors at this time. Ms. Dickens advised these three policies would return in November for adoption.

Update Provided Regarding Human Resource Information System

Mr. Miller provided a status update on the implementation of the Human Resources Management System (HRMS). LWC is partnering with Empower Solutions to implement the following PeopleSoft modules – Human Resources, Payroll, Benefits Administration and four (4) employee self service modules that will provide employees online access to their pay, benefits and personal information. The "go-live" date for these modules is January 1, 2006.

Two (2) major segments of the HRMS project have been completed – Process Analysis and Solution Development. In the Process Analysis segment, sessions were conducted to demonstrate the software so that gaps between PeopleSoft's standard offerings and LWC's business needs could be identified and documented. To close those gaps, cost estimates for each modification were determined which allowed each request to be prioritized and evaluated on its own merit. The Solution Development segment consisted of completing the actual coding of the development work, the finalization of the new business processes and the development of a test plan. Significant progress has also been made on the development and testing of the conversion plans that will be utilized to move the data from LWC's existing HRMS system to PeopleSoft.

In early October, the team began its most critical phase – system testing. System testing allows users to test the new business processes and to work on the new system so that potential problems with the software set up can be identified and corrected prior to "go-live". System testing is expected to be completed in mid-November. Therefore, Mr. Miller advised the first phase of the HRMS implementation is on schedule to meet its January 2006 "go live" date and is proceeding within budget. He stated phase II of the HRMS implementation will be presented at the November Board of Water Works meeting.

Certification Provided for Projects and Change Actions Approved During Third Quarter 2005

Mr. Huber reported that the following projects and change actions within his authority were approved in the Third Quarter of 2005 in accordance with the Capital Projects Authorization Policy and Procedure:

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99407	Goshen Elevated Storage		
		Change in project budget estimate =	\$ 557,100
		BOWW Approval Received	
10277	Ridge Rd Elevated Storage		
		Project budget estimate =	\$ 1,075,000
02603	PRP II BPS		
		Project budget estimate =	\$ 300,000
00580	CHPS Discharge Valve		
		Project budget estimate =	\$ 254,621
10275	Brooks Hill water main extension		
		Project budget estimate =	\$ 252,000
11112	Apple Valley Way 8" water main		
		Project budget estimate =	\$ 245,250
03307	Knob Creek Road water main extension		
		Project budget estimate =	\$ 196,000
10326	Rams Run Road North water main extension		
		Project budget estimate =	\$ 312,000
10209	Stonestreet Rd 12" Main		
		Change in project budget estimate =	\$ 57,000
10414	Shelbyville Rd II main replacement		
		Change in project budget estimate =	\$ 233,000
		BOWW Approval Received	
10609	Sandblast and Recoat Steel Storage Tank, Paint Bardstown Rd tank		
		Change in project budget estimate =	\$ (285,340)
02348	Chester Ln water main extension		
		Project budget estimate =	\$ 140,000
11133	McCubbins Farm water main extension		
		Project budget estimate =	\$ 108,000
10269	I-65 16" water main from Shepherdsville Industrial Park to Chapeze Ln		
		Project budget estimate =	\$ 750,000
10585	Pitts Point Rd area main replacement		
		Project budget estimate =	\$ 711,639
10516	Manslick Rd main replacement		
		Project budget estimate =	\$ 385,000
03662	Louisville International Airport (Standiford Field) 60" relocation Phase 3		
		Project budget estimate =	\$ (240,860)
10270	Bullitt County Transmission/Storage – Storage Tank		
		Project budget estimate =	\$ 875,000
10613	CHFP HVAC Improvements		
		Change in project budget estimate =	\$ 150,000
10614	Mayfair Rd drainage pipe replacement		
		Change in project budget estimate =	\$ 245,000
00418	BEP WTP Improvements – Cost redistribution. No change in project estimate.		
		Project budget estimate =	\$ 20,500,000
02313	Weavers Run Tank		
		Project budget estimate =	\$ 600,000
02322	Weavers Run backbone main extension		
		Project budget estimate =	\$ 340,000
02319	Weavers Run BPS		
		Project budget estimate =	\$ 275,000
10031	Westport Interchange Phase 2		
		Change in project budget estimate =	\$ 356,138
		BOWW Approval Required	

11055	Shelbyville Rd III MRRP, Eden Ave to Burnley Rd	
	Project budget estimate =	\$ 1,265,000
03638	CHFP Slate Roof Replacements	
	Project budget estimate =	\$ (396,429)
00401	Zorn Intake and Pump Station Rehabilitation	
	Change in project budget estimate =	\$ 2,027,000
	BOWW Approval Received	
10227	English Station elevated water tank	
	Project budget estimate =	\$ 200,000
10611	BEP Plant Lagoon #4 security fence replacement	
	Project budget estimate =	\$ (59,000)
10524	Hwy 44 main replacement	
	Project budget estimate =	\$ 31,314
11130	Timberline Dr	
	Project budget estimate =	\$ 128,983
03662	Louisville International Airport (Standiford Field) 60" relocation	
	Change in project budget estimate =	\$ 39,908
10290	Farms at Lovers Ln Subd	
	Project budget estimate =	\$ 106,975
11094	Seelbach Ave main replacement	
	Change in project budget estimate =	\$ 27,750
02402	CHPS Pump #7 Overhaul – Cash flow	
	Project budget estimate =	\$ 482,500
10631	Backhoe 2wd purchase	
	Change in project budget estimate =	\$ 47,100
10632	Forklift purchase	
	Change in project budget estimate =	\$ 70,000
10275	Brooks Hill Road water main extension	
	Change in project budget estimate =	\$ (47,157)
11160	Hwy 44 West backbone extension, Knob Creek Rd to Bob-O-Link Rd	
	Project budget estimate =	\$ 205,500
11148	Dahl Rd MRRP	
	Project budget estimate =	\$ 295,000
10643	Blue Lick Rd relocation – Cancel project	
	Project budget estimate =	\$ 1,800,000
10274	Lake Elmo Rd water main extension – Cash flow	
	Project budget estimate =	\$ 168,000
11114	Westport Rd, Chenoweth Lane to Primrose Dr	
	Project budget estimate =	\$ 133,000
11165	Cathodic Protection for Distribution System 2005	
	Project budget estimate =	\$ 160,000
10233	Renovate Coag Clarifier, Softening Mixing & Clarifier and Water Stabilization Systems at BEPWTP	
	Change in project budget estimate =	\$ 31,515
01743	Snyder Freeway Transmission mains	
	Project budget estimate =	\$ 15,547,000
10269	I-65 transmission main from Shepherdsville Industrial Park to Chapeze Ln	
	Change in project budget estimate =	\$ 109,000
10270	Bullitt County Transmission/Storage – Storage Tank	
	Project budget estimate =	\$ 875,000
99407	Goshen Elevated Storage Tank – Cash flow	
	Project budget estimate =	\$ 2,207,100
00407	Long Run Elevated Storage Tank	
	Change in project budget estimate =	\$ 1,340,000
	BOWW Approval Received	

10615	Zorn Water Tower Coating System Rehabilitation	
	Project budget estimate =	\$ 300,000
02333	Millers Dr main extension	
	Change in project budget estimate =	\$ 37,000
01314	Rams Run tank – Cancel project	
	Project budget estimate =	\$ 400,000
10433	Rams Run Booster Pump and Fire Pump Station	
	Change in project budget estimate =	\$ 50,000
10618	Purchase Water Quality Instrumentation	
	Project budget estimate =	\$ 145,000
11041	Alta Vista Rd main replacement – Cancel project	
	Project budget estimate =	\$ 20,000
11167	Lakeside, Lindell, 28 th St Lead Service Renewals	
	Project budget estimate =	\$ 177,408
10232	Renovate Softening Mixing and Clarifier Basins #5 and #6 and Lime Delivery System at CHWTP	
	Change in project budget estimate =	\$ 5,460,338
	BOWW Approval Received	
10585	Pitts Point Rd area main replacement	
	Change in project budget estimate =	\$ 342,085
	BOWW Approval Required	
10614	Mayfair Rd Drainage Pipe Replacement – Cash flow	
	Project budget estimate =	\$ 275,000

Certification Provided for Contracts and Bids Awarded During Third Quarter 2005

Mr. Huber advised that contracts and bids within his authority were approved in the Third Quarter of 2005 according to the Purchasing Policy and Procedures:

01743	Gene Snyder Freeway Transmission Main Design - Phase 2 CH2M Hill	\$67,700
05-05686	Discontinuing Small Water Services Miller Pipeline	\$68,333
05-63	Seelbach Avenue Area - MRRP MAC Construction & Excavating, Inc.	\$211,750
05-64	Project 03641: Crescent Hill Pump Station Ventilation Improvements J & J Mechanical, Inc.	\$124,876
05-66	Construction Inspection and Technician Quest Engineers, Inc.	\$511,200
05-67	Project 10287 Jackie Way Area Main Replacement Project Southern Pipeline Construction Co. (CWBE)	\$1,159,000
05-72	Project 10382 Kentucky Street Area Main Replacement Project MAC Construction & Excavating, Inc.	\$1,251,300
05-73	Project 02-33 / Millers Drive Water Main Extension Three T Construction	\$49,743
05-76	Project 11-064 Relocation of BEP Low-Lift Generator to Cardinal Hill / PRP Pump Station Walter B. Diecks Electric Co.	\$42,855
05-78	Project 11101 / Norfolk-Southern Inermodal Facility - Water Facilities Relocation Project MAC Construction & Excavating, Inc.	\$54,600
05-85	Project # 10269 / I-65 16-Inch Transmission Water Main Extension	

10286	Basham Construction & Rental Co., Inc. Contingency Contract for Transmission System Emergency Repairs and Capital Improvements - Old Ford Salt River Crossing - Assignment from Bid #05-10	\$617,173
10433	Southern Pipeline and Construction Co. (CWBE) Engineering Services for Distribution System Design and Construction Pipeline, Pump Stations and Tanks - Rams Run Road BPS - Assignment from Bid #04-42	\$385,630
Bid 05-52	Quest Engineers Project 10414 Shelbyville Road II - Breckenridge Ln. to I-264 - Main Replacement	\$27,235
Bid 05-59	Southern Pipeline Construction Co. (CWBE) Project 10275 Brooks Hill Road Water Main Extension	\$1,365,000
Prof. Svc.	Bardstown Road Tank Painting Project - Inspection Services - Assignment from 04-42 / Engineering Services for Distribution Systems Design & Construction Pipeline, Pump Stations and Tanks Quest Engineers, Inc.	\$147,843
		\$55,491

PROCUREMENT OF MATERIALS AND SERVICES

01-54	Telecommunications System and Switch Maintenance Renewal - Amendment to Existing Contract BellSouth Communication Systems, LLC	\$22,608
02-27	Fire Hydrants - 5th PPI Renewal (quarterly renewal - amount is estimated for three American Cast Iron Pipe	\$278,38
02-41	Barricade Rentals (3rd CPI Renewal) Flasher Barricade and Lite Company	\$259,487
03-29	CSI Data Collection - 2nd CPI Renewal Datamax, LLC	\$29,227
03-44	Property & Casualty Brokerage Services - CPI Renewal Neace Lukens	\$39,069
03-51	Vehicular Body and Suspension Repair (Second and Final CPI Renewal) Robinson's Auto Body (CMBE)	\$53,000
04-42	Engineering Services for Distribution System Design & Construction Pipeline, Pump Stations, and Tanks - 1st CPI Renewal QK4	\$553,215
04-51	LWC Property Protection - 1st CPI Renewal Louisville Patrol & Detection	\$350,026
05-19	Lockbox Services, Debit / Credit Card Services and Banking Services Fifth Third Bank - Lockbox Services	\$120,000

	Fifth Third Bank - Debit / Credit Card Services	\$193,552
05-31	Crane and Truck Bed	
	Manning Equipment Co.	\$114,195
05-33	Road & Tire Service	
	Raben Tire	\$159,704
05-35	Stone, Soil and Sand - Award Correction	
	Nugent Sand (Stone only)	\$38,914
	Quality Stone	\$269,09
05-54	Meter Exchange Vehicles	
	Bill Collins Ford - Cab & Chassis	\$65,250
05-55	Water Treatment Chemicals	
	Univar - Liquid Chlorine (CHFP)	\$242,567
	Calgon - Powdered Activated Carbon (Taste & Odor)	\$65,700
	Solvay - Fluosilicic Acid	\$122,544
	Kemiron - Liquid Ferric Chloride	\$1,265,355
	Mississippi Lime - Quicklime	\$441,982
	Polydyne - Poly (diallyldimethylammonium chloride)	\$126,480
	Univar - Ammonia	\$82,698
	Univar - Liquid Chlorine (BEP)	\$119,070
05-57	Oracle Database and Applications Upgrade - Request for Competitive Negotiation	
	Tru Tek	\$52,250
	Tru Tek	\$32,520
05-58	Meter Plug Locks	
	McGard, Inc. (Two Year Contract)	\$43,672
05-60	Polywrap	
	Hamilton Plastics	\$35,867
05-61	Ready Mix Concrete (Two-Year Contract)	
	Pearce Brothers, Inc.	\$1,261,210
05-62	Propylene Glycol	
	Southern Water Treatment Co.	\$53,700
05-68	1 1/2 Ton Cab and Chassis with Flat Bed Truck	
	Countryside Motors	\$26,378
05-70	Backhoe / Loader	
	Americon Cat Rental	\$188,557
05-74	Casing Spacers	
	Water Works Supplies	\$76,095
05-75	Water Pressure Regulators	
	Hughes Supply Co.	\$22,659
05-77	Copper Tubing	
	Water Works Supply Co.	\$123,356
05-79	Pipe Repair Couplings	
	Hughes Supply Co.	\$79,116
05-80	Steel Casing Pipe	
	Thompson Distribution Co. (MBE)	\$62,380
05-84	Dump Truck Bodies	
	Tow Zone Trailer & Equipment Co.	\$60,360
05-91	Keytube Plastic	
	Hughes Supply Co.	\$22,500
11168	Purchase Equipment / Software to move in-house the AMR and Maintenance of AMR Pilot Service Areas	
	Neptune Technology Group, Inc.	\$46,820
Sole Source	IVR Maintenance Renewal	
	First Data Government Solutions	\$20,933

PROCUREMENT OF PROFESSIONAL SERVICES

00401	Zorn Pump Station Intake Improvements Camp, Dresser & McKee, Inc.	\$736,329
10613	Crescent Hill Filter Plant HVAC Improvements CMTA, Inc.	\$35,055
99407 / 10227 / 00407 / 03832	Goshen, English Station, Long Run and Tyler Tanks Tank Industry Consultants, Inc.	\$312,936
Professional Service	Electric Power Reliability Evaluation Black & Veatch Corporation	\$77,892
	AIG / Lexington Insurance - Excess Liability Insurance	\$288,117
	Public Financial Management, Inc. (The PFM Group)	\$65,000
	Black and Veatch Corporation	\$21,500
	Black & Veatch	\$37,740
	Deyta, Inc.	\$20,648
	Zurich - Directors and Officers Liability Insurance	\$42,074
	Midwest Employers Casualty - Stop- Loss Workers Compensation Insurance	\$23,752
	Affiliated Factory Mutual - Blanket Property Insurance	\$97,568

PROCUREMENT OF SOLE SOURCE MATERIALS AND SERVICES

Sole Source	Oracle Maintenance Support - Contract Oracle Corporation	\$65,095
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Budget Increased and Authorization Given to Proceed with Final Design and Bidding for Pitts Point Road Main Replacement Project

Ms. Teasley advised the Board had previously authorized staff to design and advertise for bids the Pitts Point Road Area project with a project budget estimate of \$690,000. The project scope at that time included Pitts Point Road from Highway 44 to Kings Lake Drive and Highway 44 from Raymond Road eastward to Pitts Point Road. Based on further analysis of the current and projected water demand in the area served by Pitts Point Road and Raymond Road, the Capital Planning & Hydraulics Process has recommended that the proposed 8-inch main in Raymond Road be extended along Highway 44 by approximately 1,300 feet to Highwater Road, and a new 12-inch main be included along Highway 44 between Bullitt Lick Creek eastward to Raymond Road to replace an existing 6-inch main. This additional work coupled with planned improvements along Raymond Road and Chillicoop Road will improve the water supply to this area, bringing the majority of the fire hydrant flow rates into compliance with current standards. The proposed changes increase the project budget from \$690,000 to \$1,053,724. Funding for the project will come from three sources – Pitts Point Road (MRRP Program – Infrastructure Reserve), Highway 44 (west) from Raymond Road to Pitts Point Road (Bullitt County Water Reserve), and Highway 44 (east) from Bullitt Lick Creek to Raymond Road (System Development Charge Reserve). Dr. Wise moved to increase the Project Budget of Record to \$1,053,724 and to proceed with the final design and advertisement for bid of the Pitts Point Road Area Main Replacement Project. Ms. Willis seconded, and the motion carried.

Change Action Authorized for Project 10031: Westport Road/I-264 Interchange Phase 11

Ms. Teasley stated LWC entered into Contract G-128 with T+C Contracting, Inc. in the amount of \$1,812,900 approximately two years ago for the construction of the pipeline associated with the referenced road relocation project. At the time the contract was signed, the total project cost was estimated to be

\$2,125,311. Construction is now complete, and a single change action in the amount of \$356,138 (\$92,322 for T+C) has been submitted for review and approval. The project included the construction of suction piping under the proposed Westport Road interchange to serve the Westport Road Pump Station. Reconstruction of the roadway interchange is planned to start in Fall 2006. Relocation of the suction main prior to that date has provided the Kentucky Transportation Cabinet (KTC) with an unencumbered work area. Because the main installation project resulted from a KTC road relocation project, LWC will receive reimbursement from KTC for a portion of the costs.

During construction various changes in the scope of work occurred which increased the contract amount, total project amount, and reimbursement amount, such as an increase in the length of the bores under I-264, additional erosion protection measures requested by MSD, unplanned capping of existing mains to facilitate roadway construction, and additional rock excavation. In addition, these scope changes resulted in cost increases in LWC labor, materials, capital interest, miscellaneous utility relocations, and vendor charges. Reimbursement from KTC is expected to increase from \$1,680,652 to \$1,978,956. The net cost to LWC increases from \$444,649 to \$502,493.

Ms. Teasley advised the work is actually being done but the contractor has not been paid and we need to move forward with the reimbursement. Mr. Johnstone asked why LWC is being requested to pay any portion of it because it is relocation at the state's request. Ms. Teasley responded we are paying for the upsizing, which is our choice to do at this opportune time. Mr. Huber affirmed the state reimburses us fully if the relocation is at the State's request and it is a relocation of the same size facilities. Ms. Margaret Harris moved to authorize the Vice President of Serving Customers and Business Development to increase the contract amount with T+C Contracting, Inc. to \$1,905,222 and the total project cost from \$2,125,311 to \$2,481,449. Dr. Wise seconded, and the motion carried.

Grant Approved for Bullitt County Water Improvement Program

Ms. Teasley advised that as a part of the 207 water main extension projects proposed by LWC in May 2001 to the Kentucky Infrastructure Authority (KIA), many of which have already been completed, LWC has received a conditional commitment letter from KIA for grant assistance for Hilltop Road totaling \$399,000. Mr. Martin moved to adopt the following Resolution accepting the Hilltop Road KIA grant, approving the Grant Agreement, authorizing the amendment of the 2005 LWC Budget to note receipt of the funds and authorizing Ms. Teasley to sign the grant documents:

WHEREAS, the General Assembly has appropriated funds for infrastructure projects in the 2004-2006 Budget of the Commonwealth; and

WHEREAS, the Louisville Water Company ("Grantee") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Grantee's utility system (the "Project"); and

WHEREAS, the Grantee desires funding from the Kentucky Infrastructure Authority (the "Authority") for the purpose of acquisition and construction of the Project.

NOW, THEREFORE, BE IT RESOLVED by the Board of Water Works of the Louisville Water Company (Grantee) as follows:

SECTION 1. That the Grantee hereby accepts the grant award and approves the Agreement between the Grantee and the Authority substantially in the form on file with the Grantee for the purpose of providing a portion of the necessary financing to the Grantee for the acquisition and construction of the Project.

SECTION 2. That Karla Olson Teasley, Vice President, Serving Customers and Business Development, is hereby authorized, directed and empowered by the Grantee to execute the Agreement and all other necessary documents or agreements, and to otherwise act on behalf of the Grantee to implement the Project.

SECTION 3. That the Grantee hereby includes in its annual budget the receipt and expenditures of funds subject to the Agreement with the Authority.

SECTION 4. This Agreement shall take effect immediately upon passage.


Ms. Willis seconded, and the motion carried.

Executive Session Conducted

The Board went into Executive Session without management present at 3:16 p.m. and returned at 3:35 p.m.

There being no further business, the meeting was adjourned at 3:35 p.m.

Respectfully submitted,



Barbara K. Dickens

Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
NOVEMBER 15, 2005**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Vice President, Operations and Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Ms. Amber Halloran, Business System Owner, Supplying Financial Resources
Ms. Kay Ball, Program Manager, Riverbank Filtration Project

Visitors:

Mr. Larry Gaddis, Black & Veatch Consulting Engineers
Mr. Bruce Long, Black & Veatch Consulting Engineers
Mr. Phillip Lee, WDRB-TV

The regular meeting of the Board of Water Works was held on Tuesday, November 15, 2005 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:30 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Mr. Gerald Martin proposed a change in the minutes at page 6 by deleting the words "seems we could vary" and replacing them with "could affect." Mr. Martin moved to approve the minutes from the Special Called Meeting held October 18, 2005 with the change suggested by Mr. Martin, seconded by Ms. Wendy Welsh, and the motion carried.

Steering Group Recommendations Regarding Alternative Treatment Technology at Crescent Hill Treatment Plant Discussed

Mr. Greg Heitzman discussed the recommendations of the Steering Group on Alternative Treatment Technology for the Crescent Hill Treatment Plant. The Steering Group included John Huber, Mr. Heitzman; Dr. Joe Wise, Mr. Martin, Ms. Marita Willis and Mr. Rick Johnstone, and it met five times in January, March, April, June, August and October of this year. The group reviewed all the practical

treatment options and created nine preliminary treatment alternatives, which were screened down to five alternatives that were reviewed in depth. The Group determined criteria necessary to evaluate those options and utilized special software for that evaluation. This process narrowed the alternatives down to three options, which Mr. Bruce Long of Black & Veatch discussed in more detail. Those options are: a river intake with ozone and biologically active filters (BAF); a river intake with ozone, BAF and ultraviolet rays (UV); and a riverbank filtration (RBF) process with granular media filtration. The latter option will vary depending on whether we assume there is gas or assume there is a potential for gas in the path of the facilities. Dr. Wise asked for further explanation of gassy versus potentially gassy. Mr. Heitzman advised, similar to the B.E. Payne plant RBF project, declaring it gassy will affect precautions we have to take and in turn affect construction costs. Mr. Conner asked whether there is a possibility of no gas, and Mr. Heitzman advised since it is underground and one core drilling indicated gas, it is highly likely gas is present.

Mr. Long discussed the O&M and Capital costs associated with each alternative. He described the sensitivity analysis and the weighting factors applied and advised the sensitivity analysis can produce different results depending on how the various factors are weighted. For example, water quality can be weighted more heavily and it will change the results. Mr. Martin stressed the Directors relied upon staff recommendations for the determination of weighting factors. Mr. Conner asked whether Mr. Long includes regulatory requirements into "water quality" and Mr. Heitzman stated we are talking about water quality above and beyond the current regulations. There are new regulations coming out and we are looking to meet future regulatory requirements.

Mr. Miller provided information about the financial analysis used for evaluating the three alternatives and reviewed the 30 year discounted costs, which resulted in ranking the three alternatives nearly equal. Next, the Company needs to perform a qualitative risk assessment on each alternative. Black & Veatch needs to revise the expected life for the RBF tunnel facilities, extend the analysis to 40 year discounted costs, incorporate retirement of the existing and near-term planned facility assets, incorporate incremental O&M expenses and evaluate effect on the long range financial plan, and provide a written summary of the analysis done.

Mr. Heitzman recommended proceeding with preliminary engineering for RBF and Ozone/BAF Pilot Plant, at an estimated cost of \$2.5 million, which would be expensed over 5 years using the FAS 71 accounting standard, and then conducting an evaluation of those two options over an 18 to 24 month period to make a determination. To get the Crescent Hill facilities upgraded to comply with current and future regulations would be approximately \$80 Million. If we select RBF, it not only addresses regulatory compliance but also aesthetics. Mr. Long stated these are reasonable goals for water quality but they are world-class goals. The various microbes present challenges because of the treatment barriers and protection needed.

Ms. Welsh asked whether the Phase II preliminary engineering would be needed, and Mr. Heitzman stated only if Phase I was successful. Mr. Miller further explained why the costs for the pilot plant would be required to be treated as research. Mr. Conner asked how this compares to the cost of RBF at the B. E. Payne Plant, and Mr. Heitzman stated that since CH produces three times as much water as the B. E. Payne Plant, you can expect it to cost three times more. Mr. Miller emphasized that the costs would be amortized in future years under FAS 71. Mr. Johnstone asked why we had to wait until 2006 to begin expensing the costs, and Mr. Miller stated we may not have to wait until 2006.

Mr. Conner thanked the Steering Group for their hard work. Ms. Willis added it was a valuable experience. Mr. Huber summarized that staff recommend proceeding with the preliminary engineering for the RBF and the Pilot Testing for the BAF Plant in the estimated amount of \$2.5 Million, and to

charge that as a regulatory asset over a 5 year period using FAS 71. Staff will recommend when that period should begin in December. Dr. Wise moved to approve that recommendation, Ms. Welsh seconded, and the motion carried.

2006 Budget Approved

Mr. Miller summarized the highlights of the preliminary 2006 Annual Budget presented at the October 2005 Board meeting. This budget was based on a rate increase of 4.0%. The budget presented in October was based on a water sales estimate of 38.8 billion gallons, which represents the median forecast of water sales. If water sales were to occur below this median level in 2006, then revenues would fall below the amounts required to meet expense and earnings targets. The budget did not include any funding for deposit to the Infrastructure Replacement Reserve (IRR). The recommended rate increase of 4.0% was below the change in the Consumer Price Index for the past twelve months of 4.7%. Water rate increases contemplated over the next four years ranged from 5.0% to 5.25%.

Staff has developed an alternative Preliminary 2006 Operating Budget based on a 4.5% rate increase that would be appropriate for consideration if the funding of additional evaluation of the three treatment options was approved and if no additional deposit to the IRR is considered appropriate. This alternative contemplates rate increases of 5.0% to 5.75% for the following four years.

Staff also developed an alternative Preliminary 2006 Operating Budget based on a 5.0% rate increase that would be appropriate for consideration if the funding of additional evaluation of the three treatment options was approved and if an additional deposit of one-half percent of revenues to the IRR is considered appropriate. This alternative contemplates rate increases of 5.0% per year for the next four years.

Staff believes that either of the Preliminary 2006 Annual Budget alternatives will adequately fund the operations and maintenance of the waterworks system and provide for relatively level rate increases over the next five years. Mr. Huber stated even the 4.5% rate increase is very tight and provides no contingency in the event we do not meet our sales forecast. Mr. Conner asked if this would be the third time we had not funded the IRR, and Mr. Miller responded it will get funded in 2005, but this means it will not be funded 3 of the past 4 years.

Ms. Barbara Crow stated we have to tell the story of our desire to produce high quality water that meets current and future regulations as a driver of the rate increase. Dr. Wise asked how a 5% rate will affect the dividend. Mr. Miller stated the rate set does not affect the dividend, but we are changing the method by which we calculate the return on equity target, which will raise the dividend. Dr. Wise moved to approve the following resolution to adopt the 2006 Annual Budget, file the long range financial plan, and to develop rate schedules for a 5.0 % rate increase.

RESOLVED, that the revised Preliminary 2006 Operating Budget submitted by staff be adopted as the approved 2006 Operating Budget

RESOLVED, that the Preliminary 2006 Capital Budget submitted by staff be adopted as the approved 2006 Capital Budget.

RESOLVED, that the revised Preliminary Long-Range financial Plan 2006-2015 be filed as the Long-Range Financial Plan 2006-2015.

RESOLVED, that rate schedules be developed and presented by staff for a 5.0% increase effective for water service beginning January 1, 2006 and thereafter.

Ms. Welsh seconded, and the motion carried.

Return Analysis Report By Public Financial Management Discussed

Mr. Miller advised he has been working with Public Financial Management (PFM) to upgrade the long range financial planning model to link the proforma income statement, the long term capital expenditures plan, and the long term borrowing plan and to provide other new features and added flexibility and further, to prepare a Return Analysis Report that reviewed methodologies for establishing revenue targets, rate of return, and dividend level and recommended appropriate metrics and target levels.

The upgraded long range financial planning model was used in the development of the Preliminary 2006-2015 Long-Range Financial Plan. The Return Analysis Report was developed from the perspective of the bond rating agencies in consideration of our planned borrowings in 2006 and future years. Five key financial metrics of liquidity, capitalization, debt service coverage, earnings and transfers were identified with recommended initial targets for consideration. Mr. Miller advised PFM compares us against government-owned utilities for borrowings and against investor-owned utilities for operations. They recommend we continue to use a Return On Equity target, we level our future rate increases, and we utilize a different method of computing the dividend.

There is additional work we need to do and staff will be developing a scope of work for them. Mr. Conner advised no action is necessary at this time. Mr. Martin stated all Directors need to have a mutual understanding of how the return analysis is conducted.

Arbitrage Rebate Calculation Discussed

Mr. Miller advised the Company will be required to rebate substantial arbitrage earnings related to the Series 2001 Bonds in 2006. Staff is working with the PFM Group to determine the amount and accrue the liability prior to year-end. The current estimate of arbitrage earnings that must be rebated to the U.S. Treasury is \$550,000.

The arbitrage rebate calculation for the Series 2000 Bonds was performed by the PFM Group for the Installment Computation Period from September 7, 2000 through September 7, 2005. During that period, Louisville Water Company earned \$51,995.34 in positive arbitrage; however, no rebate payment is due because the proceeds allocable to the Project Fund and the Capitalized Interest Fund met the requirements of the 2-year spending exception to arbitrage rebate.

The arbitrage rebate calculation for the Series 2001 was scheduled to be performed in 2006. Because of the complexity of the financings that preceded the Series 2001 Bonds, staff determined to have the arbitrage rebate calculation performed in advance to allow for accrual of any arbitrage rebate liability. Based on currently available estimates provided by the PFM Group, the arbitrage earnings for that issue that must be rebated to the U.S. Treasury is \$550,000. This was attributed to the relatively low yield for these bonds of 4.29% compared to the relatively high yield for the bond reserve fund of 8.22%. It is likely we would have issued the bonds even with this knowledge.

Dr. Wise asked why we would not have sold the SLGs back. Mr. Miller responded the only market is the U.S. Treasury. If they were sold back earlier, there would have been a significant interest penalty imposed. Mr. Conner commented this is money we were not permitted to retain anyway. The downside is that this was reported as income and if we had been advised fully, we would have known to deduct this from expected income. Mr. Miller stated that this is essentially a 100% tax on excess interest earnings. He recommended we reflect this against earnings for 2005 and not restate previous years' earnings because it would not meet the materiality test required for a restatement.

Increase to the Infrastructure Replacement Reserve Deposit Discussed

Mr. Miller reminded the Board the borrowing that was planned for 2005 has been delayed as a result of the decision to defer award of a construction contract for the riverbank filtration wells at the B.E. Payne water treatment plant earlier this year. The 2005 Budget contained net interest expense of \$983,333, based on interest expense of \$1,333,333 for a planned borrowing of \$40,000,000 at five percent interest on May 1, 2005 offset by \$350,000 of interest income on the investment of bond proceeds. Staff intends to recommend to the Board at the December 2005 meeting that the funds that were included in the 2005 water rates for net interest expense is instead deposited to the Infrastructure Replacement Reserve. This would increase the deposit to this reserve in 2005 from an original budget level of \$875,000 to \$1,858,333. Mr. Huber commented that this along with the impact from the preliminary engineering and the arbitrage rebate all need to be considered together at the December Board meeting.

Update Provided Regarding Strategic Planning

Ms. Susan Lehmann reviewed the four key elements of a new vision that the Board and ELT identified during the Board retreat held in September: Regional expansion; Horizontal and vertical integration as a means for growth and innovation; Synergy as a means to drive efficiency; and, Economic development, shift from a reactive approach to become proactive. Sub-teams have been created on each of these four topics to develop strategies in support of these areas, and Board members have been asked to participate on them. A fifth group will review the company's mission and values by the end of the year.

Staff has developed a draft vision statement incorporating each of these elements for the Board's approval:

“Louisville Water Company will become the water supplier of choice throughout the region by expanding:

- the geographic areas we serve,
- the services we provide,
- our impact on the economy, and
- the quality of life in communities we serve.”

Ms. Lehmann advised our goal is to have the Strategic Plan updated by the spring of 2006 so that it may be considered as the 2007 budget process begins. Directors agreed the vision statement reflects the consensus they reached at the retreat.

Financial Report Provided

Operating Revenues for October of \$11,010,308 are \$1,028,865 or 10.3% more than budgeted and \$1,128,906 or 11.4% more than October 2004. The budget variance is due to higher than expected residential and commercial water sales. YTD Operating Revenues of \$96,646,479 are \$5,011,466 or 5.5% more than budgeted and \$10,464,934 or 12.1% more than 2004.

Operation and Maintenance Expenses for October of \$3,916,774 are \$40,869 or 1.1% more than budgeted and \$397,972 or 11.3% more than October 2004. YTD Operation and Maintenance Expenses of \$37,931,178 are \$440,738 or 1.1% less than budgeted and \$2,455,626 or 6.9% more than 2004.

Total Operating Expenses for October of \$6,359,820 are \$177,895 or 2.9% more than budgeted and \$639,391 or 11.2% more than October 2004. The budget variance is due to higher than expected operation and maintenance expenses, depreciation expense, and loss on disposition of property. YTD

Total Operating Expenses of \$62,006,171 is \$182,127 or 0.3% more than budgeted and \$4,541,425 or 7.9% more than 2004.

Net Operating Income for October of \$4,650,488 is \$850,970 or 22.4% higher than budgeted and \$489,516 or 11.8% higher than October 2004. YTD Net Operating Income or \$34,640,308 is \$4,829,338 or 16.2% more than budgeted and \$5,923,509 or 20.6% more than 2004.

Total Net Non-Operating Expense for October of \$314,136 is \$126,739 or 28.7% less than budgeted and \$118,209 or 60.3% more than October 2004. The budget variance is due to lower than expected interest income and allowance for funds used during construction offset by lower than expected interest expense for the delayed borrowing. YTD Total Net Non-Operating Expense of \$2,775,814 is \$1,421,710 or 33.9% less than budgeted and \$1,405,082 or 33.6% less than 2004.

Net Income Before Distributions and Contributions for October of \$4,336,352 is \$977,709 or 29.1% more than budgeted and \$371,307 or 9.4% more than October 2004. YTD Net Income of \$31,864,493 is \$6,251,049 or 24.4% more than budgeted and \$7,328,592 or 29.9% more than 2004.

Capital Expenditures through October were \$48,629,081 or 53.35% of the 2005 Capital Budget of \$91,148,054.

Mr. Martin commented it appears we have a higher Metered Water Ratio compared to this time last year. Mr. Huber responded that previously we had high production and there was a lot of water on the meters for which we had not yet billed.

Operations Report Provided

Mr. Heitzman reviewed the production for October, which was an unusually dry month with only 1.25 inches of rain. The average production rate of 131.2 MGD was 1.1 percent higher than the October 2004 production of 129.7 MGD and 4.0 percent higher than the October five year average production of 126.2 MGD. Due to higher than normal productions from June to August, the 2005 year to date production of 133.4 MGD is 4.3 percent and 2.2 percent higher than 2004 and the five year average production, respectively.

Mr. Heitzman stated the \$20 million project to upgrade the B.E. Payne Plant is now complete and all project elements are fully operational. This project included upgrade of the filter gallery with higher capacity filters, a new air-scour backwash system, and expansion of the high lift pumping from 45 MGD to 60 MGD firm capacity. The project also included installation of a new underground power feed from LG&E, installation of new electric switchgear to power the plant, installation of on-site backup power generation for 30 MGD capacity, installation of pressure surge control, and installation of a new SCADA control system for pumping operations. The contractor, Judy Construction, completed the project in August, and all issues involving project delays and change orders have been resolved. Staff is in the process of closing the project, and although project completion was extended nearly a year after expected completion, the final project costs are \$18.1 million or 12 percent under budget.

Mr. Heitzman advised Directors of a significant main break on the evening of Wednesday, November 2, at the corner of Broadway and 2nd Street. A 12-inch main separated from a 30-inch main, causing the failure and the high volume of water that created a large cavity in the intersection. In addition to roadway damage, there were damages or conflicts with numerous other utilities. Management and crews worked around the clock every day from the identification of the break until the repair was complete.

Serving Customers Report Provided

Ms. Karla Teasley provided customer trend data for the previous month. The October abandonment rate was 11.4% compared to 5.3% in September 2005, and 8.5% in October 2004. Call volume continues to run higher than in 2004, with approximately 31,000 additional calls received year-to-date. Bad debt for the month was \$87,585 compared to \$60,577 in September 2005, and \$42,028 in October 2004. Bad debt is \$45,668 over budget for the month and \$143,937 over budget year to date. A significant portion of the overage is due to higher revenues received in 2005 as compared with 2004 with no change in budgeted bad debt.

Ms. Teasley stated the Shepherdsville Advisory Board met on October 18, 2005, during which staff updated the members about the Shepherdsville Reserve and rate equalization. LWC has nearly completed all system improvements identified in the original Asset Acquisition Agreement.

Ms. Teasley advised the Company has recently received a request from the Bluegrass Consortium to update our proposal to provide finished water to the Consortium.

Contract Awarded for 05-81: Ductile Iron Pipe

Mr. Miller stated three bids were received for ductile iron pipe, which is used throughout the LWC distribution system. The lowest, most responsive bid was submitted by U.S. Pipe and Foundry Company for an estimated one-year total of \$1,816,560, which is a .86% increase in unit prices from the previous bid submitted one year ago. Mr. Martin moved to authorize the Process Owner of Procurement Services to award a one-year contract totaling an estimated \$1,816,560 to U.S. Pipe and Foundry Company. Ms. Willis seconded, and the motion carried. Mr. Huber advised we are considering using less PVC pipe versus ductile iron pipe. PVC bids were very high following Hurricane Katrina, since PVC is a petroleum-based product and many facilities producing petroleum were damaged in the hurricane

Authorization Given to Proceed with Final Design and Advertise for Bids for Old Ford Road Transmission Main Project

Ms. Teasley stated a new 16-inch transmission main in Bullitt County will extend from Carpenter Street at Second Street eastward along Second Street, then southward along the CSX Railroad line across the Salt River to tie-in to the existing 16-inch main in Preston Highway at Beech Grove Road, in order to provide additional hydraulic support to the area south of the Salt River, redundancy for supply south of the Salt River, and operational flexibility for the distribution system north and south of the Salt River. This project was not budgeted as part of the 2005 Capital Improvement Program but residential growth in the area south of the Salt River and west of Highway 61 is underway and more is anticipated. The City of Shepherdsville already has plans to construct a new by-pass connector from Preston Highway westward to Old Ford Road to support this anticipated growth. Joint design and construction of the proposed transmission main with the proposed roadway work is expected to provide significant cost savings.

Construction of the proposed 16-inch transmission main will allow for the replacement of approximately 1,935 feet of 2, and 4-inch unlined cast iron main along the majority of First Street. Services along this corridor will be connected to the proposed 16-inch main which will serve as a distribution main as well as a back-up transmission main along this street. Replacement of these unlined sections of main should improve water quality for these customers while improving fire flow capacity for these streets and streets immediately surrounding the project area.

The estimated cost of this project is \$576,000. As approximately half of the proposed alignment will include the replacement of unlined cast iron mains, \$285,118 (49.5%) of the project cost will be funded from LWC's Main Replacement and Rehabilitation Program with the remaining portion \$290,882 (50.5%) being funded by System Development Charge Reserve. Dr. Wise moved to authorize staff to proceed with final design and advertisement for bids for the Old Ford Road Transmission Main project as a non-budgeted capital project with an estimated cost greater than \$250,000. Ms. Harris seconded, and the motion carried.

Closed Session Held

Ms. Welsh moved to go into closed session to discuss property issues and proposed or pending litigation pursuant to KRS 61.810(1)(b) and (c), respectively at 3:00 p.m. Mr. Martin seconded, and the motion carried.

Open Session Resumed

On the motion of Mr. Martin, seconded by Ms. Willis, and unanimously carried, the Board resumed open session at 3:20 p.m. No action was taken in closed session.

Executive Session Conducted

The Board went into Executive Session without management present at 3:20 p.m.

There being no further business, the meeting was adjourned at 3:50 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
January 10, 2006**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Mr. Jim Brammell, Director of Engineering and Assistant Chief Engineer
Dr. Jack Wang, Business System Owner, Managing Water Quality and Production
Ms. Barbara Crow, Process Owner, Providing Strategic Communications
Ms. Kay Ball, Program Manager, Riverbank Filtration

The regular meeting of the Board of Water Works was held on Tuesday, January 10, 2006 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:35 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Mr. Gerald Martin stated he had concerns about the clarity of the discussion in the December 13, 2005 minutes regarding Financial Accounting Standard 71. Mr. Robert Miller responded that while it may be very technical in nature, it uses language from the standard itself, so Mr. Miller believes the wording should remain the same so that the independent auditors are certain the Board provided the authority to make the entries under that standard. Mr. Martin moved to approve the minutes from the Regular Meeting held December 13 2005, seconded by Dr. Joseph Wise, and the motion carried.

Chief Executive Officer Report Provided

Mr. Huber provided an update regarding the media coverage involving an LWC meter reader who was threatened by an assailant with a knife. The assailant was captured by police. The meter reader was not harmed and was commended for following the proper safety procedures for the situation.

Mr. Huber also discussed LWC's current chemical feeding system. A bill was introduced in the United States Senate entitled the Collins-Lieberman Chemical Antiterrorism Act, which will impact large water systems using large quantities of chlorine and ammonia and will require changes to "inherently safer technologies." Although it is unknown at this time whether the bill will proceed through Congress, LWC

has already been investigating the ability to generate chlorine on site to prevent storage of it. Another bill of interest is a bill to defray the cost to desalinate water, which is a process becoming more common as water utilities search for new ways to meet water demands.

Financial Report Provided

Mr. Miller stated much of the year-end financial information is not yet available in order to ensure expenses in December are included and payroll data from the new payroll information system is verified. However, he reported total Sale of Water for December 2005 of \$8,521,482 was \$432,752 or 5.4% more than budgeted and \$349,481 or 4.3% more than the same month last year. Total Operating Revenue for December of \$8,980,569 was \$516,839 or 6.1% more than budgeted and \$378,029 or 4.4% more than the same month last year. Total Sale of Water for 2005 of \$110,182,147 was \$5,228,555 or 5.0% more than budgeted and \$11,145,281 or 11.3% more than for 2004. Total Operating Revenue for 2005 of \$115,066,783 was \$5,613,196 or 5.1% more than budgeted and \$11,604,730 more than for 2004.

Operations Report Provided

Mr. Jim Brammell reported the average production rate last month of 115.4 MGD was 5 percent lower than the December 2004 production of 121.5 MGD and similar to the December five year average production of 115.8 MGD. For the year, the average daily production of 130.8 MGD is 3.4 percent and 2.6 percent higher than the 2004 average daily production and the five year average daily production, respectively. Higher production was experienced during the summer months of June, July, and August due to dry weather.

The heavy volume of break activity that began in November continued through December, as we experienced 168 water main breaks. That total is 52 breaks (45 percent) higher than the five-year average of 116 breaks for December, likely due to a season low water temperature of 39.1 degrees.

Mr. Brammell reported the work to repaint the Bardstown Road Tank was not begun until October due to high water demand and, as a result of cold winter temperatures and increasing water main breaks, the Chief Engineer instructed the contractor to suspend the tank painting until spring. To date, the contractor has completed all surface preparation, structural repairs to the roof, and application of two exterior coats and one interior coat of paint. Painting requires surface material and air temperatures above 40 degrees for proper adherence. The storage tank was returned to service in mid December. The contractor will be allowed to remobilize and complete the work in March when weather improves. Dr. Wise asked if the contractor would receive compensation for the delay, and Mr. Brammell responded the contractor costs associated with remobilization, surface preparation, and disinfection are estimated at \$65,000 and the contractor will be reimbursed for those.

Serving Customers Report Provided

Ms. Karla Teasley advised the December abandonment rate was 19.7% compared to 16.5% in November 2005, and 7.0% in December 2004. The year end rate was 8.9% compared to 5.6% in 2004. Total calls received and credit card transactions were well over 2004 year-end results. Additionally, we processed 15,000 new service deposits, also impacting call volume.

Ms. Teasley stated customer satisfaction dropped again in the fourth quarter from a third quarter Total Customer Satisfaction Index (CSI) of 842 to 839. All factors declined (including water quality, customer service, information and reliability) with the exception of price/value, which increased slightly. The year end average of 847 for the Total CSI meets the Level I goal but falls three points short of the Level II

goal. However, this establishes a new high for the yearly average, exceeding the previous high of 845 set in 2003. Customer satisfaction for the Service CSI dropped in the fourth quarter to 795 from the previous high of 806. The year end average of 801 exceeds the Level III goal for the Corporate Performance Award (800). This is also a new high for the year end average. The commercial service segment increased in the fourth quarter, but remained below satisfaction levels in the first half of the year.

The Louisville Metro Water Management Planning Council met December 16, 2005. The group discussed the Water Supply Planning Process, as well as the role and membership of the Council. Staff of LWC and MSD provided updates on the respective utility capital plans. The Council also endorsed the Technology Park, Crittenden Drive and Rose Island Road water pipeline projects and the Bass/Shirley and Transylvania Beach Road wastewater projects.

Closed Session Held

Ms. Wendy Welsh moved to go into closed session to discuss proposed or pending litigation pursuant to KRS 61.810(1)(c) and (g) respectively at 12:55 p.m. Dr. Wise seconded, and the motion carried.

Open Session Resumed

On the motion of Mr. Martin, seconded by Ms. Welsh, and unanimously carried, the Board resumed open session at 1:02 p.m. No action was taken in closed session.

Human Resources Report Provided

Ms. Susan Lehmann provided an update about the Human Resources Management System, to which the Company converted on December 17th, with the first payroll run in the first week of January. Human Resource staff has received very positive feedback from employees regarding the Self Service functionality. Mr. Roger LeMaster, Internal Auditor, is completing an audit of the system conversion data and should have his report completed next week. The smooth transition resulted in very few problems needing correction, thereby enabling us to accelerate the implementation of the recently approved modules. The project remains about \$340,000 under budget.

Audit Committee Report Given

Ms. Wendy Welsh provided a report of the discussions held at the January 5, 2006 Audit Committee meeting. Mr. LeMaster had reported on the Procurement Card Audit, advising that controls have greatly improved, in part due to a monthly review process with our current vendor. A few transactions that should not have been charged to the employee's Company card had been reimbursed prior to the audit. A few of the transactions audited were taxed. Our controller submits a form to the state at year end to be reimbursed. Mr. LeMaster also reported one situation where a purchase was made for \$17,000, and because anything over \$10,000 invokes certain purchasing requirements, Mr. LeMaster has made a recommendation to review all such situations where employees have purchasing authority over \$10,000 to see if it is necessary and in keeping with Procurement policy.

Regarding the Rate Making Audit, in previous years, Mr. LeMaster has only validated billing rates and whether they are entered into the system correctly. This year he expanded the audit to include how the rates were made. He opined the controls were good, but could be improved by revising the fixed allocation factors used in the service allocation model and developing standards for the variance that will be allowed between the rates developed and the cost of services for classes of customers. Also, he made

a recommendation to consider automated technology for rate making and to create flowcharts and documented procedures, as well.

The Audit Committee approved a plan of activities for Internal Audit and a plan of topics to be discussed at each of four meetings for 2006. Finally, Mr. LeMaster reviewed the status of all outstanding issues from previous audits.

Riverbank Filtration Phase II Discussed

Ms. Kay Ball stated twenty-eight additional rock borings were completed in December pursuant to the Board's authorization in September 2005 to conduct additional preliminary engineering and subsurface investigations to further evaluate the presence of natural gas for a 6000' hard rock tunnel with horizontal collector wells capped at grade. The results were that natural gas was not encountered. Additionally, the investigations revealed a high quality rock, free of any fractures. Since no gas was encountered in these cores along the tunnel alignment, it is the opinion of Jordan, Jones & Goulding (JJ&G) to reclassify the project from gaseous to potentially gaseous.

With this investigation complete, the final design can now move forward on the 6000' hard rock tunnel with collector wells. The design is anticipated to be complete in late summer for a fall 2006 bid opening. The design changes and project delays require an adjustment to the project budget reservation from the current budget reservation of \$37,838,300 to \$40,424,800. The \$31 million construction estimate will be reviewed prior to bid to reflect the construction market at the time of bid. Ms. Ball reviewed the budget revisions. Mr. Miller advised this project is built into the Long Range Capital Improvement Plan, which is impacted by projects costs as well as what portion of the design work will be expensed and when. Dr. Wise asked whether we have any idea about bidder interest. Ms. Ball feels we will have more bidders interested because current information indicates fewer tunneling projects being bid fall of 2006 and because of the classification as potentially gaseous instead of gaseous. Because of high bid copying costs, Mr. Rick Johnstone suggested using a bid room where bidders can review plans before asking for a copy of them for bid situations where such a process is feasible.

Dr. Wise moved to establish a revised budget reservation in the amount of \$40,424,800, which includes an increase of \$1,966,000 to the JJ&G contract for a total revised contract of \$5,804,300, and authorize staff to proceed with the final design of the Riverbank Filtration tunnel and pump station at B.E. Payne plant. Ms. Welsh seconded, and the motion carried.

Strategic Plan Update: Discussion Held Regarding Additional Earnings Risk Appetite

Mr. Miller discussed the issue of earnings risks associated with new revenue initiatives. Louisville Water Company is updating its strategic plan to create revenue growth in order to offset increasing expenses and declining sales per customer. Several options for increasing revenues involve higher earnings risk than our current business model, which, because we have an exclusive franchise of an inimitable product, is fairly low. A water utility's appetite for additional earnings risk is typically a response to its anticipated growth in sales and expenses. If sales growth is neutral or positive while expense growth is low, then the utility's appetite for additional earnings risk should be relatively low because additional risk is not necessary to achieve earnings objectives. Likewise, if sales growth is low while expense growth is medium or high, then the utility's appetite for additional earnings risk should be relatively high because additional risk may be necessary to achieve earnings objectives.

Utilities sometimes consider expanding into ventures beyond their primary business that build upon their strengths in order to increase earnings. These ventures can either be horizontal or vertical integration

expansion. Horizontal integration involves acquiring additional business activities beyond the franchise area but at the same level of the value chain and is achieved by internal expansion (organic growth) or external expansion (mergers and acquisitions). These opportunities are pursued to achieve economies of scale to enhance profit margins. Vertical integration involves entering into the business activities of its upstream suppliers and its downstream buyers. These opportunities are pursued to improve coordination and capture new profits.

The earnings risk attributes for horizontal integration (taking on a new customer) are a function of the perceived permanence of the customer and the peak consumption factor for that customer. These risks are shared by all customers through the ratemaking process. Mr. Miller stated the risks associated with vertical integration of a water utility (participating in the business activities of its upstream suppliers and its downstream buyers) reside with the owner and should not be shared with the customers in the ratemaking process, since the owner is not required to pursue those opportunities in order to fulfill their franchise responsibilities. For any new revenue initiative, Mr. Miller feels the Board must consider the earnings risk to ensure that business risk controls are in place to limit the risk to an acceptable level.

Mr. Conner feels all this must be measured against the political risk of simply raising rates to generate revenue. Mr. Martin commented we have to consider other corporate structures for any vertical integration opportunity. Dr. Wise stated we must be careful to pursue only opportunities that our shareholder is comfortable pursuing. Mr. Conner stated the Mayor has encouraged us to consider these opportunities both at the Board's Strategic Planning retreat and at other meetings. He stated risks exist with both horizontal and vertical integration opportunities and we must be aware of and apply appropriate controls for those risks. Mr. Johnstone commented that any initiative that is a by-product of work we already do should be considered, whether it is for the purpose of reducing customer rates or providing a greater dividend to Metro Government.

Contract Awarded for Project 10233: Renovation of B. E. Payne Water Treatment Plant Clarification and Mixing Basin Complex

Five bids were received for renovation of the BEPWTP Clarification and Mixing Complex. The work includes replacement of mechanical equipment in six mixing-clarification systems; installation of electrical equipment, instrumentation, and controls; installation of lime and carbon dioxide feed systems; concrete rehabilitation; new handrails; and other miscellaneous improvements. This work will assure the water treatment processes will effectively and efficiently operate to meet LWC goals and regulatory requirements related to water quality; meet requirements of current building codes; and extend the operating life of systems which were placed into service in 1977.

The bids ranged from \$10,833,000 to \$15,921,000. The estimate by consultant engineer O'Brien & Gere was \$12,636,000. Review of the bid with the apparent low bidder indicated no discrepancies in comparison to the scope of work or satisfying the good faith effort toward MBE and WBE participation. Ms. Welsh moved to authorize the Purchasing Manager to award a contract in the amount of \$10,833,000 to Hall Contracting, Inc. for BEPWTP Clarification and Mixing Complex Renovation, and establish a project budget in the amount of \$13,335,270. Ms. Harris seconded the motion. Dr. Wise asked why we should decrease the budget since the project came in under budget. Mr. Huber advised it is to ensure we are accurately tracking percentage of Capital Improvement Program implemented. Upon vote, the motion carried.

Update Provided Regarding Water Sales to Central Kentucky

Mr. Huber advised a proposal has been submitted to the Bluegrass Water Commission. We have received no response to date. Kentucky-American Water Company, which serves the Lexington area, is required by the PSC to come up with a plan to address the water needs in their service area and has recently requested a hearing before the PSC.

Information Provided Regarding New EPA Drinking Regulations

On December 15, 2005, U.S. Environmental Protection Agency (EPA) promulgated two new drinking water regulations: the Long-term 2 Enhanced Surface Water Treatment Rule (LT2ESWTR) and the Stage 2 Disinfection Byproduct Rule (Stage 2 DBPR). The LT2ESWTR aims to reduce the risk of disease caused by Cryptosporidium and other microorganisms found in surface waters. The Stage 2 DBPR builds on existing regulations by requiring water systems to reduce and maintain disinfection byproduct (DBP) levels below regulatory standards at each monitoring site in the distribution system. Together, these new regulations will improve protection against microbial contamination while reducing health risks associated with the byproducts of chlorine disinfection.

Both regulations require large water systems (serving more than 100,000 people) to conduct water quality monitoring and evaluation during the next three years to assess the existing water quality conditions of the source water and in the distribution system. Depending on the monitoring results, water systems may be required to implement advanced treatment technologies to comply with the new regulatory standards. Water systems serving more than 100,000 must comply with the additional treatment requirements by April 1, 2012. Based on historical water quality monitoring results, LWC will have no difficulties in complying with the DBP requirements as its average THMs and HAAs levels at all sampling sites were consistently below 40 ppb and 20 ppb, which is well below the 80 ppb and 60 ppb allowable for total trihalomethanes (THMs) and haloacetic acids (HAAs), respectively.

For the LT2ESWTR, LWC will be likely placed in EPA's Bin 2 category based on previous monitoring results. This will require an additional 1-log removal of particles (for Cryptosporidium and Giardia) at both the B.E. Payne and Crescent Hill treatment plants. Due to the planned implementation of riverbank filtration, the B.E. Payne plant is well positioned for compliance before the 2012 deadline. However, the Crescent Hill plant will have difficulties in meeting the requirements if no additional treatment improvements are made. Currently, staff is piloting the advanced treatment technologies for the Crescent Hill plant, considering riverbank filtration, ozone with biological filtration, and membrane technology. We anticipate a final recommendation will be made to the Board in 2007, thus providing a five year design and construction period to complete the improvements before the deadline.

Consideration of New Board Policies

Mr. Miller reviewed two new board policies for consideration. Staff is proposing an Investment policy to state the board's position on how it invests its money. Staff is proposing a Debt Management policy to communicate that we follow best practices in the industry on how we manage our debt. Mr. Miller advised Mr. Martin has raised a question regarding the restriction against using debt proceeds to finance current operations. Mr. Martin stated he feels we should not restrict the Company on this matter. Mr. Miller responded this is already a restriction in the current bond resolution. Mr. Martin also sought clarification of whether "net revenues" is "net income," and Mr. Miller confirmed it is.

Certification Provided for Projects and Change Actions Approved During Fourth Quarter 2005

Mr. Huber reported that the following projects and change actions within his authority were approved in the fourth Quarter of 2005 in accordance with the Capital Projects Authorization Policy and Procedure. Projects and change actions that needed additional BOWW action were taken to the board for approval.

02466	Bashford Manor Ln relocation	
	Change in project budget estimate =	\$ 82,825
02508	Hi-View Ln main replacement	
	Change in project budget estimate =	\$ 24,157
10287	Jackie Way main replacement	
	Change in project budget estimate =	\$ 401,900
11101	Norfolk-Southern Intermodal Facility relocation	
	Change in project budget estimate =	\$ 53,350
10233	Renovate Coag Clarifier, Softening Mixing, Clarifier, Stabilization Systems at BEPWTP	
	Change in project budget estimate =	\$1,713,865
10382	Kentucky St main replacement	
	Change in project budget estimate =	\$ (109,050)
03615	Chemical Feed System Improvements	
	Change in project budget estimate =	\$ (250,000)
11109	Lewiston Dr main replacement	
	Project budget estimate =	\$ 559,000
11174	Bob-O-Link main extension	
	Project budget estimate =	\$ 153,720
11195	Renovate North Filters at CHFP	
	Project budget estimate =	\$ 360,000
03523	Crittenden Dr II main replacement	
	Project budget estimate =	\$ 1,539,895
10227	English Station elevated water tank	
	Project budget estimate =	\$ 1,660,000
10234	Chemical Feed Systems Improvements at BEPWTP	
	Project budget estimate =	\$ 315,000
10577	Jewish Hospital Muhammad Ali Blvd relocation	
	Project budget estimate =	\$ 57,300
10239	Human Resources and Payroll Information System Replacement	
	Change in contract (no change in estimate) =	\$ 81,750
11162	Waterford Rd water main extension	
	Project budget estimate =	\$ 85,500
11141	Old Henry Crossing Lot 3 Phase A water main extension	
	Project budget estimate =	\$ 74,500
11172	Old Ford Rd 16" transmission main	
	Project budget estimate =	\$ 576,000
99402	Riverbank Filtration – Phase II	
	Change in project budget estimate =	\$ 615,500
10453	CDBG Phase II water main extensions	
	Change in project budget estimate =	\$ 26,845
00495	National Turnpike transmission main	
	Change in project budget estimate =	\$ 70,176
01664	South Dixie grid-tie – Cash Flow	
	Latest approved budget estimate =	\$ 180,000

11198	Hilltop Rd main extension	
	Project budget estimate =	\$ 420,983
10326	Rams Run Rd	
	Change in project budget estimate =	\$ 28,000
10229	Hikes Point elevated water tank land purchase	
	Project budget estimate =	\$ 315,000
11148	Dahl Rd main replacement	
	Change in project budget estimate =	\$ 66,900
11079	Glen Lakes Section 2	
	Project budget estimate =	\$ 33,500
00418	BEPWTP Improvements	
	Change in contract (no change in estimate) =	\$ 52,815
11175	US 60 at Floyds Fork main relocation	
	Project budget estimate =	\$ 36,150
11187	South Dixie main replacement	
	Project budget estimate =	\$ 1,130,000
11188	Lagrange Rd main replacement	
	Project budget estimate =	\$ 510,000
11179	Woodford Place area lead service renewals	
	Project budget estimate =	\$ 159,000
11211	Cane Run Rd 2A main replacement	
	Project budget estimate =	\$ 150,000
11190	Old Ford Rd at Oak Grove	
	Project budget estimate =	\$ 49,000
02204	Rose Island Rd – Cash Flow	
	Latest approved budget estimate =	\$ 386,120
11001	CHWTP Built-up Roof Replacement	
	Change in project budget estimate =	\$ 26,000
11096	Upper River Rd main replacement	
	Change in project budget estimate =	\$ (32,307)
11165	Cathodic Protection for Distribution System 2005	
	Change in project budget estimate =	\$ (27,668)
11205	East Ormsby Ave Lead Service Renewals	
	Project budget estimate =	\$ 241,650
11109	Lewiston Dr area main replacement	
	Change in project budget estimate =	\$ 24,000
11179	Woodford Place area Lead Service Renewals	
	Change in project budget estimate =	\$ (58,300)
10355	Chenoweth Ln area main replacement	
	Change in project budget estimate =	\$ 24,522
	Middletown Point Capital Program – Revised estimates on seven projects	
	Overall change in program budget estimate =	\$ (611,150)
	Overall program budget estimate =	\$ 3,973,500
10354	Liberty St area main replacement – Cash Flow	
	Latest approved budget estimate =	\$ 1,172,976
11022	Ferguson Lane – Cash Flow	
	Latest approved budget estimate =	\$ 128,988
10414	Shelbyville Rd II main replacement – Cash Flow	
	Latest approved budget estimate =	\$ 1,673,000

10209	Stonestreet Rd main – Cash Flow	
	Latest approved budget estimate =	\$ 177,000
03315	Johnson Hollow main extension	
	Change in project budget estimate =	\$ (33,125)
10269	I-65 16" main from Shepherdsville Industrial Park to Chapeze Ln	
	Change in project budget estimate =	\$ (109,000)
10573	Horsefly Hollow Rd-Collings Hill Rd grid-tie – Cash Flow	
	Latest approved budget estimate =	\$ 250,000
10270	Southern Bullitt County Storage Tank – Cash Flow	
	Latest approved budget estimate =	\$ 875,000
10278	Ridge Rd BPS	
	Project budget estimate =	\$ 350,000
11213	Johnsontown Rd main relocation	
	Project budget estimate =	\$ 831,000
11192	Nitta Yuma area main replacement	
	Project budget estimate =	\$ 450,000
03314	Johnson Hollow BPS - Cancel	
	Latest approved estimate =	\$ (185,000)
10039	CDBG Phase I main extensions	
	Change in project budget estimate =	\$ (186,046)
10040	CDBG Phase II Backbone main extensions	
	Change in project budget estimate =	\$ (332,897)
10453	CDBG Phase II Tapping Fee main extensions	
	Change in project budget estimate =	\$ (49,743)
10490	CDBG Phase III Tapping Fee main extensions	
	Change in project budget estimate =	\$(104,604)
10491	CDBG Phase III Backbone main extensions	
	Change in project budget estimate =	\$ (285,709)
	Managing Distribution Operations Point Capital Program – Revised estimates on ten projects	
	Overall change in program budget estimate =	\$ 110
	Overall program budget estimate =	\$ 3,284,150
11055	Shelbyville Rd III MRRP – Cash Flow	
	Latest approved budget estimate =	\$ 1,265,000
11204	Magnolia Place Condos	
	Project budget estimate =	\$ 23,000
10491	CDBG Phase III Backbone water main extension – Cash Flow	
	Latest approved budget estimate =	\$ 1,904,883
10277	Ridge Rd elevated storage tank (Hwy 480 760PP) – Cash Flow	
	Latest approved budget estimate =	\$ 1,075,000
00418	BEPWTP Improvements	
	Change in contract (no change in estimate) =	\$ 80,201
02508	Hi-View Ln main replacement	
	Change in project budget estimate =	\$ 28,990
11096	Upper River Rd main replacement	
	Change in project budget estimate =	\$ 83,811
10030	Westport Rd Transfer Station – Final Project Cost	
	Change in project budget estimate =	\$ 187,790
11252	Industry Rd Grid-Tie	
	Project budget estimate =	\$ 308,000

11253	Lake Forest Grid-Tie and PRV Station	
	Project budget estimate =	\$ 112,000
03608	Sugartree Storage Tank	
	Change in project budget estimate =	\$ 506,410
11205	East Ormsby Ave Lead Service Renewals	
	Change in project budget estimate =	\$ (25,490)
03662	Louisville International Airport Phase 3	
	Change in project budget estimate =	\$ 63,788
03662	Louisville International Airport Phase 3	
	Change in project budget estimate =	\$ 95,608
03313	Johnson Hollow PRV Station, Grid-tie, Trappers Rd extension – Cash Flow	
	Requested project budget estimate =	\$ 280,000
01557	Cardinal Hill Secondary Supply – project allocated into three phases	
	Change in project budget estimate =	\$ (4,543,500)
11256	Cardinal Hill Secondary Supply Phase 2A	
	Project budget estimate =	\$ 850,000
11094	Seelbach Ave Area main replacement - Cash Flow	
	Latest approved budget estimate =	\$ 302,750
10459	Wolf Pen Branch 36" Phase II – Cash Flow	
	Latest approved budget estimate =	\$ 3,388,900
11257	Design and Implement Corporate Electronic Mail Archival System and Upgrade	
	Requested project budget estimate =	\$ 130,000
11258	Preston Hwy, Cardinal Ave to Hwy 44	
	Project budget estimate =	\$ 10,900,000
xxxxx	2006 Lead Service Renewals by block for Areas 1, 2 and 3	
	Requested project budget estimate total =	\$ 565,000
11147	River Glades Subd	
	Project budget estimate =	\$ 171,000
02618	Crescent Hill Reservoir Improvements	
	Change in project budget estimate =	\$ 25,191
10609	Paint Bardstown Road tank – Cash Flow	
	Latest approved budget estimate =	\$ 1,097,660
99407	Goshen Elevated Storage tank – Cash Flow	
	Latest approved budget estimate =	\$ 2,207,100

Certification Provided for Contracts Awarded During Fourth Quarter 2005

Mr. Huber certified the following contracts have been awarded in accordance with the Purchasing Policy and Purchasing Procedures from October 1, 2005 through December 31, 2005, except for work performed for a transmission pipeline installation. This discrepancy was discovered at the payment stage as a result of an internal control for cash disbursements that prevented payment for that work. The work involved was performed by a construction company working as a subcontractor to a developer on an adjacent developer-funded pipeline project. As a change action, staff-authorized the work as a part of the developer-installed distribution main extension contract. This was investigated by the Procurement Process Owner and the Controller. Upon their review and recommendation to the Bids and Awards Committee, it was determined that this work should have been awarded either through a sealed bid process or as an assignment from the current LWC Transmission Contingency Contract. Ultimately the same contractor performing the work was an approved WBE contractor on the Contingency contract. It was decided to handle this as a ratification of an assignment from the contingency contract. This matter has been directed to the Internal Auditor for additional review.

01557	Cardinal Hill Secondary Supply - Phase 2B - Assignment from Bid #05-10 - Contingency Contract for Transmission System Emergency System Repairs and Capital Improvements Southern Pipeline and Construction Co. (CWBE)	\$206,024
04-77 05-05686	CPI Renewal - 05-05686 Discontinuing Small Water Services Miller Pipeline	\$70,793
04-77 05-10601	CPI Renewal - 05-10601 Installation of 3/4" and 1" Water Service Connections Basham Construction	\$982,128
04-77 05-10602	CPI Renewal - 05-10602 Installation of 1 1/2" & 2" Water Service Connections Tom Brown Construction	\$153,587
04-77 05-10603	CPI Renewal - 05-10603 Installation of 4" & Larger Water Service Connections Tom Brown Construction	\$95,105
04-77 05-10604	CPI Renewal - 05-10604 Installation of Fire Hydrants Tom Brown Construction	\$51,140
04-77 05-10605	CPI Renewal - 05-10605 Installation of Fire Service Connections Tom Brown Construction	\$227,671
05-10*	Cardinal Hill Secondary Supply - Phase 2A - Assignment under Transmission System Emergency Repairs and/or Capital Imp. Southern Pipeline & Construction (CWBE) *Ratification of prior purchase outside of Procurement procedures	\$270,427
05-102	Project 02508 Hi-View Lane Main Replacement Project MAC Construction & Excavating, Inc.	\$98,990
05-105	Project 11195 Renovate North Filters at Crescent Hill Filter Plant Reynolds, Inc.	\$288,700
05-110	Project 00-420 Installation of Chlorine Ton Cylinder Valves at BEPWTP Henderson Services	\$69,974
05-111	Supply and Install Water Main at Dahl Road MAC Construction & Excavating	\$246,652
05-112	Project # 11001, Crescent Hill Water Treatment Plant Roof Replacement Geoghegan Roofing	\$48,500

05-116	Project 11055 / Shelbyville Road III Eden Avenue to Burnley Road Main Replacement Project Tom Brown Construction	\$919,715
05-86	Project 11109 Lewiston Drive Area Main Replacement Project T & C Contracting	\$295,000
05-88	Project 11165 Cathodic Protection 2005 Project C. P. Systems International, Inc.	\$119,332
05-90	Project 11179 Woodford Place Area - Lead Service Renewals C Squared, Inc.	\$88,700
05-95	Project 02648 Zorn Pump Station Ventilation Improvements Ivey Mechanical	\$249,980
11172	Old Ford Road - 16" Transmission Main - Assignment from Bid #04-42 QK4	\$37,273
<u>PROCUREMENT OF MATERIALS AND SERVICES</u>		
02-49	Uniforms for LWC Union Personnel - 3rd PPI Renewal Shaheens	\$62,706
03-52	Stainless Steel Tapping Sleeves - Second and Final PPI Renewal Hughes Supply Viking Supply	\$179,333 \$26,401
03-54	Security Services - 2nd CPI Renewal Corporate Security	\$101,127
05-100	Restraint Joint Clamps Hughes Supply Company	\$574,530
05-101	Detector Check Valves Hersey Meter Company	\$102,161
05-103	Copper Wire Thompson Distribution Co. (MBE)	\$30,950
05-107	Project 11205 - East Ormsby Avenue Area Lead Service Renewals Tom Brown Construction	\$181,560
05-113	Rock Drilling and Blasting McConahy & Stucker	\$48,330
05-31	Crane & Truck Bed Manning Equipment	\$114,195
05-43	Distribution System Repairs Tom Brown Southern Pipeline (WBE) T & C MAC Construction	\$100,000 \$100,000 \$100,000 \$100,000

05-47		Fleet Vehicles	
		Peterson GMC-Kenworth	\$59,709
05-82		Steel Casing Boring & Jacking	
		Southern Pipeline & Construction (WBE)	\$122,550
05-83		Horizontal Directional Drilling	
		Southern Pipeline & Construction (WBE)	\$199,320
05-89		Plotters and Printers	
		Insight Inc.	\$36,624
05-92		Polyvinyl Chloride (PVC) Pipe	
		PW Eagle	\$1,464,990
05-93		Manhole Frames and Covers	
		J. R. Hoe & Sons	\$25,206
05-94		Contingency Contract for Electro-Mechanical Contract Work	
		Ohio Valley Mechanical, C Squared, Hibbs E/M Co., Ivey Mechanical, Magnetech Industrial, Hicks Equipment Company	\$60,150
05-96		3/4 Ton Cab and Chassis w/ Utility Service	
		Countryside Motors (Cab & Chassis)	\$23,160
05-97		IT Network and Information Security Audit Services	
		Crowe-Chizek & Company	\$33,420
10635		Four Pick-up Trucks - KY State Contract # C- 05297095	
		Man O' War Ford	\$69,050
10637		Two Ford Explorers - KY State Contract # C- 03420158	
		Countryside Motors	\$46,212
KY State Contract		GIS SDE Application Data Server	
		Pomeroy SUN - SUN Unix Server - Contract #C-04042154-2	\$26,531
		Oracle Database Licensing - Contract #STATE-35580	\$36,600
<u>PROCUREMENT OF PROFESSIONAL SERVICES</u>			
01743	Design	Gene Snyder Freeway Transmission Main CH2M Hill Engineers, Inc.	\$615,086
01743	Phase 1	Gene Snyder Freeway Corridor Transmission Main - Preliminary Design CH2M Hill Engineers, Inc.	\$81,318
10615		Zorn Water Tower Coating System Rehabilitation - Assignment from Annual Contract F407 Roof Resources, Inc.	\$36,497

PROCUREMENT OF SOLE SOURCE MATERIALS AND SERVICES

Sole Source - EMC	EMC Microsoft Exchange Performance and Archiving Solution	
	EMC	\$99,950
Sole Source - Oracle	Oracle Software Update License & Support Service Renewal	
	Oracle USA, Inc.	\$97,401

Consideration of Policies for Adoption

Ms. Barbara Dickens reviewed the Access to Official Meetings and Records and Corporate Charitable Donations policies being considered for adoption. Dr. Wise asked whether we would respond to the request from the Senior Games for water, facility space, a loaned executive, and a donation. Mr. Huber advised we have already provided facility use for their office, and we are reviewing whether we can provide the amount of water requested and a loaned executive. This policy prevents the company from providing a monetary donation. Mr. Martin asked whether public records are defined somewhere, and Ms. Dickens responded they are defined in the statute and legal interpretations of the statute. Mr. Miller reviewed the Corporate Governance policy being considered for adoption. Mr. Martin moved to adopt the new Access To Official Company Meetings and Records policy, the revised Corporate Charitable Donations policy and the new Governance Policy, attached hereto and incorporate herein. Ms. Marita Willis seconded, and the motion carried.

Changes Made to Practices to Support Corporate Governance Policy and Procedure

Mr. Miller reviewed changes to be made to the Audit Committee Charter, the Code of Ethics for Senior Financial Officers, the Whistle Blower Procedure and the Executive Incentive Plan to ensure continued public confidence in our financial statements. Ms. Welsh moved to adopt the revisions to those documents, as attached hereto and incorporated herein by reference. Ms. Willis seconded, and the motion carried.

2006 Amendments to Company Service Rules and Regulations

Ms. Karla Teasley advised the extensive 2004 review resulted in comprehensive changes in 2005 to the Service Rules and Regulations. In an effort to maintain the Service Rules and Regulations and avoid comprehensive changes, the same cross functional team that reviewed and proposed the changes for 2005 was re-convened. Suggested revisions were recommended to the team by the appropriate process or system, through weekly meetings beginning in October 2005. All suggested changes were reviewed by upper management and General Counsel to ensure consistency and enforceability. Ms. Margaret Harris moved to approved amendments to the Service Rules and Regulations, as attached hereto and incorporated herein by reference. Ms. Willis seconded, and the motion carried.

Contracts Awarded for Dental, Life and Disability Insurance Plans and Authorization Given to Award Contract for Health Insurance Plan

Ms. Lehmann advised LWC staff has been working with our independent insurance brokers, Rob Gipperich of Aon and Cornell Starks of Starks and Associates, to evaluate proposals from health, dental, life and disability insurance carriers for the plan year beginning March 1, 2006. Staff is also in contract negotiations with AFSCME Local 1683 (current contract expires on January 31, 2006). Employee benefits (medical, pension, disability, and life insurance) are a significant financial investment to LWC and of major importance to our employees. A considerable amount of time has been spent in the

Collective Bargaining process balancing the welfare of our employees with the costs to the Company and employees. The Labor-Management Negotiating Teams are continuing to meet to finalize the economic aspects of the contract, including benefit plan design and coverage.

Open enrollment for the 2006 benefit plan year is scheduled to begin on February 6, 2006. Staff continues to work with the insurance carriers to negotiate the premiums for our current plans and the premiums associated with alternative benefit plan designs. Staff has received a proposal for renewing coverage with Humana at a projected annual premium of \$4,365,868 (projected company cost is \$3,972,940). This represents a 16.6% increase in premiums from 2005 to 2006. The 2006 budget included a 15% increase for medical coverage -- 1.6% lower than Humana's initial quote. Preliminary collective bargaining discussions indicate a potential for plan design changes, which would reduce the projected increase. In the event that we are not able to negotiate plan design changes with Local 1683 and/or reduced premiums with Humana, our 2006 premiums would increase 16.6%.

Delta Dental will continue to provide dental coverage for LWC in 2006. The current projected increase in premiums is 10%, which represents an annual premium of \$341,294 (projected company cost is \$300,339). The 2006 budget included a 10% increase for dental coverage. This insurance plan is also included in the collective bargaining negotiations. Under current board authorization, the CEO has authority to award this contract. Monumental Life Insurance Co., will continue to provide Group and Dependent Life coverage for LWC in 2006. The projected net premium to the company for 2006 life insurance coverage is \$132,324. The CEO has the authority to award this contract. Fees for the administration of the self-funded short-term disability plan (STD) and premiums for the fully insured long-term disability plan (LTD) will increase 25% and 0%, respectively. The total cost to LWC for CIGNA's administrative fees for these plans are \$89,202 (STD = \$8,605; LTD = \$80,597). The two disability benefit programs do not require approval by the Board of Water Works.

Ms. Welsh moved to authorize the CEO to award a contract to Humana, Inc. for medical insurance pending the outcome of contract negotiations with Local 1683 for plan changes. Dr. Wise seconded, and the motion carried.

Executive Session Conducted

The Board went into Executive Session without management present a 2:53 p.m.

There being no further business, the meeting was adjourned at 3:06 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
February 14, 2006**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Senior Vice President and Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Ms. Kathy Schroeder, Business System Owner, Supplying Human Resources
Ms. Barbara Crow, Process Owner, Providing Strategic Communications

The regular meeting of the Board of Water Works was held on Tuesday, February 14, 2006 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:40 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Dr. Joseph Wise moved to approve the minutes from the Regular Meeting held January 10, 2006, seconded by Mr. Gerald Martin, and the motion carried.

Chief Executive Officer Report Provided

Mr. John Huber stated there have been media reports regarding downsizing at Ford Motor Company, although no jobs have been lost in the Louisville area. Together the two Ford Truck Plants here locally would comprise the largest commercial customer of Louisville Water Company. Currently, our fleet consists of approximately 60% Ford vehicles. Our vehicles are purchased through a competitive bid or the state pricing contract, which typically has excellent prices for Ford vehicles. Of our total fleet, only 2 vehicles are foreign-made. Mr. Martin asked if Metro Government gives any preference to local suppliers, and Mr. Rick Johnstone confirmed there is. Mr. Huber stated we do not currently give preference to local suppliers.

Financial Report Provided

Mr. Miller stated the auditors from Strothman & Company have concluded their field work, and the audit was thorough but uneventful. The audit findings will be presented to the BOWW Audit Committee at the Audit Committee's next meeting in April.

Mr. Miller reported January financial results are not ready because of the audit recently concluding, the implementation of a new labor cost interface with the new payroll system, a different organizational structure table from 2005 to 2006, and a new revenue budget allocation method.

He reported preliminary 2005 operating revenues of \$115,230,255, which are \$5,776,663 or 5.3% more than budgeted and \$11,768,202 or 11.4% more than 2004. YTD Operation and Maintenance Expenses of \$47,288,399 are \$434,936 or 0.9% more than budgeted and \$3,685,830 or 8.5% more than 2004. YTD Total Operating Expenses of \$76,298,622 is \$1,253,641 or 1.7% more than budgeted and \$6,274,503 or 9.0% more than 2004. YTD Net Operating Income or \$38,931,632 is \$4,523,022 or 13.1% more than budgeted and \$5,493,699 or 16.4% more than 2004. YTD Total Net Non-Operating Expense of \$4,069,887 is \$1,017,030 or 20.0% less than budgeted and \$799,031 or 16.4% less than 2004. YTD Net Income of \$34,861,746 is \$5,540,051 or 18.9% more than budgeted and \$6,292,730 or 22.0% more than 2004. Capital Expenditures through December were \$61,550,042 or 67.5% of the 2005 Capital Budget of \$91,148,054.

Operations Report Provided

Mr. Greg Heitzman presented the Operations report for January. The average production rate last month was 113.6 MGD, which is 5.9 percent lower than the 2005 January production of 120.8 MGD and 4.4 percent lower than the five-year average January production of 118.8 MGD. Lower than normal production may be related to fewer main breaks in January. Twenty-seven main breaks were repaired in January, which is 80 percent below the previous five-year average of 129 breaks. This uncharacteristically low number of breaks follows an exceptionally high period of break activity during the final quarter of 2005. Breaks repaired in that quarter totaled 332, which was 40 percent higher than the previous five-year average for fourth quarter activity. Lower break activity in January is largely attributable to unseasonably mild weather and water temperatures remaining above 40 degrees.

Mr. Heitzman stated Hurricane Katrina has had a significant impact on key construction materials, including PVC and ductile iron pipe. Compared to a year ago, PVC prices are up 30 percent, copper tubing and ductile iron pipe is up 17 percent, and cement prices have increased 6 percent. Cement is expected to increase further due to demand. Another major cost driver is the consolidation occurring in the industries that supply many of our key materials. The small tank market is down to two competitors in this region. The large tank market has four suppliers. Additionally, increased air and water regulations are significantly impacting the cast and ductile iron industry. We expect to see major suppliers such as US Pipe and American Cast Iron Pipe pursue overseas manufacturing and phase out operations in the United States, due to increased air quality regulations. This will impact our material supply chain with respect to cost, quality, and availability.

Mr. Heitzman advised we are considering alternatives to the storage of chlorine at the Crescent Hill Treatment Plant. A consultant has evaluated the alternatives, feasibility and risks and we have received the report. We will be meeting with residents of the area at a meeting to be held March 1st at Field Elementary, where we will gather input on the project prior to making a decision of how to address this situation.

Mr. Martin commented about the low production compared to last year and how that impacted water loss for those periods, and Mr. Huber responded that we had significantly fewer main breaks this January compared to last year and that means less water that was ultimately lost in main breaks was produced. Mr. Johnstone inquired whether the expected reduced frequency of main break activity was considered in the analysis of Riverbank Filtration for the CHTP, and Mr. Miller confirmed it was factored into the analysis. Dr. Wise asked what would be on the agenda of the neighborhood meeting regarding the chlorine storage issue. Mr. Heitzman stated he would provide an overview of the basic information concerning the issue and then allow residents to provide feedback regarding this matter.

Serving Customers Report Provided

Ms. Karla Teasley provided the Serving Customers report. In many new subdivision developments, LWC is encountering rock when installing new services for water meters. When this occurs, LWC uses a rock saw that cuts the base grade pavement and the curbs in the subdivision. Metro Public Works has informed LWC that they have a very specific standard for repairing these curb cuts by re-pouring the concrete one foot on either side of the cut. This standard is different than our current practice and will increase the cost of each service in rock by approximately \$700. LWC is working with a sub-committee of the Home Builders Association on implementing the use of service sleeves, which will eliminate the need to use the rock saw in new subdivisions and/or increase the cost of installing these services by the additional repair costs. We will also evaluate ways to control our existing costs until such time that we can implement a new policy or practice for service sleeves and adjust service installation fees accordingly.

Wholesale Customer Meeting - LWC hosted a meeting of our wholesale customers on January 20, 2006. The Company shared information on the 2006 Capital Plan, advanced treatment and transmission progress, and Initial Distribution System Evaluation (IDSE) sampling. In addition, detail was provided about the wholesale water rate increase proposed to be effective May 1, 2006, and the cost variables and drivers for this increase.

Ms. Teasley provided a brief update of the legislation being discussed in the current legislative session. To date, roughly 700 bills have been introduced in the 2006 Session of the General Assembly. Bills of interest to LWC include several eminent domain bills. Government Relations is working with the Kentucky League of Cities and the Kentucky Farm Bureau on language that will maintain LWC's current rights for eminent domain. No significant retirement bills have been introduced. Other bills of interest include several bills that will streamline the administrative hearing process and assure that administrative regulations evaluate the cost/benefit of the regulations. Another bill would award treble damages against anyone liable for fish kills that may occur because of releases of chlorinated water into a stream. This bill is still in committee and has generated a lot of opposition. Dr. Wise asked if this has been a problem for LWC, and Ms. Teasley stated it has not.

Compensation Committee Report Given

Mr. Conner stated the report of the discussions held at the January 30, 2006 Compensation Committee meeting is being deferred until a future meeting because the Committee requested staff to do some follow up work on some of the 2006 goals.

Union Contract Ratified

Ms. Susan Lehmann stated in October, 2005 union representatives of Local 1683 and LWC management began labor contract negotiations and completed their work on January 13, 2005. The previous contract

covered the period of February 1, 2000 to January 31, 2006. The team spent the first month of negotiations reviewing each rule in the current Collective Bargaining Agreement and making language changes to enhance and clarify the intent of those rules. The next several months were devoted to economic issues. The team analyzed financial data with respect to overhead expenses (labor, medical, pension, disability, federally mandated benefit programs, such as Workers' Compensation and FICA,); developed estimated five year cost projections based on trends and past experience; and studied benefit programs of other organizations. As a team, the Union and Management negotiators were committed to providing the best contract for our employees, while at the same time developing plan design recommendations to retain our status as "Contractor of Choice". They were successful in these endeavors. On January 31, 2006 the union membership voted to accept the new contract on the first vote and agreed to the improvements in the language as developed by Local 1683 and LWC management.

The contract is a five-year contract covering 2/1/06 to 1/31/11. We have agreed that wages will be increased 3% on 2/1/06 plus a 1% lump sum bonus for approving the contract on the first vote, 2.5% increase plus 1% lump sum on 2/1/07, and 3% increase each year thereafter. Medical Insurance for 2006 will involve a change in the prescription plan to a 3-tier plan and the elimination of employee only free coverage. The parties agreed to begin work on future plan changes to more consumer-driven plans. The Insurance Team will begin meeting in 2006 and, based on plan experience and premium increases, the team may make recommendations move to a more consumer driven plan. For 2007, we expect a change in the PPO plan design. For 2008, there may be possible plan changes to more consumer- driven plans, based on plan experience and premium increases, and the premium split between employee and employer will be adjusted to a 15%/85% split. From 2009-2010, we will continue to monitor plan for possible plan changes, based on plan experience and premium increases. In terms of CERS, we will implement a 1 year waiting period for new hires effective February 1, 2006. In another effort to keep health care costs down, we are exploring the utilization of a Health Care Incentive Plan, in which employees may be eligible to be rewarded for performance during years when the company exceeds financial goals. The reward would be allocated to offset the employee's share of medical costs. Finally, the team created new rules, in response to issues raised since the last contract, involving Uniform allotment, meal money, and job elimination.

John Huber executed the union contract on behalf of LWC. Ms. Wendy Welsh moved to ratify the Collective Bargaining Agreement between LWC and Local 1683 of the American Federation of State and Municipal Employees. Dr. Wise seconded, and the motion carried.

Contracts Awarded for Health, Dental, Life and Disability Insurance Plans for LWC Employees and Dependents

Ms. Lehmann stated LWC staff presented preliminary health, dental, life, and disability insurance premiums for the 2006 benefit plan year at the January 2006 Board meeting and received authority to award contracts for medical, dental, group life and accidental death, short term and long term disability pending the outcome of contract negotiations with Local 1683. Benefit plan changes included in the contract language were approved by Local 1683. The Health plan was awarded to Humana at a negotiated premium increase of 11.5%, the dental plan to Delta Dental of Kentucky with no premium increase over last year, the Life and Accidental Death and Dismemberment to Monument at no premium increase, the Short Term Disability to CIGNA at a premium increase of \$.32 per person for administrative services only; Long Term Disability to CIGNA at no premium increase.

Budget Increased for Phase I, IIA and IIB and Authorization to Proceed to Final Design and Bid for Phase IIB and Bid Awarded for Projects 01557, 11256 and 11264: Cardinal Hill Secondary Transmission Supply

Mr. Heitzman stated the Capital Improvement Plan for 2006 includes \$7.2 million for construction of a secondary transmission supply to the 30 million gallon Cardinal Hill Reservoir. The original scope of the project included construction of 6,500 feet of 24-inch main and 15,800 feet of 30-inch transmission main. During design, the project was initially split into two phases: Phase I, which includes the section of main from St. Andrews Church Road to the reservoir; and Phase II, which extends from the reservoir along St. Anthony Church Road and Outer Loop to New Cut Road. In order to coordinate our work with new development of the Estates of St. Anthony, Phase II was further subdivided into Phase IIA, which includes the section from the reservoir to St. Anthony Church Road and Phase IIB, which includes the remaining alignment along St. Anthony Church Road and Outer Loop to New Cut Road. Construction of Phase IIA in the Estates of St. Anthony was recently completed by Southern Pipeline using the LWC Transmission Contingency Contract. A savings of approximately \$200,000 on the final costs of the Phase IIA portion of the project is anticipated from the \$850,000 original estimate, due to coordination with the development.

Six bids were received from pre-qualified contractors to furnish and install 30 feet of 60-inch concrete water main, 1,360 feet of 48-inch water transmission main, and 4,525 feet of 30-inch water transmission main in easements and right-of-way from St. Andrews Church Road to the Cardinal Hill Reservoir for Phase I of the project. The project allowed bidders to use ductile iron, concrete, or steel for the 30 and 48-inch transmission mains, while the 60-inch pipe was specified as concrete. Steel was included as a new material offering on this project to encourage competition among bidders. MAC Construction and Excavating, proposing ductile iron pipe, submitted the lowest responsive bid in the amount of \$2,429,400 resulting in a total project cost of \$3,056,500. The bid was reviewed and determined to comply with the LWC MBE/WBE program. The low bid of \$2,429,400 is 13.4 percent above the engineer's estimate of \$2,141,892. With six bidders, the bids represent the market price for the specified scope. Materials for the project have increased 51 percent for valves and distribution piping, while engineering has increased for design and construction inspection services. Ms. Margaret Harris moved to authorize the Purchasing Manager to award a contract in the amount of \$2,429,400 to MAC Construction and Excavating to install the water facilities associated with Phase I of this project, and to increase the project budget for this phase of work to \$3,056,500. Mr. Martin seconded, and the motion carried.

Dr. Wise inquired how engineering and inspection costs are determined. Mr. Heitzman stated those costs are not tied to the total cost of the project. We get engineering costs on a not-to-exceed contract basis but are billed on an hourly basis. If the scope is changed, it will usually increase the actual costs of engineering. This line item includes both in-house and outside costs.

Total project costs have increased 2.8 percent over the 2006 budget estimate. Ms. Welsh moved to approve a revised budget of \$7.4 million and to proceed to final design and bid of Phase IIB. Dr. Wise seconded, and the motion carried.

Second Reading and Approval of New Board Policies on Debt Management and Investment

Mr. Miller stated staff had developed the Debt Management Policy and Investment Policy based on best practices identified by the Government Finance Officers Association. The policies were offered for a first reading at the January 2006 meeting of the Board of Water Works. Following the first reading, staff has modified the third statement of the Debt Management Policy in consideration of feedback received at that meeting. That statement now reads "*The Board of Water Works shall not issue long-term debt obligations or utilize long-term debt proceeds to finance current operations of the Louisville Water Company.*" Staff is developing procedures to implement these policy statements. The procedures will also be based on best practices identified by the Government Finance Officers Association. Mr. Martin

moved to adopt the Debt Management Policy and Investment Policy as presented. Dr. Wise seconded, and the motion carried.

Scope and Budget Increased and Authorization Given to Proceed to Final Design and Bid for Bullitt County Water Improvement Program/Bullitt County Extension

Mr. Heitzman advised the Bullitt County Extension Program has a project for the extension of water mains in the Lickskillet Area. The project was originally presented to the Board of Water Works as a two-thirds majority petition project. Since then, the project has received Kentucky Infrastructure Authority (KIA) grants totaling \$393,478 and the project scope has increased. The original project estimate was presented to the Board on July 13, 2004 in the amount of \$775,500 and funding sources included tapping fees and the Bullitt County Water Reserve (BCWR). The original scope included approximately 23,500 LF of distribution water main. The increased scope includes the addition of High Pine Drive (1,300 LF) and Big Spring Court (450 LF) and additional extensions on East Indian Stone (1,100 LF), Big Spring Drive (1,700 LF), and Lickskillet Drive (2,200 LF). The total additional scope is 6,750 LF that increases the project total from 23,500 LF to 30,250 LF. The increased budget includes an additional \$169,480 in the original project budget due to anticipated rock quantities and \$271,430 for the additional project scope, yielding a total project cost of \$1,216,410. Mr. Martin moved to increase the scope from 23,500 LF to 30,250 LF; increase the budget of record from \$775,500 to \$1,216,410; and proceed with final design, advertisement for bid, and construction of this project. Ms. Harris seconded, and the motion carried.

Budget Increased for Project 03603: Goshen Area Main Replacement Program

Mr. Heitzman reported Louisville Water Company entered into a contract with Southern Pipeline Construction Company in October 2003 for \$638,700 to complete main replacement, grid-tie, and associated hydrant and service work in the Goshen area. The project was included in the plan to upgrade the Goshen distribution system to LWC standards, after the acquisition in 2002. The project benefits include improved system pressure, flow capacity, and reliability for the Goshen customers. The project budget of record was \$777,700.

The project included relocation of customer services from backyards and basements to LWC's standard location in front yards. Under the terms of the contract with Southern Pipeline, their work was limited to main and service work located within public right-of-way or LWC easements. Service modifications to internal plumbing on private property, such as moving meters out of homes into the front of properties, were performed by Southern Plumbing and Heating, utilizing their contingency contract with LWC. Initially, these services were estimated to cost \$52,000 (\$800/service) for 65 customers.

In November 2004, the Board of Water Works approved an increase of \$161,030 to the contract with Southern Pipeline for extra work related to water mains, services, and hydrants. At that time no adjustment was made to the estimate for the work being performed by Southern Plumbing or to the estimate for materials and engineering labor. The final cost for the services provided by Southern Plumbing exceeded the estimate by 390 percent. The increase was due to an additional 25 services needing relocation and a higher unit cost for each service that was relocated. Many service relocations required significant internal plumbing alterations (bores through basement walls) and significant restoration on private property. An increase in the cost of LWC-supplied materials resulted from the need for additional pipe materials to complete the added scope of work and recent increases in material prices from suppliers. Further, staff underestimated the engineering and inspection labor associated with the non-standard Goshen distribution system.

Overall, this project increased 75 percent over the original budget. Staff did not present the Southern Plumbing contract change order or the increased costs for material and labor to management in a timely manner. After review of the project, the scope of work and prices paid are appropriate; however, the project was not managed within the controls and expectations established by the Board. The budget increase should have been presented for approval to the Board in advance of work completion. Management is reviewing this incident and other capital projects to assure appropriate authorization is granted in advance of work being performed. Any findings will be reported to the Board in March.

Mr. Conner stated there are two issues: one is the ratification of the increased budget and two is the accurate estimation of the number of services for this project. Mr. Heitzman stated it is also that we did not accurately estimate the cost per service correctly. Mr. Huber commented the Project Manager should have been tracking costs as the project progressed, not simply at the end of the project. Mr. Johnstone asked if there is a reserve in Goshen. Mr. Heitzman stated the Goshen Reserve results from the rate deferential and is used for these costs. Ms. Teasley added the restoration costs were also higher than expected. Mr. Johnstone stated that in looking at this and the Cardinal Hill Reservoir project, we are always needing to increase the budgets of the projects and he hopes we are considering the long-term planning impacts of doing so. Mr. Huber noted that we certainly look at it from the standpoint of that particular project but also from the impact to the entire long term capital program. Ms. Teasley added we will come to the board at a future meeting to update them on total costs of upgrading the Goshen system and the status of the Goshen Reserve account. Dr. Wise moved to ratify the increase of the project budget to \$1,361,410. Ms. Welsh, seconded and the motion carried.

Budget Established and Preliminary Engineering Authorized for Project 10231: Crescent Hill Plant Filter and Backwash System Renovations

Mr. Heitzman advised funds are proposed under the 2006 Capital Budget to renovate filtration and backwash systems at Crescent Hill Filter Plant (CHFP). The CHFP filtration system consists of four distinct banks of filters, identified as the North, South, East, and New East filter galleries. These filters were constructed sequentially between 1898 and 1956. Previous renovations consisted of replacement of filter underdrains and replacement of gravel, sand, and anthracite filter media. The backwash system consists of two storage tanks, totaling approximately 400,000 gallons, which provides the water supply to clean the filters. The waste filter backwash water is collected and transported to the B.E. Payne plant settling lagoons. The last major renovation of the filter system was conducted in 1994 to the South filter gallery: the media and backwash was renovated and an air-scour system was installed. In 2006, the media is being replaced in six filters of the North filter gallery to provide interim filter capacity while work is being conducted on the East filter gallery and on the basin complex at the B.E. Payne plant.

The scope of this proposed project is to install new underdrains, media, valves, and filter-to-waste piping in the East and New East filter galleries to increase the filtration capacity from 126 MGD to 195 MGD, and produce water quality that exceeds current and future regulatory requirements and LWC goals. The backwash system will be replaced with an air-scour system capable of supplying increased pressure and volume of wash water to clean the filter media. The preliminary engineering phase of this work will focus on selecting the underdrain, media, and backwash systems that best satisfy these hydraulic and water quality objectives. Based on experience with the B.E. Payne filter renovation project, staff proposes to use Camp, Dresser and McKee Engineers to perform a preliminary engineering and budget estimate for the work. The Preliminary Engineering Report and budget will be presented to the Board prior to final design and advertisement for bid. Dr. Wise moved to proceed with preliminary engineering and to establish a project budget in the amount of \$11.7 million for Project 10231: Crescent Hill Filter Plant Filter and Backwash Systems Renovation. The procurement of the preliminary engineering services from Camp Dresser &

McKee Engineers will be within the authority of the President and CEO. Ms. Harris seconded, and the motion carried.

Closed Session Held

Mr. Martin moved to go into closed session to discuss proposed or pending litigation pursuant to KRS 61.810(1)(c) at 1:55 p.m. Ms. Welsh seconded, and the motion carried.

Open Session Resumed

On the motion of Ms. Marita Willis, seconded by Mr. Martin and unanimously carried, the Board resumed open session at 2:13 p.m. No action was taken in closed session.

Executive Session Conducted

The Board went into Executive Session without management present at 2:13 p.m.

There being no further business, the meeting was adjourned at 2:30 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
March 14, 2006**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Senior Vice President, Operations and Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Ms. Ed Chestnut, Assistant to the President
Ms. Barbara Crow, Process Owner, Providing Strategic Communications
Mr. Vince Guenther, Process Owner, Providing Governmental Relations

Visitors:

Mr. Peter Naaka, "Save Reservoir Park"
Ms. Mary Barbosa-Jerez, "Save Reservoir Park"
Ms. Sybil Alt, "Save Reservoir Park"

The regular meeting of the Board of Water Works was held on Tuesday, March 14, 2006 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:35 p.m.

Mr. Conner stated the Compensation Committee report was inadvertently left off the agenda. Ms. Margaret Harris moved to add the report to the agenda, Ms. Wendy Welsh seconded, and the motion carried.

Public Expression Held

Mr. Peter Naaka, representing the Save Reservoir Park Organization in Crescent Hill, read a statement to the Board regarding the Board's consideration of constructing a chlorine facility on the Company's grounds in Crescent Hill off Reservoir Avenue. The statement, in total, read:

On behalf of the people of Crescent Hill and the larger Louisville community. Save Reservoir Park (.org) offers the following response to the Louisville Water Company's (LWC) March 1, 2006 presentation regarding the proposed conversion of meadow space in Reservoir Park to a chemical storage and processing facility site.

The more than 2,000 signatures gathered in past weeks attest to the importance of the Reservoir Park meadow as a vital community space. We applaud LWC's efforts to move away from the use of liquefied chlorine gas toward a safer process of water chlorination, and we appreciate LWC's willingness to reconsider initial plans targeting the meadow area. However, subsequent conversations with area neighbors indicate that the March 1 meeting raised more questions and concerns than were answered.

Greg Heitzman (LWC vice president of operations and chief engineer) and Vince Guenther (LWC manager for government affairs) have admitted that recommendations of Atlanta consulting firm JJ&G failed to consider community concerns. LWC's more recent commission of feasibility studies for four other locations at the Frankfort Avenue site however, do not adequately address concerns for the preservation of green, park space for current and future generations, especially in light of LWC Board President John Huber's March 1 comments indicating that LWC regards the entirety of Reservoir Park (including the golf course, tennis courts and aquatic center) as potential sites for future LWC facility growth.

One of the grounding arguments of Save Reservoir Park (.org) is that while the LWC maintains legal control of the properties in its care, the property itself is owned by the citizens of Louisville. Their ownership is a direct result of LWC's status as a publicly owned entity, and the fact that the land is deeded to the City of Louisville. We assert therefore, that all citizens of Louisville (and residents of Crescent Hill, in particular) have a vested interest in the use of the land in Reservoir Park, and must be included in any potential changes in the use of that property.

Neighbors also question whether all reasonable alternatives to on-site chemical production have been fully addressed. At the meeting on March 1, LWC presented three options for transition from the use of liquefied chlorine gas: 1) trucking in 12% hypochlorite ("bleach" roughly two times as strong as household bleach); 2) building a 12% production facility (which would still require liquefied chlorine gas as part of the process); and 3) building a 0.8% production facility (which would produce hypochlorite from salt).

Though Heitzman indicated that trucking in bleach would be nearly as cost-effective as the proposed .8% plant, LWC discarded the first two options - because heavy snows or storms could disrupt delivery by truck in the first case, and because the danger of chlorine gas would not be completely eliminated in the second. However, since the meeting, several citizens have learned that 12% hypochlorite is a readily available commercial product that can be delivered safely via railcar, in rubber-lined tanks. In early 2001, for example, the Cleveland Ohio water works successfully replaced deliveries of liquefied chlorine gas with rail delivery of 12% hypochlorite. Louisville could do the same, taking advantage of reliable rail delivery and good stewardship of public funds.

In addition, in order to comply with new federal regulations, LWC must implement advanced water treatment options (riverbank, ozone and biological filtration, and membrane technologies) at the Crescent Hill Plant by 2012 - implementations that will reduce present chlorine requirements by approximately one half, making the proposed facility 100% oversized. With those changes a mere six years away, a capital expenditure of between \$7 and \$13 million for a new facility, not to mention the loss of an historically important community park space, seems short-sighted, at best.

Why not purchase rail-delivered hypochlorite for the six years in question, and revisit costs, options and locations in the near future? On LWC's present course, we see a possibly browner future in Crescent Hill, where our meadow is gone, and the large obsolete concrete coagulation and filtration basins - basins that could have been removed

and refurbished to provide space for newer technologies - sprout grass and weeds from their seams.

We believe that the plans of the LWC are well-intentioned; but they are poorly-conceived. That LWC is working against the goals of our Metro government, the mayor, Cornerstone 2020, and the Crescent Hill Comprehensive Neighborhood Plan is not an insignificant side issue. A green city is, quite simply, a better city. At a time when the City of Louisville is buying land on its perimeter to use as parkland, it makes little sense to describe and treat the Reservoir Park meadow as "vacant land" as the LWC does in their February Board documents. That meadow is not vacant land. It is home to more than 40 mature trees, and every day hosts children and their families for games of tag, quiet walks and meditation. It is a vital part of Louisville's quality of life, and it belongs to us.

We are committed to the preservation of Reservoir Park as both a nationally unique public park space and a state-of-the-art water "works facility, even if it means the LWC must sacrifice its desire to produce chemicals on site at the present time. And we will engage LWC, its public advisory board, members of Metro Louisville government and the citizens of greater Louisville in order to raise awareness and understanding and find a long-term answer that benefits both LWC and the community.

Minutes from the Previous Meeting Reviewed and Approved

Mr. Gerald Martin moved to approve the minutes from the Regular Meeting held February 14, 2006, seconded by Ms. Marita Willis, and the motion carried.

Financial Report Provided

Mr. Robert Miller provided the financial results through February 2006. Operating Revenues for February of \$9,047,057 are \$54,373 or .6% less than budgeted and \$682,078 or 8.2% more than February 2005. Operation and Maintenance Expenses for February of \$3,792,405 are \$380,153 or 9.1% less than budgeted and \$433,857 or 12.9% more than February 2005. Total Operating Expenses for February of \$6,199,057 are \$430,831 or 6.5% less than budgeted and \$603,748 or 10.8% more than February 2005. Net Operating Income for February of \$2,848,000 is \$376,458 or 15.2% more than budgeted and \$78,330 or 2.8% more than February 2005. Total Net Non-Operating Expense for February of \$305,923 is \$67,361 or 28.2% more than budgeted and \$62,846 or 25.9% more than February 2005. Net Income Before Distributions and Contributions for February of \$2,542,077 is \$309,097 or 13.8% more than budgeted and \$15,484 or .6% more than February 2005. Capital Expenditures through February were \$7,744,231 or 8.95% of the 2006 Capital Budget of \$86,529,148.

Mr. Miller discussed the Statement of Cash Flows through the end of February, showing a cash balance YTD of \$6,187,091, which is unrestricted. Mr. Martin remarked this is a positive addition to the financial reports. Mr. Martin inquired why the Contributions in Aid of Construction are so low. Mr. Martin stated this does not typically come in level amounts, but depends on projects being done at the time.

Operations and Engineering Report Provided

Mr. Greg Heitzman presented the Operations report for February. The average production rate last month was 112.7 MGD, which is 1.1 percent lower than 2005 February production of 114.0 MGD and 3.5 percent lower than the five year average February production of 116.8 MGD. For the year to date, production is 3.7 percent lower than 2005 and 3.9 percent lower than the five year average, respectively.

Regarding the consideration of the Chemical Building, on March 1, the Company conducted a public information meeting to brief residents on the proposal to build a chemical storage facility at the Crescent Hill Treatment Plant. Approximately 110 residents attended the meeting at Field Elementary School. The proposed facility will provide safe and reliable storage for chlorine, ferric chloride, and coagulant polymer. A Community Advisory Group is being assembled to provide input on the proposed chemical storage facility, including the location. Staff anticipates a recommendation will be presented to the Board by late summer 2006. Mr. Martin asked if there is any other owner of the property because residents have referred to it as a "park." Mr. Heitzman stated it is not legally designated as a park and advised the title to the property is held by Metro Government for the Water Company.

Mr. Heitzman stated a 12-inch main break in Bullitt County resulted in water outages and low pressure for the City of Shepherdsville and an area-wide boil water advisory. LWC restored water service by late afternoon on the same day. Plans are underway to improve the water supply to Shepherdsville, including main replacements, grid ties, and new storage for this area of Bullitt County.

The relocation of the 60-inch water main to accommodate the extension of the west runway and UPS expansion is near completion. The existing 60-inch main was shut down and the water was rerouted through other transmission mains while the tie-in was made. Completion of this project will reroute the 60-inch main to the perimeter of the airport, providing improved access to it. The project budget is \$6.5 million, with \$1.6 million funded by the Regional Airport Authority. Dr. Joseph Wise inquired about the resolution regarding a damaged portion of the 60" main, and Mr. Heitzman advised the contractor replaced it per our request.

Serving Customers Report Provided

Ms. Karla Teasley provided the Serving Customers report. The February abandonment rate was 6.3% compared to 6.8% in January 2006 and 5.8% in February 2005. Bad debt for the month was \$43,329 compared to \$71,469 in January 2006 and \$23,390 in February 2005. Bad debt is \$8,682 under budget for the month and \$10,776 over budget year to date.

She advised LWC staff will participate in the American Water Works Association Water Matters Fly-In in Washington, DC later in March to meet with their federal legislators on issues of interest to the water industry. This year key issues and messages include: the value of water service; chemical security/emergency response legislation; the Pass the Water Infrastructure Financing Act which expands the clean water and wastewater state revolving loan funds (SRFs); and additional appropriations for the AWWA Research Foundation, the clean and wastewater SRFs, state primacy programs and EPA drinking water research.

Government Relations continues to monitor the activities of the General Assembly. Bills of interest to LWC include topics of eminent domain, retirement, damages for fish kills, "unescorted" retirees, watershed planning, and aerial photography.

Dr. Wise asked what LWC committed to for the 2007 Senior Olympic Games. Mr. Huber stated we have provided the corporate offices at River Road Country Club building for them, and we have committed to 5000 cases of 8 oz filled water bottles.

Closed Session Held

Mr. Martin moved to go into closed session to discuss proposed or pending litigation pursuant to KRS 61.810(1)(c) at 1:09 p.m. Ms. Harris seconded, and the motion carried.

Open Session Resumed

On the motion of Mr. Martin, seconded by Ms. Willis and unanimously carried, the Board resumed open session at 1:21 p.m. No action was taken in closed session.

Nomination Committee Report Given

Mr. Martin stated the Nominating Committee met and agreed to recommend all current officer and committee appointments remain the same until reconsideration at the April 2007 Board meeting.

Compensation Committee Report Given

Mr. Conner advised the Corporate Performance Award was achieved at 87.5% of the total possible award, which is 1% of the total salary of all eligible employees divided by the number of employees. Dr. Wise moved to approve the 2005 Corporate Performance Award at this level of achievement. Ms. Harris seconded, and the motion carried. Mr. Conner stated the Executive Incentive Plan was achieved at a level of 6.1% of salary for ELT members and 4.575% of salary for BSOs. Mr. Martin moved to approve the Executive Incentive Plan award at this level. Ms. Welsh seconded, and the motion carried.

Mr. Conner stated the Board also needs to consider changes to the proposed ELT Shared Goals, Incentive Plan Goals, and Corporate Performance Goals for 2006. On the ELT Shared Goals, Goal B has been measured in terms of revenue, and the Committee recommends changing it to a descriptive measurement of Exceptional and Unsatisfactory with a Fully Achieves Expectations result being described according to a timeline for completing various strategic planning objectives. Goal E has been modified to state LWC's commitment to improving its Minority and Women Business Enterprise spending. The second part of this goal is for diversity hiring and promotion.

The Incentive Plan Goals for Goal III D and E have been made more stringent. Goal IV is proposed to be measured according to million gallons sold as opposed to cost per customer. The Goal V (II) will focus on the Organizational Effectiveness Index instead of the Customer Satisfaction Index for this year, since we are alternating those surveys each year. The Cost Control Goal for the Corporate Performance Award would also be measured according to million gallons sold as opposed to cost per customer. Ms. Welsh moved to approve all of the 2006 Goals as proposed, seconded by Ms. Harris, and the motion carried.

First Quarter Dividend Declared

Mr. Miller recommended declaration of the dividend to the Louisville / Jefferson County Revenue Commission on the Louisville Water Company stock owned by the City per the 1992 Bond Resolution. Further, Mr. Miller recommended the adjustment, as required, of the 2005 dividend declared because the annual audit has been completed. Net income of \$34,721,750 requires a total 2005 dividend to Metro of \$16,178,050. The total dividends declared during 2005 were \$15,875,700. The difference between the dividend declared for 2005 and the actual dividend computed for 2005 is \$302,350 and will be added to the regular quarterly 2006 dividend payments in equal quarterly installments of approximately \$75,588.

The 2006 Annual Budget provides for a budgeted annual dividend of \$14,842,140 and a total quarterly payment of \$3,786,123. Dr. Wise moved to approve the following resolution to declare the first quarter dividend:

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 1992 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 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 \$15,875,700 was declared in 2005 based on estimated annual net income of \$34,217,800, and
WHEREAS, the annual audit for 2005 has now been completed which establishes the full dividend for 2005 as \$16,178,050 based on actual annual net income of \$34,721,750, it would be in order at this time to amend the Board resolution of December 13, 2005 to increase the 2005 annual dividend by \$302,350, from \$15,875,700 to \$16,178,050, the difference to be added in installments to the quarterly 2006 dividend payments, and
WHEREAS, the 1992 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 2006 Louisville Water Company Annual Budget contemplates the 2006 annual dividend to be \$14,842,140, it would be in order at this time to declare a regular first quarter dividend of \$3,710,535; therefore, be it
RESOLVED, the 2005 annual dividend is increased from \$15,875,700 to \$16,178,050 and the difference of \$302,350 will be added in quarterly installments to the regular 2006 quarterly dividend installments, and
RESOLVED, the regular first quarter 2006 dividend of \$3,710,535 is hereby declared, and further
RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,710,535 to the Louisville / Jefferson County Revenue Commission on March 31, 2006, this being the first quarterly dividend for 2006 plus one quarter of the dividend adjustments for 2005, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

Mr. Martin seconded, and the motion carried.

2005 Strategic Plan Measurements Report Given

Mr. Ed Chestnut advised all the goals in the Strategic Plan were met except four. Specifically, the 2005 goal regarding the water rates was not met because rates increased 6.5%, which is higher than the CPI plus 1%. The Goal to keep the O&M cost per metered customer to no higher than \$173.36, was not met because the O&M cost per metered customer was \$175.63. The goal to reduce lost time injury frequency rate to 2.55 or less was not met, because the rate was 3.41. Finally, the goal to spend 9% or more of the company's spending with Minority Owned Businesses was not achieved because the value of contracts awarded to MBEs was only 6.7%.

Update Provided Regarding Arbitrage Rebate Calculation for Series 2001 Bonds

Mr. Miller reminded the Board that an arbitrage rebate calculation for the Series 2001 Bonds was performed by the PFM Group in October 2005. This was accomplished in advance of the required rebate computation date in 2006 due to the complexity of the financings that preceded the Series 2001 Bonds

and to allow for accrual of any arbitrage rebate liability. Based on the computation by the PFM Group, the amount of arbitrage earnings from March 2001 through December 2005 that must be rebated to the U.S. Treasury was computed as \$608,250 and was accrued on the 2005 financial statements. Staff is also accruing approximately \$12,000 each month for additional arbitrage earnings in 2006.

Following the results of the arbitrage rebate calculation, staff contacted Spencer Harper of Stoll Keenon Ogden to determine alternatives to the current bond reserve structure of relatively high yield U.S. Treasury SLG securities. After extensive review, there has been no feasible immediate alternative identified that would allow for retention of the current securities while reducing the arbitrage rebate amount. It appears that the only recourse open to the Company may be to realign a portion of the Series 2001 Bond Reserve securities for use in creating the reserve for the next bond issue. Meanwhile, staff intends to pursue an independent verification of the arbitrage rebate calculation in order to ensure the amount computed by the PFM Group is correct. Dr. Wise asked whether this money can be set apart and interest earned on it until it is paid back. Mr. Miller stated he believed that is possible.

Update Provided Regarding Long Term Borrowing Plans

Mr. Miller stated the Company will be initiating plans to issue long term debt in the near future. At this time, staff anticipates that it will be necessary and appropriate to enter into a short-term bond anticipation note or line-of-credit facility in order to ensure adequate liquidity while the bond documents are being prepared and the bond sale date is selected. This short term borrowing would be arranged through a competitive bid process from local financial institutions. Once the short term borrowing has been established, and in consideration of recent increases in long-term interest rates, staff intends to promptly proceed with the development of the preliminary official statement and other disclosure documents for a revenue bond issue to provide adequate funding for capital project expenditures for the next one-to-two years. The revenue bond issue would also be arranged through a competitive bid process from bond underwriters from across the country. The principal repayment schedule is planned to commence following the repayment of the final maturity in 2014 from the Series 2000 Bond Issue, with interest-only payments until that time.

The proposed financial firm is Public Financial Management, to be retained through a professional service appointment. Staff recommends Spencer Harper, who is now with Stoll Keenon & Ogden to be retained through a professional services appointment as well. For the Bond Engineering Feasibility Report, staff recommends Black & Veatch, also to be retained through a professional services appointment. Underwriters Counsel, Trustee and Bond Proceeds Investment would all be determined through competitive procurement. Staff has not yet formulated a recommendation for the method to procure Bond Insurance or to select a rating agency. Additionally, staff will be updating the measurements computed in the PFM Return Analysis Report to reflect the audited 2005 financial results. We have budgeted for about a \$40 Million borrowing. Mr. Martin inquired whether we needed to bid out bond counsel. Mr. Miller stated it is not required but is at the discretion of the Board, adding that previous bond counsel did an excellent job and increased the present value of the 1992 bond issue. Mr. Conner agreed previous counsel is well known as very knowledgeable in this area. His fee would be based on the amount of the bond issue, which is typical for this type of legal work. Mr. Conner stated it would probably be a good idea to get estimates for other qualified bond counsel to see what the ranges are.

Update Provided Regarding Kentucky Retirement Systems

Mr. Vince Guenther provided an update regarding the Kentucky Retirement Systems, which covers state employees, state police officers, city and county employees, as well as nonteaching staff of local school

boards and regional universities. KRS 61.565 requires the Board of Trustees of Kentucky Retirement Systems to determine the employer contribution rates based on an actuarial valuation. The most recent actuarial valuation was performed for the period ending June 30, 2005 and Louisville Water Company's new contribution rate effective July 1, 2006 will be 13.19% (Pension 5.97%/Insurance 7.22%). This is up from 10.1%. Employees also contribute 5% for a total of 18.19%, relative to the our contribution of about 6% in 2002. The trends indicate that increases will continue. Plan funding levels for the pension fund are in relatively good shape but the insurance fund is woefully underfunded. Total actuarial liabilities for insurance funds exceed assets by \$5.5 billion.

Previous legislation, HB 290 entitled "CERS Benefit Reduction," changes the retirement benefit structure for new employees hired after July 2004 by lowering the factor from 2.2% of salary for each year served to 2.0%, which results in those employees having to work 30 years to get full retirement instead of the previous 27 years. That legislation also allows employees to earn \$10 per year of service to be applied to their health insurance premium. KY League of Cities and KY Association of Counties are beginning to become more vocal in their concerns with the unfunded liabilities associated with the Retirement Systems. The biggest concern remains the cost of health care, with no real solution suggested for dealing with those costs.. Mr. Huber noted that the employee's contribution has not increased because it would require legislative action to do so. Mr. Conner asked whether we should be studying an alternative to CERS. Mr. Guenther stated discussions have been held about whether to totally separate the CERS funds from all other funds, including separating them for investment purposes. Another suggestion is to balance what the employee and the employer contribute. Mr. Huber noted further that when LWC entered the CERS program, there was no health insurance benefit for retirees. That component was added when investments were flourishing.

Strategic Planning Considerations Discussed

Ms. Susan Lehmann advised the Strategic Planning sub teams are on schedule with their work in updating the Company's Strategic Plan. This work will be completed in June prior to 2007 business planning and budgeting. The central themes considered for the strategic plan thus far involve assuring top line revenue growth and profitability, along with pursuing synergistic opportunities for efficiency and effectiveness with metro government and utilities. Key strategies in the current plan include assuring safe, high quality drinking water and enhancing customer satisfaction. The Board needs to consider the source of investment capital and how LWC would distribute profit or loss from these ventures. Mr. Martin asked what the timetable was for making those decisions. Mr. Huber responded the Board would discuss this in April or May of this year. Mr. Miller stated another question is what sort of corporate structure would be utilized for any business opportunity. Mr. Conner commented he does not think the business structure would matter because all revenues would likely be considered jointly anyway.

Budget Increased for Project 10417: Arnoldtown Road Area Main Replacement

The Arnoldtown Road Main Replacement Project was approved for a budget of \$412,000, which included the installation of 6,549 feet of replacement pipe and new pipe for system grid-ties. Prior to construction, the Capital Construction Crew provided an estimate of \$314,000 for construction of the pipeline. The Project Manager estimated \$80,000 for LWC-supplied materials and \$18,000 for design, resource coordination, and other costs. The final cost of the project is \$716,772; an increase of approximately \$305,000. However, costs associated with the Capital Construction Crew increased almost \$226,000 over the original estimate. Primary contributors to the cost overruns were equipment (\$79,000), the unanticipated use of subcontractors for directional drilling (\$62,000), and LWC labor (\$107,000). A savings of \$22,000 was realized in other areas such as restoration and site safety. Material costs increased nearly \$58,000. The actual footage of pipe installed increased by 422 feet to over 6,971 feet; and resulted

from field changes to the pipeline alignment during construction and the addition of a 6-inch pipe in Windsor Forest Drive near Wildwood Road to complete a grid-tie. Additionally, to minimize the cost of yard and pavement restoration at some locations, the Capital Crew used a subcontractor for directional drilling that utilized HDPE pipe materials purchased by the Capital Crew. Cost for the HDPE pipe was approximately \$49,000.

Even though fewer LWC-supplied materials were utilized, the savings was more than offset by the higher unit cost of the LWC-supplied materials. The unit cost of LWC-supplied materials increased over 50 percent from when the project was originally estimated (\$12.61/ft) to the time material was withdrawn from the warehouse (\$19.16/ft). The increased unit cost resulted in a cost overrun of approximately \$9,000. Similarly the design, resource coordination, and other costs increased approximately \$21,000 over the original estimate. Capital interest charges totaled over \$19,000 while the engineering labor increased almost \$5,000. Approximately \$3,000 in savings was realized when the project scope was revised to eliminate the need for the purchase of an easement.

The Capital Projects Authorization Policy and the procedures related thereto require Board authorization to increase the project budget, but this was not obtained. Management has reviewed the incident and is taking steps to ensure that projects are managed within established controls in the future. In response to Mr. Conner about how the system of cost monitoring works, Mr. Heitzman stated costs are loaded into the system weekly to allow the Project Manager to review and track project costs to make sure the percentages expended are within the budget and are tracking according to the particular stage of the project. Mr. Huber stated issues arise with contracts when unit prices and LWC crews doing the work. Mr. Heitzman stated we are analyzing what work our capital crews can do efficiently and effectively. Mr. Conner noted that the corporate governance initiative we have undertaken is to identify and manage these types of situations. Dr. Wise moved to increase the project budget by \$304,772 to a total of \$716,772 for Arnoldtown Road Area Main Replacement. Mr. Martin seconded, and the motion carried.

Budget Established and Preliminary Engineering Authorized for Baxter Avenue Main Replacement Project

Mr. Heitzman advised the main break frequency and resultant potential property damage claims necessitate the replacement of the 12-inch main in Baxter Avenue between Payne Street and Highland Avenue, which was installed in 1934 and is comprised of cement-lined sand-cast iron. This section of Baxter Avenue is a highly traversed and busy road. The Kentucky Transportation Cabinet (KTC) plans to re-pave Baxter Avenue, including the referenced section, in late summer or early fall 2006, and therefore, it is beneficial to complete this project in the first half of 2006 should allow LWC. A preliminary estimate of \$200/LF is assumed for this project, and while this cost is high compared to other urban 12-inch pipe projects, it is reasonable due to the higher level of traffic control and coordination, the reduced work hours, and the higher level of customer communication and coordination required for this project. Funding for this project will come from the Infrastructure Reserve Fund. Ms. Welsh moved to proceed with final design and advertisement for bids for the Baxter Avenue Main Replacement Project as a non-budgeted capital project with an estimated budget of \$500,000, and to similarly increase the funding for the 2006 Water Main Replacement Program from \$3,502,696 to \$4,002,696. Mr. Martin seconded, and the motion carried.

Executive Session Conducted

The Board went into Executive Session without management present at 1:48 p.m.

There being no further business, the meeting was adjourned at 1:59 p.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Barbara K. Dickens", written over a horizontal line.

Barbara K. Dickens

Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
APRIL 11, 2006**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Dr. Joseph Wise

Not Present:

Ms. Marita Willis
Mayor Jerry Abramson

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Senior Vice President, Operations and Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Mr. Vince Guenther, Process Owner, Providing Governmental Relations
Ms. Barbara Crow, Process Owner, Providing Media Relations

The regular meeting of the Board of Water Works was held on Tuesday, April 11, 2006 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:35 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Ms. Wendy Welsh moved to approve the minutes from the Regular Meeting held March 14, 2006, seconded by Dr. Joseph Wise, and the motion carried.

Chief Executive Officer Report Provided

Mr. John Huber advised two chemical security bills have been introduced in the senate to require "inherently safer technology" to minimize the potential for terrorism, and water utilities organizations have asked to be exempt. He advised a new report recommends lower than 4 mg/L of fluoride in the public drinking water supply, but does not recommend discontinuance. Fluoridation is required under state law. Finally, European companies, specifically Nuon and RWE, continue to exit the water industry in the U.S., leaving only French-owned United Water with U.S. holdings.

Financial Report Provided

Mr. Robert Miller provided the report of financial results through March 2006. Overall sales are below budget, with commercial water sales being higher and residential sales being lower than budget. Expenses are also lower currently, but many are expected to be incurred in later months. Management is reviewing our discretionary contractual services to see if they can be deferred or cancelled. Mr. Miller stated we anticipate a borrowing before the second dividend payment is made.

Operations and Engineering Report Provided

Mr. Greg Heitzman presented the Operations report for March, specifically discussing the low March production, which could be attributable to fewer main breaks, and the upcoming April 17th Community Advisory Group (CAG) facilitated meeting to review plans to construct a chemical building at the Crescent Hill Treatment Plant. Mr. Rick Johnstone asked if one alternative to making chlorine on-site is purchasing bleach that would be delivered in railcars, and Mr. Heitzman advised it is.

Serving Customers Report Provided

Ms. Karla Teasley provided the Serving Customers report, highlighting the lower March call abandonment rate of 2.9%, bad debt for March of \$116,772, First Quarter customer satisfaction results, the wholesale rate increase, and an initiative with the Home Builders Association to install service sleeves off of mains.

Closed Session Held

Dr. Wise moved to go into closed session to discuss executive management performance evaluations pursuant to KRS 61.810(1)(f) at 1:05 p.m. Ms. Welsh seconded, and the motion carried.

Open Session Resumed

On the motion of Mr. Gerald Martin, seconded by Ms. Welsh and unanimously carried, the Board resumed open session at 1:25 p.m. No action was taken in closed session.

Ms. Welsh moved to approve the salaries of company officers as follows:

Senior Vice President, Operations and Chief Engineer	Greg Heitzman	\$158,685
Vice President, Treasurer	Bob Miller	\$139,544
Vice President, Serving Customers and Business Development	Karla Teasley	\$141,722
Vice President, General Counsel and Corporate Secretary	Barbara Dickens	\$132,194
Vice President, Human Resources and Organizational Effectiveness	Susan Lehmann	\$138,840
President/CEO	John Huber	\$207,250

Ms. Margaret Harris seconded, and the motion carried.

Audit Committee Report Given

Ms. Welsh gave the report of the Audit Committee's meeting held March 28, 2006. She reviewed comments by the new auditing firm, Strothman & Company. She summarized the results of the Process Safety Management audit and the IT Network Security Audit, which were reported to the Committee. Mr. Conner commented that the Project Management issues discussed as a result of internal audits are being addressed adequately by staff. Mr. Martin asked if we escheat the developer funds to the state when we cannot locate the developer, and Mr. Miller advised we do.

Update Provided Regarding Long Term Borrowing

Mr. Miller provided an update regarding the upcoming long-term borrowing. Two special-called board meetings to handle the borrowing must be scheduled and are currently proposed for May 25 and June 21, 2006 at Noon. He reviewed the documents necessary for the Board to approve. Mr. Miller reviewed the itemization of the cost of the issuance, which is in the range of \$450,000. There are changes which must

be considered for key bond covenants in the 1992 Master Bond Resolution and staff will be reviewing these potential changes with Metro Government and Public Financial Management before presenting a recommendation to the Board in May.

Mr. Martin commented he has compared our debt to total capitalization to other municipally-owned utilities and investor-owned utilities and it is about ½. Mr. Martin asked the purpose of underwriters counsel. Mr. Miller stated this person reviews our disclosures and offers an opinion regarding them.

Mr. Conner requested a short presentation in an upcoming board meeting of what the Board is being asked to consider.

2006 General Assembly Update Provided

Mr. Vince Guenther advised the final state budget is likely to include three Louisville Water Company projects. He reviewed the bills of particular interest to LWC and advised of their status.

First Quarter Certification Provided for Projects Authorized and Change Actions Approved

Mr. Huber certified that the following projects and change actions were authorized in the First Quarter of 2006 pursuant to the Capital Projects Authorization Policy and Procedures:

02648	Ventilation Improvements at Zorn Pump Station	
	Change in project budget estimate =	\$9,980
10613	CHFP HVAC Improvements - Revise cash flow	
	Latest approved budget estimate =	\$550,000
03641	Ventilation Improvements at CHPS - Revise cash flow	
	Latest approved budget estimate =	\$159,876
99402	Riverbank Filtration Phase II	
	Change in project budget estimate =	\$2,486,000
	BOWW approval received	
xxxxx	48" Raw Water Main Valve Replacement - Unbudgeted	
	Requested project budget estimate =	\$115,000
11264	Cardinal Hill Secondary Supply Phase 2B – Funds from project 01557 Phase 1	
	Requested project budget estimate =	\$3,693,500
03603	Goshen Area main replacement	
	Change in project budget estimate =	\$360,059
	BOWW ratification received	
10209	Stonestreet Rd Grid-tie	
	Change in project budget estimate =	\$20,000
11055	Shelbyville Rd III MRRP – Eden Ave to Burnley Rd	
	Change in project budget estimate =	\$194,115
10609	Paint Bardstown Rd Tank – Contract increase, No change in project estimate	
	Latest approved budget estimate =	\$1,097,660
00494	Wolf Pen Branch 36" Main Phase 1	
	Change in project budget estimate =	\$73,050
10135	Reservoir Avenue Phase 2	
	Change in project budget estimate =	\$159,000
10452	Lickskillet area main extension	
	Change in project budget estimate =	\$437,060
	BOWW approval received	
11365	Blossom Ridge Rd main extension	
	Requested project budget estimate =	\$143,000
11251	Weko Seals 30" main in Mellwood at Frankfort Ave	
	Change in project budget estimate =	\$42,500

11371	Broadway (Baxter Ave to Shawnee Park) Lead Service Renewal project	
	Requested project budget estimate =	\$104,000
01557	Cardinal Hill Secondary Supply Phase	
	Change in project budget estimate =	\$515,000
	BOWW approval received	
xxxxx	Baxter Ave main replacement - Unbudgeted	
	Requested project budget estimate =	\$500,000
	BOWW approval received	
10417	Arnoldtown Rd area main replacement	
	Change in project budget estimate =	\$304,772
	BOWW approval received	
98663	National Turnpike relocation	
	Change in project budget estimate =	\$189,906
03801	Update of 1997 Standard Contract and Technical Specifications for Facilities and Pipeline Construction	
	Change in project budget estimate =	\$71,674
10239	Human Resources and Payroll Information System Replacement	
	Change in project budget estimate =	\$162,999
	BOWW approval received	
11337	HRMS Phase II – Cancel 2006 project; Work incorporated in Phase 1 project	
	Current approved budget estimate =	\$431,000
11015	Clifton Heights Area main replacement	
	Change in project budget estimate =	\$(66,480)
11096	Upper River Rd main replacement - Revise cash flow	
	Latest approved budget estimate =	\$171,504
01743	Snyder Frwy transmission main - Revise cash flow	
	Latest approved budget estimate =	\$15,551,408
10355	Chenoweth Ln area main replacement	
	Change in project budget estimate =	\$112,789
11254	Arbegust R/R crossing main replacement - Unbudgeted	
	Requested project budget estimate =	\$297,000
	BOWW approval is required	
10326	Rams Run main extension	
	Change in project budget estimate =	\$35,000
11371	Broadway Lead Service Renewals	
	Change in project budget estimate =	\$28,300
10270	Southern Bullitt County Storage Tank – Revise cash flow	
	Latest approved budget estimate =	\$893,500
11338	Miscellaneous Heavy Equipment purchase – Unbudgeted purchase for three items	
	Requested total project budget estimate =	\$225,447
11360	Shaffer Ln main replacement	
	Change in project budget estimate =	\$103,000
11088	Us 60/Shelbyville Rd	
	Change in project budget estimate =	\$31,700
10087	Highway 1793 main	
	Requested project budget estimate =	\$ 294,637
	BOWW approval is required	
10233	BEPWTP Clarification and Mixing Basin Complex Renovation	
	Change in project budget estimate =	\$(647,490)
	BOWW approval received	
10354	Liberty St main replacement	
	Change in project budget estimate =	\$97,610
10516	Manslick Rd main replacement	
	Change in project budget estimate =	\$55,730
10613	CHFP HVAC Improvements	
	Change in project budget estimate =	\$30,000

11147	River Glades Subd	
	Change in project budget estimate =	\$(28,000)
02603	PRP II BPS (aka Arnoldtown Rd BPS – Revise cash flow	
	Latest approved budget estimate =	\$300,000
99407	Goshen Elevated Storage Tank – Revise cash flow	
	Latest approved budget estimate =	\$2,207,100
11310	Renovate BEP Sludge Lagoon #3 – Revise cash flow	
	Latest approved budget estimate =	\$3,900,000
03832	Tyler Elevated Storage Tank – Defer project	
	Latest approved budget estimate =	\$2,650,000
10227	English Station Elevated Tank – Defer project	
	Latest approved budget estimate =	\$1,660,000
11190	Old Ford Rd	
	Change in project budget estimate =	\$34,236
11392	KY Hwy 480 Elevated Storage Tank 760-780 Pressure Plane	
	Requested project budget estimate =	\$1,000,000
11374	Broadway – 44 th St to Southwestern Pkwy main replacement	
	Requested project budget estimate =	\$120,000
11374	Broadway – 44 th St to Southwestern Pkwy main replacement	
	Change in project budget estimate =	\$74,000
11055	Shelbyville Rd III MRRP – Eden Ave to Burnley Rd	
	Change in project budget estimate =	\$60,000
	BOWW approval is required	
03638	CHFP Slate Roof Replacements	
	Change in project budget estimate =	\$172,125
11022	Ferguson Ln	
	Change in project budget estimate =	\$43,012
03638	CHFP Slate Roof Replacements	
	Change in project budget estimate =	\$28,308
02313	Weavers Run Tank	
	Change in project budget estimate =	\$57,390
11187	South Dixie main replacement	
	Change in project budget estimate =	\$(61,000)
11094	Seelbach Ave main replacement	
	Change in project budget estimate =	\$(63,073)

First Quarter Certification Provided for Contracts and Bids Awarded

Mr. Huber certified that the following contracts and bids were awarded in the First Quarter of 2006 pursuant to the Purchasing Policy and Procedures:

Capital Program

04-42	Johnson Hollow Rd. Grid Tie - Assignment from Bid #04-42 - Engineering Services for Distribution System Design & Construction Pipeline, Pump Stations, and Tanks O'Brien and Gere Engineers	\$20,700
04-42	Licksillet Distribution Water Main - Assignment from Bid #04-42 - Engineering Services for Distribution System Design & Construction Pipeline, Pump Stations, and Tanks O'Brien and Gere Engineers	\$99,966
05-10	48-inch Valve - Zorn Avenue - Assignment from Bid #05-10 - Contingency Contract for Transmission System Emergency System Repairs and Capital Improvements Southern Pipeline Construction Co., Inc. (CWBE)	\$46,000
05-10	Mellwood Avenue & Frankfort Avenue 30-Inch Main Repairs-	

	Assignment to Bid 05-10/Contingency Contract for Transmission System Emergency Repairs & Capital Improvements	
	T & C Contracting, Inc.	\$30,000
05-117	Weavers Run Elevated Water Storage Tank	
	Caldwell Tanks, Inc.	\$506,390
05-119	Mayfair Avenue Drainage Improvements	
	MAC Construction & Excavating, Inc.	\$241,100
05-120	McCubbins Farm Lane & Mary Lane Water Main Extensions	
	MAC Construction & Excavating, Inc.	\$125,978
06-06	Cane Run Road 2A Main Replacement Project	
	Southern Pipeline Construction Co. (CWBE)	\$106,794
06-07	Rams Run & Timberline Drive Water Main Extension	
	Kelsey Construction, LLC	\$399,246
06-24	Broadway Lead Service Renewal Project	
	C Squared, Inc.	\$115,300
06-32	Rams Run Road Booster Pump Station	
	MAC Construction & Excavating, Inc.	\$234,700
06-33	Contingency Contract for Transmission System Repairs & Capital Improvements	
	Hall Contracting	
	MAC Construction & Excavating	*Estimate -
	Southern Pipeline (CWBE)	\$850,000
	T & C Contracting	

*Based on use of previous contract.

Procurement Of Materials And Services

	Employee Health, Dental, Life & Disability Insurance	
	CIGNA - (Disability Insurance)	\$89,202
	Delta Dental of Kentucky - (Dental Insurance)	\$310,267
	Monumental Life Insurance Co. - (Group & Independent Life Insurance)	\$132,324
	Humana (Medical Insurance)	\$4,174,908
01-54	Telecommunications System and Switch Maintenance Renewal	
	BellSouth Communication Systems, LLC	\$31,077
02-27	Fire Hydrants - 6th PPI Renewal	
	American Flow Control	\$1,153,637
02-ELEV01-B	Inspection, Maintenance & Repair of Elevators - 3rd CPI Renewal	
	Schindler Elevator Corporation	\$27,717
04-03	Gate and Wheel Valves - 2nd PPI Renewal	
	Mueller Company (Group 1)	\$867,605
	U. S. Pipe (Group 2)	\$162,511
04-21	Janitorial Services - 2nd CPI Renewal	
	Adams Cleaning (CMBE)	\$49,753
	KIMCO Corporation	\$71,093
	National Janitorial	\$26,442
	Purvis Professional Cleaning Services (CMBE)	\$61,971
04-62	Auditing Services - 1st CPI Renewal	
	Strothman & Company	\$43,936
05-02	Cement (One-year Contract – Renewable)	
	Cemex / Kosmos Cement	\$63,366
05-07	Lawn Maintenance for LWC Grounds - 1st CPI Renewal	

	Commonwealth Land Mgt.	\$37,134
	Valley Crest Lawn Care	\$61,190
05-106	Forklifts	
	Cardinal Carryor	\$61,875
	Yale Kentuckiana, Inc.	\$105,987
05-47 & 05-84	Fleet Vehicles and Dump Truck Bodies - Three Additional GVW Cab and Chassis and One 52,000 GVW Tandem Cab and Chassis	
	Peterson GMC - Kennworth	\$200,271
	Tow Zone Trailer and Equipment Sales	\$58,070
05-92	Polyvinyl Chloride (PVC) Pipe – 1 st PPI Renewal	
	P W Eagle	\$796,920
05-98	Ductile Iron Fittings (Six-month Contract)	
	Hayes Pipe Supply	\$84,539
	Sigma Corporation	\$5,040
	Water Works Supply	\$392,045
06-01	Vehicular Wash / Chemical Supplies (Two-year Contract)	
	Air to Ground Services	\$46,446
06-02	Concrete and Asphalt Surface Cutting (Two-year Contract)	
	Kaufman Concrete Cutting Co.	\$47,300
06-04	Two (2) 48" Gate Valves	
	Plumbers Supply	\$178,550
06-05	Distribution Monitoring Analyzer	
	Rosemont Analytical	\$33,096
06-09	Polywrap (Six-month Contract)	
	Hamilton Plastics, Inc.	\$46,809
06-10	Vending Services (Five-year Contract)	
	Williams Food Services - Coffee Services	Unit Prices
06-11	Safety Barricades, Lights, Cones and Caution Tape (One-year Contract)	
	Consolidated Barricades	\$52,415
06-13	Small Hand Tools (One-year Contract)	
	Allied Tools	\$92,994
	Earth First of Kentuckiana	\$19,790
06-14	Aluminum Hatches (Two-year Contract)	
	USF Fabrication, Inc.	\$139,400
06-15	Sale of Scrap Metal (Five-year Contract - Paid to LWC)	
	River Metals Recycling	\$239,927
06-16	Flanged Spool Pieces (Two-year Contract)	
	Derby Welding	\$67,415
06-17	Copper Tubing (Four-month Contract)	
	Viking Supply Co.	\$210,939
06-18	Towing Services (Two-year Contract)	
	Suburban Towing	\$23,357
06-19	Contingency Contract for Pump Repairs (Two-year Contract)	
	Atlas Machine & Supply	\$45,000
	Reynolds, Inc.	\$64,475
	RPM, Inc.	\$42,625
06-20	Copper Wire (Four-month Contract)	
	Hughes Supply Co.	\$33,250
06-22	CISCO Maintenance Upgrade (Three-year Contract)	
	NetGain Technologies	\$52,620

06-29	Notification & Collection of Delinquent Accounts (One-year Contract – Renewable)	
	Diversified Adjustment Services (WBE)	\$35,593
06-31	16 oz. Water Bottles (One-year Contract – Renewable)	
	Turn Key Concepts	\$88,500
KY State Contract #C04042154	Sun Server Maintenance Renewal Pomeroy	\$21,550
Master Agreement 05-30	Contingency Contract for Motor Repair - Motor Cleaning Work to Zorn Pump Motor #1 - Assignment from Bid #05-30 - Change Action Mohler Technology, Inc.	\$15,765
Master Agreement 06-19	Contingency Contract for Pump Repairs - Pump Repair Work to Zorn Pump #1 - Assignment from Bid #06-19 RPM, Inc.	\$33,930

Procurement Of Professional Services

04-42	Southern Bullitt County Elevated Storage Tank, Phase I Environmental Assessment - Change Action to Assignment from Engineering Services for Distribution System Design & Construction Pipeline, Pump Stations, and Tanks	
	O'Brien and Gere Engineers	\$24,875
Professional Service	Advanced Treatment Technology at CHWTP - Phase III Camp Dresser & McKee, Inc.	\$649,013
Professional Service	Advanced Treatment Technology at CHWTP, Task 1, Phase III - Assignment from Plant and Facilities Engineering Services Jordan Jones & Goulding	\$1,365,000
Professional Service	B.E. Payne Water Treatment Plant Clarification and Mixing Basin Complex Renovation - Assignment from Plant and Facilities Engineering Services O'Brien & Gere, Inc.	\$1,060,000
Professional Service	Bond Feasibility Engineering Report Black & Veatch	\$149,500
Professional Service	Cardinal Hill Secondary Supply, Phase 2B - Topographic Survey Jacobi, Toombs and Lanz, Inc. (MBE)	\$68,336
Professional Service	Contractual Research Assistant for the Development & Application of Computer Based Aquifer Model for B. E. Payne Plant Riverbank Filtration Project University of Louisville Research Foundation	\$69,774
Professional Service	Contractual Research Assistant to Study the Optimization of Water Treatment & Supply University of Louisville Research Foundation	\$41,580
Professional Service	Plant and Facilities Engineering Services - Third CPI Renewal Camp, Dresser and McKee, Inc. CH2M Hill Engineers	Unit Prices
	Jordan, Jones, & Goulding, Inc. O'Brien & Gere, Inc.	

Procurement Of Sole Source Materials And Services

Sole Source	2006 Aerial Photography Proposal Evaluation Metropolitan Sewer District	\$109,729
Sole Source	ECIS - IBM AS/400 Hardware & Software Support & Maintenance 2006 Alliance Data Systems (Formerly Orcom)	\$23,987
Sole Source	ECIS Extended Support 2006 Alliance Data Systems	\$196,245

Sole Source	ESRI (ArcGIS) Software License and Maintenance Agreement - Contract Renewal	
	Environmental Systems Research Institute (ESRI)	\$28,251
Sole Source	Oracle Maintenance Support - HRIS Database Licenses	
	Oracle Corporation	\$30,636
Sole Source	President's Circle Membership Investment and Economic Development President's Circle Investment	
	Greater Louisville, Inc.	\$63,000
Sole Source	Riverbank Infiltration Program - U.S. Geological Survey - Groundwater Monitoring Network	
	U. S. Geological Survey	\$25,000
Sole Source	TIP/ix and TIP/dbi Software License Renewal (2-year Renewal)	
	Inglenet Business Solutions	\$27,400

Contract Awarded for Project 00401: Zorn Intake Improvements

Mr. Heitzman stated two bids were received for renovation of the Zorn Intake Structure and Zorn Pump Station #3. The Zorn Intake facility was constructed in 1910 and provides intake of source Ohio River water. This facility was last upgraded 20 years ago and is in need of new equipment and structural improvements to provide a 20-year life extension. Zorn Pump Station #3 was constructed in 1918 and houses two pumping units (Units #6 and #7), piping, and valves to provide 120 MGD supply. Dr. Wise moved to authorize the Purchasing Manager to award a contract in the amount of \$3,271,000 to MAC Construction and Excavating, Inc. for Zorn Intake Improvements, and to establish a project budget in the amount \$4,814,000. Ms. Harris seconded, and the motion carried.

Change Action Approved and Budget Increased for Project 11055: Shelbyville Road III Main Replacement – Middletown Area – Eden Avenue to Burnley Road

Mr. Heitzman stated further review of the recent and projected private development in the Shelbyville Road – Middletown area indicated it would be better served by two parallel water mains to reduce the number of existing and future long service and hydrant leads, and tie-ins to cross-streets. Seven previous change actions raised the budget from \$204,415 to \$1,478,615 and expanded the project scope. Change Action No. 8, submitted in February 2006, increased the total project amount by \$60,000 to \$1,538,615. These additional funds were required for the acquisition of additional easements along Shelbyville Road. The cumulative impact of Change Action No. 1 to 8 has increased the total project budget by \$273,615 to \$1,538,615 (22 percent increase), since the original Board approval in November 2003. In accordance with Section 8.3 of the Capital Projects Authorization Procedure, Dr. Wise moved to increase the contract with Tom Brown Construction to \$928,915, and revise the project budget to \$1,538,615. Ms. Harris seconded, and the motion carried.

Final Design and Bid Authorized for Project 10087: Highway 1793 12-inch Water Main Supply for Goshen Storage Tank

Mr. Heitzman stated the one million gallon elevated storage tank at Highway 1793 and US Highway 42 currently underway will require a 12-inch supply line, instead of the current 6-inch line, to accommodate the rapid residential growth in the area. The project was not included in the 2006 capital budget, in anticipation that the nearby Longwood development would provide the opportunity to complete a majority of this 12-inch main grid. This subdivision development plan is now final, and the last remaining leg of the 12-inch main must be installed from Longwood subdivision entrance to the new storage tank. This project will replace the existing 6-inch PVC main with 2,955 feet of 12-inch and 16-inch ductile iron water main. The project is estimated at \$295,000 and will be installed by LWC in-house capital crews. Funding for the project will come from the System Development Reserve Fund. Ms.

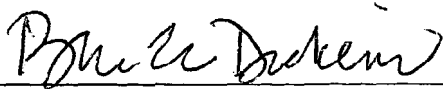
Welsh moved to authorize staff to proceed with final design and construction for the Highway 1793 12-inch water main project with a budget of \$295,000. Mr. Martin seconded, and the motion carried.

Executive Session Conducted

The Board went into Executive Session without management present at 2:26 p.m.

There being no further business, the meeting was adjourned at 2:40 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
MAY 9, 2006**

Board Members Present:

Mr. Stewart Conner, Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson
Ms. Wendy Welsh, Vice-Chair

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Senior Vice President, Operations and Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Mr. Ed Chestnut, Assistant to President and Director of Corporate Measures
Ms. Amber Halloran, Business System Owner, Supplying Financial Resources
Mr. James Bates, Process Owner, Infrastructure Records
Ms. Barbara Crow, Process Owner, Providing Media Relations

The regular meeting of the Board of Water Works was held on Tuesday, May 9, 2006 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:30 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Dr. Joseph Wise moved to approve the minutes from the Annual Meeting and the Regular Meeting held March 14, 2006, seconded by Ms. Margaret Harris, and the motion carried.

Chief Executive Officer Report Provided

President John Huber highlighted the success of the Labor Management Partnership as exemplified by winning the University of Louisville Labor-Management Award for the second time in the award's 13 year history. Mr. Huber noted turn-offs, which can occur once a bill balance exceeds \$65.00, are up 34% over the past 4 months and are 40% higher than the 5 year average. Mr. Huber advised LWC employee Marianne Butler is a candidate for the upcoming election of a Metro Council seat. Finally, Mr. Huber stated two bidders were disqualified recently, according to our purchasing procedures, for failure to submit Good Faith Effort documentation required for compliance with LWC's Minority and Women Business Enterprise Program.

Financial Report Provided

Mr. Robert Miller provided the report of financial results through April 2006. Operating Revenues for April of \$8,116,907 are \$665,159 or 7.6% less than budgeted and \$380,981 or 4.5% less than April 2005. The prior year variance is due to the increase in water rates. It appears there are weather-related reductions in pumpage earlier than usual due to higher than normal rainfall. YTD Operating Revenues of \$35,490,755 are \$836,039 or 2.3% less than budgeted and \$1,173,706 or 3.4% more than 2005. Total Operating Expenses for April of \$6,500,419 are \$141,394 or 2.2% more than budgeted and \$1,062,080 or 19.5% more than April 2005. The budget variance is due to lower than expected operation and maintenance expenses and offset with higher depreciation expense. The prior year variance is due to increases in operation and maintenance expenses, depreciation expense, and water service provided in lieu of taxes. YTD Total Operating Expenses of \$25,636,354 is \$297,852 or 1.1% less than budgeted and \$2,712,152 or 11.8% more than 2005. Net Income Before Distributions and Contributions for April of \$1,202,888 is \$981,590 or 44.9% less than budgeted and \$1,561,248 or 56.5% less than April 2005. YTD Net Income of \$8,494,057 is \$944,282 or 10.0% less than budgeted and \$1,880,003 or 18.1% less than 2005. The current flexibility available in the budget is \$1,388,000, which consists of Infrastructure Replacement Reserve funds and the contingency. Management is looking for opportunities to reduce or defer expenses and consider budgeting sales more conservatively next year.

Operations and Engineering Report Provided

Mr. Greg Heitzman presented the Operations report for April specifically discussing the lower than average production and the activities of the Customer Advisory Group for the Crescent Hill Chemical Storage Building.

Serving Customers Report Provided

Ms. Karla Teasley provided the Serving Customers report, highlighting the below budget bad debt, a recent billing error and steps to remedy it, and the feedback from the Customer Advisory Council about the Interactive Web Response (IWR) and charging a convenience fee for customers using specific payment channels.

Closed Session Held

Ms. Marita Willis moved to go into closed session to discuss litigation pursuant to KRS 61.810(1)(c) at 1:15 p.m. Ms. Harris seconded, and the motion carried.

Open Session Resumed

On the motion of Ms. Willis, seconded by Mr. Gerald Martin and unanimously carried, the Board resumed open session at 1:32 p.m. No action was taken in closed session.

Public Affairs and Customer Satisfaction Committee Report Given

Ms. Willis gave the report of the Committee's meeting held on April 12, 2006 regarding LWC's commitment to the 2007 Senior Games, the work completed by the Automated Meter Reading (AMR) cross-functional team to assess the feasibility of implementing an AMR program within our current service area, fees and the basis for increases for installing new services, and key performance measures. The committee also heard a report on the IWR project and recommended charging a convenience fee over the one-time payment channel, including making the necessary modifications to charge, collect and account

for this fee. Mr. Martin moved to accept the committee's recommendation, seconded by Ms. Harris, and unanimously carried.

Existing Bond Resolution Covenants Reviewed

Mr. Miller provided a summary of several important covenants contained in the Series 1992 Bond Resolution, which has also served as the master resolution for subsequent bond issues in 2000 and 2001.

Changes Considered to Section 508 of the Bond Resolution

Mr. Miller stated if the Board of Water Works wishes to implement changes to the covenants to take effect upon the final maturity of the Series 2000 Bonds or upon a call of the maturities of all outstanding bonds, it would be appropriate and timely to consider those changes for implementation with the adoption of the Series 2006 Bond Resolution.

Staff recommended the dividend covenant remain unchanged in the supplemental resolution for the contemplated Series 2006 Bond Issue the fluctuations between the budgeted and actual dividends be minimized to the extent possible by management actions, and the balance of the variation be accepted as consistent with the risk of ownership. However, if the fluctuations between budgeted and actual dividends are to be minimized, staff would support a change to the Bond Resolution to create a Risk Mitigation / Rate Stabilization Reserve. This would be a future action item, and staff will seek input from Metro Government. Mr. Martin emphasized nothing can actually change until the current bonds are paid off as early as 2010. Board members generally agreed that while there may be valid reasons to adjust the dividend, this issue should be carefully considered.

Comparative Analysis of Louisville Financial Results from previous years 2005

Mr. Miller stated staff compared the financial results from 2001 through 2005 by looking at liquidity, capitalization, capacity to make debt service payments, profitability and dividend payment. Staff compared actual results against targeted results, previous results, NAWC 2004 Median results, Fitch Water AA 2004 Median results, Standard's & Poor's Aa 2001 Median results, Moody's A2 2000 Median results, and Charlotte-Mecklenburg Utilities' Results. In terms of liquidity, the financial advisors recommend 200 days of cash on hand; LWC's cash on hand is 96.07 days for last year. Our debt to capitalization ratio is about 27%. In terms of coverage or capacity to make debt service payments, LWC is 4.49 which is well above our target of 2.0. For profitability, our return on equity desired ratio was 9.22, and we ended 2005 at 10.6%. Finally, our dividend payout ratio for 2005 was 49.23%.

Update Provided Regarding Long Term Borrowing

Mr. Miller advised there are two special board meetings scheduled related to this proposed bond issue: first on May 25, 2006 at Noon to review and approve the bond documents and then on June 21, 2006 at Noon to review and approve the final sale of bonds. This is a compact schedule and any changes will likely result in rescheduling these dates. The principal amount of the upcoming bond issue is currently estimated at \$80,000,000. Based on the financial plan prepared in conjunction with the 2006 Budget, this amount would provide adequate supplemental funding for the capital program for the next two years. The estimated total cost of issuance is approximately \$442,000. This is at the lower end of the range of the cost estimate provided in previous reports. These costs of issuance will be amortized over the twenty-five year life of the bonds at an estimated amount of \$17,680 per year. Assuming a bond principal issuance amount of \$80,000,000, these costs of issuance represent 0.55% of the principal amount.

The Company's cash reserves are down to \$8.1 million as capital expenditures continue to outpace cash generated from operations. Staff intends to solicit proposals from local banks for a short-term tax-exempt line of credit facility of \$10,000,000 or less in order to ensure adequate liquidity if large invoices for capital projects are presented for payment earlier than planned, the timing of the bond issue is delayed, or significant operational emergencies develop. The results of these proposals will be presented with a recommendation for approval at the special meeting planned for May 25th.

Disaster Recovery and Business Continuity Planning Discussed

Mr. Miller provided an overview of efforts taken and underway with regard to continuing our business in the event of a disaster. This planning addresses backups to IT systems and employee availability.

LOJIC Presentation Given

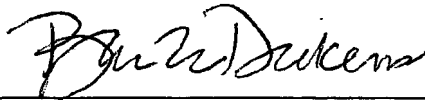
Mr. James Bates, Process Owner, Infrastructure Records, provided an overview of the Louisville and Jefferson County Information Consortium, known as LOJIC, one of the best managed and robust Geographic Information Systems (GIS) in the country. Mr. Bates demonstrated how LOJIC is utilized in LWC operations and the plan to expand it into a stand alone, self-sustaining business unit over the next five years.

Executive Session Conducted

The Board went into Executive Session without management present at 2:58 p.m.

There being no further business, the meeting was adjourned at 3:10 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
SPECIAL-CALLED MEETING MINUTES
MAY 25, 2006**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris

Not Present:

Mayor Jerry Abramson
Ms. Marita Willis
Dr. Joseph Wise

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Vice President, Operations and Chief Engineer
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Ms. Amber Halloran, Business System Owner, Supplying Financial Resources and Controller
Ms. Barbara Crow, Process Owner, Providing Strategic Communications

Visitors:

Mr. William Davis, Stoll Keenon & Ogden
Ms. Bonita Black, Frost Brown Todd
Mr. David Naumann, Black & Veatch
Mr. Larry Gaddis, Black & Veatch
Mr. Kevin Thompson, Public Financial Management
Ms. Barbara Bisgaier, Public Financial Management

A special meeting of the Board of Water Works was held, pursuant to proper notice requirements, on Thursday, May 25, 2006 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chair Stewart Conner called the meeting to order at 12:06 p.m.

Mr. Robert Miller summarized the issues to be discussed and the Board actions to be taken. There are no recommended changes to the bond covenants.

Bond Feasibility Study Presented

Mr. Larry Gaddis of Black & Veatch presented the results of the engineering study on the general physical condition of the water system. Black & Veatch determined the water system is in good operating condition or adequate steps have been taken to get it in good condition. Mr. David Naumann presented the financial feasibility study results. Black & Veatch opined, based on actual and estimated future annual financial operations, that the water system will yield pledged revenues over the amortization period of the bonds that will be sufficient to meet the payment or deposit requirements of: the principal or redemption price of and interest on all existing bonds and all bonds issued under the resolution as they become due and payable; the depreciation fund deposits, all expenses of operation, maintenance, repair

and replacement of the water system; and, dividend payments equal to 60 percent of the net income to retained earnings less applicable deductions. Further, Black & Veatch concluded that water rates and projected increases were within acceptable ranges for the services offered and were collectable.

Mr. Gerald Martin inquired whether assumptions made by Black & Veatch were consistent with those made in the Long Range Plan. Mr. Naumann advised they are consistent, but stressed that their review was independent based on raw data. Mr. Martin asked whether Public Financial Management (PFM) was involved in the financial analysis. Ms. Barbara Bisgaier of PFM stated they reviewed and provided comments to Black & Veatch as part of a working group process.

Debt Repayment Schedule Discussed

Mr. Miller reviewed the central issues and key decisions to be made for this bond issue. Mr. Miller summarized the current debt status as \$117 million in outstanding debt, with a front-loaded debt service schedule. Borrowing needs are approximately \$258 million over the next 10 years. Mr. Miller discussed the three different approaches to structuring the debt: level, wrap around and back loaded. Mr. Conner asked how these three approaches will affect the interest rates. Mr. Miller and Mr. Kevin Thompson of PFM stated the interest will be higher the further out the debt schedule is extended. Mr. Miller recommends level debt service for Series 2006 because of cost of debt to customers, its favorable perception by the debt market, the ability to add additional debt in the future, and the ability to modify this debt structure by subsequent issues. Mr. Miller summarized how this impacts current debt repayment and the dividend payment. Mr. Huber stated we are also increasing our Return On Equity (ROE) target to 10% from 9.22% which will decrease the effect of deductions for principal repayment over time. Mr. Martin and Mr. Johnstone inquired how this structure affects the dividend payoff. Mr. Miller responded PFM took the dividend into account when considering this alternative, and this is the most advantageous structure. Ms. Bisgaier stated it maintains the greatest flexibility for future borrowing and PFM supports a level repayment schedule.

Pro Forma Ratio Analysis Reviewed

Mr. Miller discussed the financial ratios before and after the Series 2006 Bond Issue. The key findings of this analysis are: (1) the proceeds from the Series 2006 Bonds used to reimburse previous capital expenditures will significantly improve the liquidity ratios; (2) the additional bonds will more closely align the capital structure with the targeted capitalization ratios; (3) the debt service coverage ratio will remain well above statutory and covenant minimums; (4) the targeted increase in ROE to ten percent can be achieved by 2009 which is one year later than previously projected; (5) the revenue requirements associated with the additional debt service and the increased ROE target can be achieved with annual rate increases of approximately five percent if water sales continue at long-term forecast levels and if operations and maintenance expenses increase at or below three percent per year. However, certain costs such as energy, raw materials, retirement and insurance have been consistently increasing more than 3% per year; and (6) the projected financial results used for this analysis do not include more conservative water sales estimates and increased funding of the infrastructure replacement reserve discussed at the previous regular board meeting. The computations for this analysis will also be reviewed by Strothman & Company through agreed-upon procedures. Mr. Conner asked how our additional borrowing of \$95 million in 2 years affects the projected rate increases, and Mr. Huber advised this 5% number contemplates a future borrowing.

Mr. Conner asked if this means we are considering 5% increases as the minimum, and Mr. Miller and Mr. Huber confirmed 5% would be the minimum for the next 5 to 10 years. In response to Mr. Martin, Ms. Bisgaier stated PFM agreed with this analysis. She stated they are working with staff to address the

current issue of low cash reserves. They believe LWC is fully capable of taking on more debt and our debt is much lower than most utilities of our size

Bond Documents Reviewed and Adopted

Mr. Miller presented the bond resolution, attached hereto and incorporated into these minutes. Ms. Harris moved to approve the Bond Documents in substantially complete form with the knowledge there will be minor non-material changes in the document. Mr. Martin seconded, and the motion carried.

Mr. Martin asked several questions related to specific wording in the document and Mr. Miller provided clarification to address those questions. The proceeds of the bond issuance will be for capital construction, thereby allowing other funds to be used for operations and maintenance expenses.

Contract for Line of Credit Awarded

Mr. Miller advised we accepted proposals for a tax-exempt line of credit between \$5,000,000 and \$10,000,000 to be used to meet intermediate construction and acquisition cash flow needs in anticipation of a tax-exempt revenue bond issue of approximately \$80,000,000 to be issued later this year for construction and acquisition of major public water facilities. Five proposals were received, and staff gave the highest evaluation to JP Morgan Chase Bank based on pre-established evaluation criteria. Ms. Welsh moved to award of the line of credit to JP Morgan Chase Bank and requests permission to execute all documents necessary to execute this transaction. Ms. Harris seconded, and the motion carried.

There being no further business, the meeting was adjourned at 1:44 p.m.

Respectfully submitted,



Barbara K. Dickens

Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
JUNE 20, 2006**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Senior Vice President, Operations and Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Ms. Amber Halloran, Business System Owner, Supplying Financial Resources

The regular meeting of the Board of Water Works was held on Tuesday, June 20, 2006 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:32 p.m.

Mr. Conner informed the Board that former BOWW member Irv Quesenberry died on May 17, 2006. Mr. Quesenberry had previously served on the BOWW for 14 years.

Minutes from the Previous Regular Meeting and Special-Called Meeting Reviewed and Approved

The draft regular minutes from May 9, 2006 were amended to indicate that Ms. Wendy Welsh was not in attendance. With regard to the discussion regarding the proforma ratio analysis, the draft special-called minutes from May 25, 2006 were amended to clarify the last sentence of that discussion as follows: "They believe LWC is fully capable of taking on more debt and our debt is much lower than most utilities of our size." Mr. Gerald Martin moved to approve the minutes from the regular Meeting held May 9, 2006, as amended above, and the Special-Called meeting held May 25, 2006, as amended above, seconded by Ms. Margaret Harris, and the motion carried.

Chief Executive Officer Report Provided

President John Huber advised the federal EPA administrator was the key note speaker at last week's AWWA conference and the topic included a renewed emphasis on efficient water use, which will be reflected in plumbing codes and water efficient product requirements. Further, the Surgeon General spoke on health and wellness and the importance of pandemic planning, which we are currently doing.

Financial Report Provided

Mr. Robert Miller provided the report of financial results through May 2006. Earnings for the month of May 2006 have slipped against budget by approximately \$470,000 due to lower revenues, higher operation and maintenance expenses, and higher depreciation expense. The overall earnings deficit is being addressed via a \$500,000 expense reduction plan, including deferral of some discretionary items. Interest expense for 2006 should come in below budget by approximately \$600,000. Coupled with the contingency, these measures should allow us to meet our earnings target. Mr. Miller also advised he and Vince Guenther, Manager of Governmental Relations, met with the Metro Council Budget Committee to report on our existing budget and future dividends and rate increases, which must be approved by the Board of Water Works.

Operations and Engineering Report Provided

Mr. Greg Heitzman presented the Operations report for May. Due to higher than normal precipitation, the average production rate last month was lower than the same period in 2005. The average production rate for May was 124.6 MGD, which is 4.5 percent lower than the 2005 May production of 130.4 MGD and 0.9 percent lower than the five year average May production of 125.7 MGD. For the year to date, production is 2.5 percent lower than 2005.

Mr. Heitzman reported the Customer Advisory Group met on May 8 and May 15 at the Crescent Hill Treatment Plant. Attendees were escorted on a tour of the chlorine facility. Jordan, Jones, and Goulding (JJG) Engineers presented the chlorine storage alternatives previously investigated and provided an overview of the need for the new chemical storage facility. The Customer Advisory Group will meet again on June 26 to review the five alternatives identified by JJG Engineers.

Mr. Heitzman reported a contractor damaged the 24-inch Cross County Header supplying the southern portion of Jefferson County at the corner of Hurstbourne Parkway and Interstate 64 while excavating the area for a new sewer connection. The Company executed an emergency assignment utilizing the contingency contract to repair the main. The repair costs are estimated at \$40,000 and full recovery is expected.

Dr. Wise asked about the CHFP HVAC renovation program, wherein two of the four bidders were deemed non-responsive to the Good Faith Effort requirements contained in the Minority and Women Business Enterprises Program. The apparent low bidder did not submit all of the documentation required and other required documentation was incomplete. Dr. Wise commented the communication of the specific documentation requirements and the reason the apparent low bidder did not get the recommendation for award should be improved for future bids. Staff noted there are detailed instructions in the Instructions to Bidders, which includes contact information for Ron Green, Program Manager, and each form also has instructions for completing it. Mr. Conner stated the process should be made as easy as possible for the bidders to comply since the goal is to increase minority and women-owned business participation.

Serving Customers Report Provided

Ms. Karla Teasley provided the Serving Customers report for May 2006. The Metered Water Ratio Team has made progress in meeting its 2006 action plan objectives. LWC's water audit was completed in May using actual 2005 data and included several new estimates of water loss. In addition, a draft Infrastructure Leakage Index, which is the industry's new performance metric for water loss, was completed. Currently, 226 field tests have been conducted on large meters (3" and larger) and among those are 40 of the Top 50 customers. The Duty Exchange Program is on track to meet the 2006 goal of

exchanging 12,000 Neptune T-8 meters. To date 5,086 of the aging T-8 meters have been exchanged, 4,694 by the two dedicated meter exchangers and 392 by other employees within the company. The production meters at the BE Payne water treatment plant are scheduled to be re-tested later this year as a follow-up from the testing conducted in the 4th quarter of 2005.

LWC staff met with representatives of the Home Builder's Association of Louisville Land Development Committee on May 25th to review the latest draft proposal for the pre-installation of service sleeves with developer installed water mains. The joint committee is continuing to refine the proposal for presentation to the full committee in coming months. In addition to this effort, LWC staff has been researching and benchmarking other utilities' service installation fees as a part of evaluating LWC service installation fee increases beginning in 2007.

Closed Session Held

Mr. Martin moved to go into closed session to discuss proposed or pending litigation pursuant to KRS 61.810(1)(c) at 1:28 p.m. Ms. Marita Willis seconded, and the motion carried.

Open Session Resumed

On the motion of Ms. Welsh, seconded by Ms. Willis and unanimously carried, the Board resumed open session at 1:35 p.m. No action was taken in closed session.

Second Quarter Dividend Declared

Section 508 of the Series 1992 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 the City. The dividend is to be paid in quarterly installments, such payments to be based on the estimated annual net income and as nearly equal in amount as possible. The budgeted net income of \$32,026,900 for 2006 requires payment of an annual dividend of \$14,842,140 in quarterly installments of \$3,710,535. The quarterly dividend payment must be increased by \$75,588 to reflect one quarter of the \$302,350 dividend underpayment in 2005. Dr. Wise moved to adopt the following resolution:

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 1992 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 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, the Board passed a resolution on March 14, 2006 to adjust the 2005 annual dividend by \$302,350, from \$15,875,700 to \$16,178,050, the difference to be added in equal quarterly installments to the quarterly 2006 dividend payments, and
WHEREAS, the 1992 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 2006 Louisville Water Company annual budget contemplates the 2006 annual dividend to be \$14,842,140, it would be in order at this time to declare a regular first quarter dividend of \$3,710,535;

RESOLVED, the regular second quarter 2006 dividend of \$3,710,535 is hereby declared, and further

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,786,123 to the Louisville / Jefferson County Revenue Commission on June 30, 2006, this being the second quarterly dividend for 2006 plus one quarter of the dividend adjustment for 2005, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

Ms. Welsh seconded, and the motion carried.

Report Provided Regarding the Series 2006 Bond Issue

Mr. Miller advised staff has prepared final changes to the bond documents that were adopted in substantially complete form by the Board of Water Works on May 25, 2006. Louisville Water Company bonds were upgraded by Standard & Poor's from AA to AA+ based upon comprehensive financial and capital planning that is expected to help support the water works with excellent liquidity, debt service coverage, and capital management and a large amount of reserve funds that substantially increase liquidity. Also, the rating by Moody's Investors Service of Aa1 was affirmed based upon a long-term trend of well managed financial operations – including strong debt service coverage despite recent draws on working capital, a regionally important service area economy, and a manageable debt profile. These ratings affect the Series 2006 bonds as well as the outstanding Series 2000 and Series 2001 bonds. We are currently using a conservative estimate of the true interest cost for the Series 2006 bonds. This rate should be favorable to the amount contemplated in the 2006 Annual Budget. Staff and bond counsel will meet with the Louisville/Jefferson County Revenue Commission before the receipt of bids to obtain its approval for the bond sale. A recommendation for an award of the best evaluated bid based on the lowest true interest cost will occur at a special meeting of the Board of Water Works on June 21, 2006.

The closing of the \$10 million line of credit with JP Morgan Chase Bank is anticipated to be accomplished shortly.

Draft 2007-2021 Strategic Plan Discussed

Mr. Conner complimented staff on the draft strategic plan, noting LWC actually uses the Strategic Plan for planning, unlike some companies who simply place it on a shelf when it is completed. Mr. Huber presented an overview of the draft plan. The key issues before LWC are water quality regulations, the rebuilding or refurbishing of existing plants, assuring top-line growth while maintaining high levels of customer satisfaction, and recruiting and retaining skilled and talented individuals.

Ms. Susan Lehmann reviewed the changes to the proposed Vision, Purpose, Values and Cornerstones. The changes were made after many meetings with employees and emphasize the key components of providing safe, high quality water and earning the trust and confidence of our customers, while also emphasizing our focus on revenue growth. Mr. Heitzman reviewed the assumptions upon which we base the plan, emphasizing additions and changes regarding affordability in light of water and wastewater rate increases, specific regulatory drivers, changing water use patterns, and certain business environment influences. Mr. Conner noted a significant increase to the CPI would raise rates much higher than five percent if we use the CPI plus two percent guideline. Staff noted minor changes will be made to the Assumptions based on feedback presented at the meeting by Directors.

Ms. Teasley reviewed changes to the Strengths, Weaknesses, Opportunities and Threats. Many of the weaknesses apply only to the appetite for new business ventures, and several new opportunities are included due to the consideration of growth and expansion. Most of the threats have existed since the previous plan, but new threats regarding rising costs of health care, retirement benefits and supplies were

added. Mr. Miller added this plan represents a fundamental change in the risk profile because of changing patterns in water consumption. After discussion, staff will add a few statements under weaknesses relating to approval of capital projects, communications, and providing resources to fund strategic initiatives.

Regarding the Constituent Goals and Objectives, Ms. Teasley reviewed those relating to customer service and Mr. Heitzman reviewed the water quality goals that have been changed. Mr. Miller reviewed changes proposed to the owner's interests based on its ownership of physical assets, financial assets and intellectual assets and risks. The collective measures, if achieved, demonstrate a balanced portfolio of those assets. Mr. Martin confirmed with Mr. Miller that PFM concurred with these measures. Ms. Lehmann reviewed changes in the goals relating to employees.

The next meeting will include a review of Strategy V. An updated version of the Strategic Plan will be provided to Directors in advance of the meeting incorporated suggested changes from the meeting.

Budget Increased for Projects 11328: Block Lead Service Renewals and 11321: Fire Hydrant Replacements

Mr. Heitzman advised the 2006 Capital Budget includes \$3.12 million for various improvements to the transmission and distribution systems constructed by LWC in-house crews during slack maintenance periods. These include transmission system improvements, lead service renewals either by block or individually (point), large meter renovations or installations, service modifications, distribution system improvements, fire hydrant replacements and lock installations, blow off installations, and detector check valve installations. Through April, Distribution Operations completed over 40 percent of the assigned Capital Program; however, work was not evenly distributed across the entire program. In an effort to coordinate work with Metro paving schedules, the number of lead service renewals by neighborhood block is projected to increase above the 2006 budget allocation. Fire hydrants are replaced based on a defined set of criteria and work in 2006 is expected to also be above the budgeted allocation. Ms. Welsh moved to increase the budget allocation for two projects: Lead Service Renewals (Block) in the amount of \$300,000 and Fire Hydrant Replacements in the amount of \$275,000. The total Distribution Capital Budget allocation of \$3,117,750 remains unchanged. Ms. Harris seconded, and the motion carried.

Executive Session Conducted

The Board went into Executive Session without management present at 2:59 p.m.

There being no further business, the meeting was adjourned at 3:10 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
SPECIAL-CALLED MEETING MINUTES
JUNE 21, 2006**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Senior Vice President, Operations and Chief Engineer
Ms. Susan Lehmann, Vice President, Supplying Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Ms. Amber Halloran, Business System Owner, Supplying Financial Resources and Controller

Visitors:

Mr. Spencer Harper, Stoll Keenon & Ogden
Ms. Bonita Black, Frost Brown Todd
Ms. Tamara Williams, Frost Brown Todd
Mr. Kevin Thompson, Public Financial Management
Ms. Barbara Bisgaier, Public Financial Management

A special meeting of the Board of Water Works was held, pursuant to proper notice requirements, on Wednesday, June 21, 2006 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chair Stewart Conner called the meeting to order at 12:15 p.m.

Bid Awarded for Series 2006 Bond Issue

Mr. Robert Miller advised staff and LWC consultants met with the Kentucky Revenue Commission earlier in the day and received approval for the 2006 Series Bond Issue. He further advised the Board of Water Works received bids for the Series 2006 Revenue Bonds until 11:00 a.m. today. Eight bidders submitted bids. The best evaluated bid based on true interest cost was at 4.609% and the spread between the highest and the lowest bids was 4.2 basis points. The best evaluated bid was submitted by a bidder prequalified to bid, CitiGroup Global Markets, which chose to insure some but not all of the bond maturities. Mr. Gerald Martin moved to adopt the resolution, attached hereto and incorporated herein, to award the 2006 Series Revenue Bonds bid to CitiGroup Global Markets, Inc., in the principal amount of \$83,845,000.00, seconded by Ms. Margaret Harris, and unanimously carried.

There being no further business, the meeting was adjourned at 12:25 p.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Barbara K. Dickens", written above a horizontal line.

Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
SPECIAL-CALLED MEETING MINUTES
JULY 19, 2006**

Board Members Present:

Mr. Stewart Conner, Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis

Not Present:

Mayor Jerry Abramson
Ms. Wendy Welsh, Vice-Chair
Dr. Joseph Wise

Others Present:

Mr. John Huber, President/CEO
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Senior Vice President, Operations and Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Ms. Amber Halloran, Business System Owner, Supplying Financial Resources
Ms. Kay Ball, Program Manager, Riverbank Filtration

Visitors:

Robert Wyrzbiecki, Jordan Jones & Goulding
David Haas, Jordon Jones & Goulding

The special-called meeting of the Board of Water Works was held on Wednesday, July 19, 2006 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:30 p.m. This meeting replaced the regularly-scheduled board meeting for July 11, 2006, which was canceled due to conflicts with an industry conference being attended by several senior staff.

Minutes from the Previous Regular Meeting and Special-Called Meeting Reviewed and Approved

Mr. Gerald Martin moved to approve the minutes from the Regular Meeting held June 20, 2006, and the Special-Called meeting held June 21, 2006, seconded by Ms. Marita Willis, and the motion carried. Mr. Conner informed the Board that the two strategic planning items under the Special Issues will be deferred to the next board meeting to enable full participation by all board members.

Budget Increased and Authorization Granted for Final Design and Bid for Project 99-402: Riverbank Filtration

Ms. Kay Ball provided a short history of the progress of this project. On March 2, 2005, bids were received for the riverbank filtration tunnel project and the low bid of \$48.4 million exceeded the \$31 Million estimate of Jordon Jones & Goulding Engineers (JJ&G, by \$17.4 million. The Board directed staff to conduct a value engineering exercise with JJ&G to consider design modifications to allow the project to be built within budget, while meeting the functional objective of delivering a 45 MGD water supply to the B.E. Payne Water Treatment Plant. The Board revised the total project budget reservation to

\$40,424,800 in January 2006 and granted authorization to proceed with the final design. Final design and specifications based on the value engineering work are nearing completion and preparations are being made for bid, which is tentatively scheduled on September 20 of this year. The construction estimate is based on the final design and adjusted to reflect the construction market at the time of bid. The engineer's estimate of \$31 million for construction has been increased to \$34 million and will require an adjustment in the current budget reservation of \$40,424,800 to \$43,424,800. Mr. Robert Wyrzbiecki with JJ&G explained several significant increases to the construction cost index. Mr. Heitzman summarized the major changes resulting from the value engineering exercise including the elimination of designating the subsurface condition as gaseous. The bid allows an alternate to extend the tunnel and add an additional well to add another 15 MGD well capacity if costs are favorable.

Two collector well companies, Collector Wells International and Layne/Reynolds, were in operation in the United States at the time of the original advertisement for bid; both of which submitted applications for pre-qualification (PQ). During the PQ process, Collector Wells International was acquired by Layne/Reynolds, thereby eliminating U.S. based collector well competition in the bid and possibly affecting the project costs. Ms. Ball discussed issues regarding the procurement of the project. Mr. Conner inquired whether, in light of the collection wells completions issue, we could separate it in to two projects, and Mr. Heitzman stated we could, although it would place LWC in the role of construction manager, which may increase contractual risk. Staff will evaluate alternatives for addressing the sole source collector well contractor issue.

Ms. Willis moved to establish a revised budget reservation in the amount of \$43,424,800 and grant authorization to proceed with the bid of Project 99-402: Riverbank Filtration Tunnel and Pump Station at B.E. Payne Water Treatment Plant. Mr. Martin seconded, and the motion carried.

Chief Executive Officer Report Provided

Mr. John Huber discussed the Chemical Security Act. Water utilities may be exempt but exemption is not automatic. Mr. Huber also discussed revisions to the lead and copper rule. Finally, Mr. Huber stated LWC will pay occupational taxes on director compensation directly to the local government if we confirm they are required to be paid.

Financial Report Provided

Mr. Robert Miller provided the financial results through June 2006. June water sales were slightly less than budgeted and O&M expenses were slightly more than budgeted. Depreciation costs have been rising and are expected to continue exceed budget for the rest of the year. Year-to-date net income is down. LWC should be able to offset the current budget deficit with the lower interest expense and higher interest income and meet the dividend projection assuming no further unusual, unanticipated expenses, normal water sales, no other impacts to the contingency, and no deposit to the Infrastructure Replacement Reserve. Mr. Miller noted an error in the Refundable Contracts category on the Statement of Net Assets. The proceeds from the short-term borrowing should have been reflected in the Bonds and Notes Payable category.

Operations and Engineering Report Provided

Mr. Greg Heitzman presented the Operations report for June. Due to wet weather conditions, the average production rate last month was significantly lower than the same period in 2005. The average production rate for June was 136.6 MGD, which is 13.4 percent less than the June 2005 production rate of 157.7 MGD and 3.6 percent lower than the five year average of 141.6 MGD. For the year to date, production was 4.8 percent lower than 2005 and 2.7 percent lower than the five year average.

LWC will participate with representatives from other water and wastewater utilities in Kentucky, Tennessee, and Georgia to develop an agency response plan and network known as Water and Wastewater Agency Response Networks (WARN). The objective is to provide rapid, short-term deployment of emergency services to restore the critical operations of the affected water/wastewater utility. The WARN effort will be coordinated with existing emergency response systems (i.e. DES and FEMA) and will be funded by a grant from US Environmental Protection Agency. Don McKay will represent the Company on the Kentucky, Tennessee, Georgia WARN committee.

Serving Customers Report Provided

Ms. Karla Teasley provided the Serving Customers report for June 2006. The June abandonment rate was 6.9% compared to 4.1% in May 2006 and 7.8% in June 2005. Bad debt for the month was \$69,348 compared to \$71,588 in May 2006 and \$45,190 in June 2005. Bad debt is \$17,337 over budget for the month and \$62,235 over budget year to date.

The Total Customer Satisfaction Index (CSI) reached a new all-time high of 857 this past quarter, with gains in the residential non-service and service segments as well as commercial service. The commercial non-service segment stayed flat from the first quarter at 882. The Total CSI year to date average of 851 exceeds the 2006 Corporate Level II goal. All five of the factor scores for the total index increased, with water quality and reliability at new highs. All of the quarterly results meet or exceed the objectives recently developed for the 2011 Strategic Plan with the exception of price/value and information. However, these objectives require that the results be sustained as an annual average. Customer Satisfaction for the Service CSI also increased substantially in the second quarter to 817 from 779 in the first quarter of 2006. This is also a new high for the Service CSI, and the year to date average of 798 meets the Level II goal (two points short of the Level III goal) for customer satisfaction for the Corporate Performance Award. All factors were up for residential service, with a new high in customer service. Factors for commercial service increased with the exception of a slight drop in water quality. Price/value for this segment reached a new high.

Staff, working in conjunction with finance representatives from the Metropolitan Sewer District, has completed the work to validate the water, sewer and drainage credits due to customers over billed for monthly service charges. Letters explaining the credit are scheduled to be mailed in mid-July. The credits will be issued beginning July 17, 2006 and will continue through August 15, 2006 billing.

Closed Session Held

Ms. Willis moved to go into closed session to discuss proposed or pending litigation and personnel matters pursuant to KRS 61.810(1)(b) and(f), respectively, at 1:36 p.m. Mr. Martin seconded, and the motion carried.

Open Session Resumed

On the motion of Mr. Martin, seconded by Ms. Willis and unanimously carried, the Board resumed open session at 1:59 p.m. No action was taken in closed session.

Final Update Provided on the 2006 Series Bond Issue

Mr. Miller stated the Series 2006 Bond Issue was successfully closed on July 12, 2006 consistent with the bond calendar schedule established in late March. The true interest cost for the issue was 4.61%. The total amount of proceeds from the issue was \$86,045,538.75 distributed to the Project Fund (\$72.5

Million), payment of the interim Financing (\$10 Million), the Debt Service Reserve Fund (\$2.97 Million), and costs of the bond issue (\$470,750). A requisition to reimburse the Operating Fund, Depreciation Fund and Infrastructure Replacement Reserve Fund for previous capital expenditures will be processed for \$43,549,284.61. The remaining funds will be invested in allowable investments to optimize liquidity and yield until requisitioned for capital project expenditures. In response to Mr. Martin, Mr. Miller stated the credit line has been repaid and is no longer available.

Second Quarter Certification Provided for Projects Authorized and Change Actions Approved

Mr. Huber certified that the following projects and change actions were authorized in the Second Quarter of 2006, pursuant to the Capital Projects Authorization Policy and Procedures:

11319-11328	Managing Distribution Operations Point Capital Program for 2006, cost center 280 – Project Change Action #1 for 1 st Quarter 2006 update revising budget estimates of several projects within program but no change in overall program estimate moving projects to Work in Progress. CPAC-05/11/06, President approval–05/15/06 Previously approved program budget estimate = Change to total program = Approved program budget estimate = <i>Board approval received</i>	\$ 3,117,750 <u>0</u> \$ 3,117,750
<u>NONBUDGETED PROJECTS</u>		
11413	Maryman Rd area main replacement, cost center 342 – Project Proposal to initiate nonbudgeted project. CPAC-04/06/06, President-04/12/06 Approved project budget estimate =	\$ 247,000
11447	Holsclaw Hill pump station, cost center 366 – Project Proposal for nonbudgeted project. CPAC-06/08/06, President-06/16/06 Approved project budget estimate =	\$ 125,000
<u>BUDGETED PROJECTS</u>		
10257	900 Pressure Zone expansion, cost center 322 – Project Proposal to initiate program allowance project listed in capital plan to be split into phases. CPAC-04/20/06, President-04/28/06 Approved program estimate =	\$ 2,340,000
11421	Blankenbaker 900 Reliability Facilities, cost center 322 – Project Proposal to initiate project from program allowance. CPAC-04/20/06, President-04/28/06 Approved project budget estimate =	\$ 190,000
11331	Mobile Facility Data Access (Mobile GIS), cost center 326 – Project Proposal to initiate project listed in capital plan. CPAC-04/27/06, President-04/28/06 Approved project budget estimate =	\$ 363,000
10120	Chamberlain Lane at Hwy 22 and Angie’s Way, cost center 342 – Project Proposal to initiate project. CPAC-04/20/06, President-04/28/06 Approved project budget estimate =	\$ 70,013
11199	Constitution Dr main replacement, cost center 342 – Project Proposal for project funded in 2006 MRRP program. CPAC-06/22/06, President-06/26/06 Approved project budget estimate =	\$ 135,000
11459	Cathodic Protection for Distribution System 2006, cost center 342 – Project Proposal for project funded in 2006 MRRP program. CPAC-06/29/06, President-06/30/06 Approved project budget estimate =	\$ 160,000
10426	Blankenbaker Road Grid Tie, cost center 366 – Project Proposal to initiate project from program allowance. CPAC-05/04/06, President-05/09/06 Approved project budget estimate =	\$ 96,000

PROJECT CHANGE ACTIONS

99407	Goshen elevated storage tank, cost center 222 – Project Change Action #7 to decrease estimate and revise cash flow. CPAC-06/22/06, President-06/26/06	
	Previously approved budget estimate =	\$ 2,207,100
	Change in project budget estimate =	<u>\$ (145,960)</u>
	Approved project budget estimate =	\$ 2,061,140
99416	Waste Wash Water Holding Tank and Pump Station, cost center 222 – Project Change Action #5 to decrease estimate. CPAC-06/22/06, President-06/26/06	
	Previously approved budget estimate =	\$ 4,215,560
	Change in project budget estimate =	<u>\$ (650,538)</u>
	Approved project budget estimate =	\$ 3,565,022
00401	Zom Intake and Pump Station Rehabilitations, cost center 222 – Project Change Action #2 to decrease estimate and revise cash flow. CPAC-05/18/06, President-05/22/06	
	Previously approved budget estimate =	\$ 5,142,000
	Change in project budget estimate =	<u>\$ (328,000)</u>
	Approved project budget estimate =	\$ 4,814,000
00407	Aiken elevated storage tank, cost center 222 – Project Change Action #2 to revise cash flow. CPAC-05/11/06, President-05/15/06	
	Approved project budget estimate =	\$ 2,965,000
00580	CHPS Discharge Valve Replacement, cost center 222 – Project Change Action #3 to decrease estimate. CPAC-06/29/06, President-06/30/06	
	Previously approved budget estimate =	\$ 254,621
	Change in project budget estimate =	<u>\$ (133,492)</u>
	Approved project budget estimate =	\$ 121,129
03625	Renovation of South Coagulation Flocculation and Sedimentation Basins at CHWTP, cost center 222 – Project Change Action #6 to increase estimate and revise cash flow. CPAC-05/18/06, President-05/22/06	
	Previously approved budget estimate =	\$ 3,623,706
	Change in project budget estimate =	<u>\$ 143,697</u>
	Approved project budget estimate =	\$ 3,767,403
10231	CHFP Filter and Backwash System Renovations, cost center 222 – Project Change Action #1 to revise cash flow. CPAC-06/22/06, President-06/26/06	
	Approved project budget estimate =	\$11,722,000
10608	CHFP Chlorine Generation System, cost center 222 – Project Change Action #2 to increase contract with no change in total estimate and to revise cash flow. CPAC-05/18/06, President-05/22/06	
	Approved project budget estimate =	\$12,200,000
02402	CHPS Pump #7 Overhaul, cost center 222 – Project Change Action #2 to revise cash flow. CPAC-06/29/06, President-06/30/06	
	Approved project budget estimate =	\$ 482,500
10613	CHFP HVAC Improvements, cost center 224 – Project Change Action #5 to increase estimate. CPAC-05/04/06, President-05/09/06	
	Previously approved budget estimate =	\$ 580,000
	Change in project budget estimate =	<u>\$ 63,842</u>
	Approved project budget estimate =	\$ 643,842
11318	CHFP Bottling Building Flooring Improvement and Roof Repairs, cost center 224 – Project Change Action #1 to increase estimate. CPAC-06/08/06, President-06/16/06	
	Previously approved budget estimate =	\$ 40,000
	Change in project budget estimate =	<u>\$ 55,000</u>
	Approved project budget estimate =	\$ 95,000

11352	CHFP East Filter Gallery Window Replacement, cost center 224 – Project Change Action #1 to begin design and increase estimate. CPAC-06/22/06, President-06/26/06	
	Previously approved budget estimate =	\$ 120,000
	Change in project budget estimate =	<u>\$ 40,000</u>
	Approved project budget estimate =	\$ 160,000
11331	Mobile Facility Data Access (Mobile GIS), cost center 326 – Project Change Action #1 requesting to increase estimate. CPAC-04/27/06, President-04/28/06	
	Previously approved budget estimate =	\$ 363,000
	Change in project budget estimate =	<u>\$ 29,000</u>
	Approved project budget estimate =	\$ 392,000
98664	Hurstbourne Pkwy – Bardstown Rd to Fern Valley Rd, cost center 342– Project Change Action #1 to increase estimate. CPAC-04/27/06, President-04/28/06	
	Previously approved budget estimate =	\$ 734,000
	Change in project budget estimate =	<u>\$ 216,215</u>
	Approved project budget estimate =	\$ 950,215
99463	New Cut Rd relocation, cost center 342 – Project Change Action #1 requesting to increase estimate. CPAC-04/20/06, President-04/28/06	
	Previously approved budget estimate =	\$ 688,960
	Change in project budget estimate =	<u>\$ 50,644</u>
	Approved project budget estimate =	\$ 739,604
01743	Snyder Frwy Transmission main, cost center 342 – Project Change Action #3 and #4 requesting to increase estimate. CPAC-04/20/06, President-04/28/06	
	Previously approved budget estimate =	\$15,547,000
	Change in project budget estimate =	<u>\$ 23,320</u>
	Approved project budget estimate =	\$15,570,320
01743	Snyder Freeway transmission main, cost center 342 – Project Change Action #5 to revise cash flow. CPAC-06/22/06, President-06/26/06	
	Approved project budget estimate =	\$15,570,320
03662	Louisville International Airport relocation, cost center 342 – Project Change Action #9 and #10 requesting to increase estimate. CPAC-04/20/06, President-04/28/06	
	Previously approved budget estimate =	\$ 6,483,033
	Change in project budget estimate =	<u>\$ 48,530</u>
	Approved project budget estimate =	\$ 6,531,563
10120	Gilmore Ln relocation, cost center 342/281 – Project Change Action #2 requesting to increase estimate. CPAC-05/04/06, President-05/09/06	
	Previously approved budget estimate =	\$ 66,500
	Change in project budget estimate =	<u>\$ 113,903</u>
	Approved project budget estimate =	\$ 180,403
10209	Stonestreet Rd grid-tie, cost center 342 – Project Change Action #6 requesting to increase estimate. CPAC-04/06/06, President-04/12/06	
	Previously approved budget estimate =	\$ 197,000
	Change in project budget estimate =	<u>\$ 35,000</u>
	Approved project budget estimate =	\$ 232,000
10294	Montana Ave main replacement, cost center 342 – Project Change Action #1 requesting to increase estimate. CPAC-04/06/06, President-04/12/06	
	Previously approved budget estimate =	\$ 1,428,265
	Change in project budget estimate =	<u>\$ 49,828</u>
	Approved project budget estimate =	\$ 1,478,093

10414	Shelbyville Rd II main replacement - Breckenridge Ln to I-264, cost center 342- Project Change Action #6 to increase estimate. CPAC-05/11/06, President-05/15/06	
	Previously approved budget estimate =	\$ 1,673,000
	Change in project budget estimate =	<u>\$ 233,607</u>
	Approved project budget estimate =	\$ 1,906,607
10516	Manslick Rd main replacement, cost center 342 - Project Change Action #4 to increase estimate. CPAC-06/22/06, President-06/26/06	
	Previously approved budget estimate =	\$ 440,730
	Change in project budget estimate =	<u>\$ 43,000</u>
	Approved project budget estimate =	\$ 483,730
10585	Pitts Point Rd area main replacement, cost center 342 - Project Change Action #4 requesting to increase estimate. CPAC-04/06/06, President-04/12/06	
	Previously approved budget estimate =	\$ 1,053,724
	Change in project budget estimate =	<u>\$ 66,785</u>
	Approved project budget estimate =	\$ 1,120,509
11179	Woodford Place area Lead Service Renewals, cost center 342 - Project Change Action #3 requesting to increase estimate. CPAC-04/20/06, President-04/28/06	
	Previously approved budget estimate =	\$ 100,700
	Change in project budget estimate =	<u>\$ 22,026</u>
	Approved project budget estimate =	\$ 122,726
11199	Constitution Dr main replacement, cost center 342 - Project Change Action #1 to begin design and increase estimate. CPAC-06/22/06, President-06/26/06	
	Project budget estimate =	\$ 135,000
	Change in project budget estimate =	<u>\$ 39,200</u>
	Approved project budget estimate =	\$ 174,200
11205	East Ormsby Ave Lead Service Renewals, cost center 342 - Project Change Action #3 requesting to increase estimate. CPAC-04/20/06, President-04/28/06	
	Previously approved budget estimate =	\$ 216,160
	Change in project budget estimate =	<u>\$ 26,620</u>
	Approved project budget estimate =	\$ 242,780
11253	Lake Forest grid-tie and PRV station, cost center 342 - Project Action#1 to increase estimate. CPAC-05/25/06, President-05/25/06	Change
	Previously approved budget estimate =	\$ 112,000
	Change in project budget estimate =	<u>\$ 69,900</u>
	Approved project budget estimate =	\$ 181,900
11264	Cardinal Hill Secondary Supply Phase 2B, cost center 342 - Project Change Action #2 to revise cash flow. CPAC-06/08/06, President-06/16/06	
	Approved project budget estimate =	\$ 3,693,500
10600-07	Middletown Annual Allowances, cost center 364 - Project Change Action #2 requesting to increase overall program estimate. CPAC-04/06/06, President-04/12/06	
	Previously approved budget estimate =	\$ 3,973,500
	Change in project budget estimate =	<u>\$ 101,500</u>
	Approved project budget estimate =	\$ 4,075,000
10600-07	Middletown Point Capital Program for 2005, cost center 364 - Project Change Action #3 for 1 st Quarter 2006 update requesting to increase overall program estimate. CPAC-05/11/06, President-05/15/06	
	Previously approved budget estimate =	\$ 4,075,000
	Change in project budget estimate =	<u>\$ 252,662</u>
	Approved project budget estimate =	\$ 4,327,662

10052	Conestoga Pkwy, cost center 366 – Project Change Action #2 requesting to increase estimate. CPAC-04/20/06, President-04/28/06	
	Previously approved budget estimate =	\$ 369,000
	Change in project budget estimate =	\$ 29,000
	Approved project budget estimate =	\$ 398,000
11020	Sunshine Estates Section 3, cost center 366 – Project Change Action #1 requesting to decrease estimate due to change in scope. CPAC-04/06/06, President-04/12/06	
	Previously approved budget estimate =	\$ 106,000
	Change in project budget estimate =	\$ (49,000)
	Approved project budget estimate =	\$ 57,000
11082	Salt River Business Park Phase 1, cost center 366 – Project Change Action #1 requesting to increase contribution amount. CPAC-04/06/06, President-04/12/06	
	Previously approved budget estimate =	\$ 41,000
	Change in project budget estimate =	\$ 21,500
	Approved project budget estimate =	\$ 62,500
02322	Weavers Run backbone main extension, cost center 369 – Project Change Action #3 to increase estimate. CPAC-06/22/06, President-06/26/06	
	Previously approved budget estimate =	\$ 340,000
	Change in project budget estimate =	\$ 140,000
	Approved project budget estimate =	\$ 480,000
10269	I-65 16" main from Shepherdsville Industrial Park to Chapeze Ln, cost center 369 – Project Change Action 4 and #5 to increase estimate. CPAC-06/22/06, President-06/26/06	
	Previously approved budget estimate =	\$ 750,000
	Change in project budget estimate =	\$ 23,250
	Approved project budget estimate =	\$ 773,250
11358	Bullitt County System Improvements, Hydrants, cost center 369 – Project Change Action #1 requesting to increase estimate. CPAC-04/13/06, President-04/17/06	
	Previously approved budget estimate =	\$ 97,916
	Change in project budget estimate =	\$ 46,000
	Approved project budget estimate =	\$ 143,916
11365	Blossom Ridge Rd main extension, cost center 369 – Project Change Action #1 to increase estimate. CPAC-06/22/06, President-06/26/06	
	Previously approved budget estimate =	\$ 143,000
	Change in project budget estimate =	\$ 41,745
	Approved project budget estimate =	\$ 184,745
10239	Human Resources and Payroll Information System replacement, cost center 441– Project Change Action #4 to increase estimate. CPAC-06/22/06, President-06/26/06	
	Previously approved budget estimate =	\$ 2,295,979
	Change in project budget estimate =	\$ 60,000
	Approved project budget estimate =	\$ 2,355,979
	<u>PROJECT CHANGE ACTIONS FOR CANCELLED PROJECTS</u>	
01744	Kentucky, Glenmary, Oak St 48" transmission main, cost center 342 – Project Change Action #1 requesting to cancel project and defer to future year. CPAC-04/27/06, President-04/28/06	
	Approved project budget estimate =	\$16,280,000
11252	Industry Road Grid-Tie, cost center 342 – Project Change Action #1 to cancel approved project. CPAC-05/04/06, President-05/09/06	
	Approved project budget estimate =	\$ 308,000

10649	Renovate 1 ½ and 2" meter sets, cost center 382 – Project Change Action #1 requesting to cancel project. CPAC-04/06/06, President-04/12/06 Approved project budget estimate =	\$ 136,800
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Second Quarter Certification Provided for Contracts and Bids Awarded

Mr. Huber certified that the following contracts and bids were awarded in the Second Quarter of 2006 pursuant to the Purchasing Policy and Procedures:

<u>CAPITAL PROGRAM</u>		
02616	Cardinal Hill Reservoir Detention Basin Louisville / Jefferson County Metropolitan Sewer District	\$ 443,086
99463	New Cut Road Water Facilities Relocation - Reimbursement Contract Kentucky Transportation Cabinet (KTC)	\$ 337,614
05-118	Weavers Run Booster Pump Station	
02319	Southern Pipeline Construction Co. (CWBE)	\$ 230,354
06-34	HVAC Improvements for Crescent Hill Laboratory	
10613	GBMC, Inc.	\$ 559,840
06-37	Shaffer Lane Main Replacement Project	
11360	Southern Pipeline Construction Co. (CWBE)	\$ 70,200
06-41	Ferguson Lane Water Main Extension	
11022	Tom Brown Construction Co.	\$ 123,322
06-42	Shawnee Terrace Main Replacement Project	
11362	Tom Brown Construction Co.	\$ 57,350
06-53	Maryman Road Area Main Replacement	
11413	Southern Pipeline Construction (CWBE)	\$ 128,343
06-54	Stonestreet Road 12" Grid Tie Main Replacement	
10209	Southern Pipeline Construction Co. (CWBE)	\$ 87,983
06-56	South Dixie Area Main Replacement	
11187	MAC Construction & Excavating, Inc.	\$ 674,425
06-67	Bardstown Road Standpipe - Basin, Fence & Overlay	
10609	Cornell Harbison Excavating, Inc.	\$ 117,123
06-68	Smyrna Booster Pump Station - Surge Relief	
10610	Southern Pipeline Construction Co. (CWBE)	\$ 22,200
06-70	Taylorsville Road Booster Pump Station	
11421	C Squared, Inc.	\$ 114,600
KY State Contract C- 06172378	Symmetrix Storage Area Network Expansion EMC	\$ 129,458

<u>PROCUREMENT OF MATERIALS AND SERVICES</u>		
	Line of Credit	4.3136%
	JP Morgan Chase Bank	Interest Rate
04-33	Inspection, Maintenance & Repair of HVAC Systems - 2nd CPI ACCO, Inc.	\$ 25,585
04-34	Locating Services - 2nd CPI Renewal Central Locating Service	\$ 485,800
04-57	Real Estate Appraisal Services - 1st CPI Renewal Tamplin\$28,952 Wiggington	\$ 64,420
	Baumgardner	\$17,371.20
05-109	Workers' Compensation Management Services Corvel	\$ 35,000

05-30	Contingency Contract for Motor Repairs - 2nd & Final Contract Renewal Magnetech Industrial Services Hibbs Electro Mechanical, Inc. Horner Electric GE Energy Services Rockwell Automation Mohler Technology, Inc.	\$ 20,630
05-30	Repair of Zorn Motor #3 - Assignment to Bid 05-30 Contingency Contract for Motor Repair Mohler Technologies	Est. \$ 35,000
05-30	Repair of Zorn Motor #7 - Assignment to Bid 05-30 Contingency Contract for Motor Repair RPM, Inc.	No estimate yet - Range \$ 20,000 - \$ 100,000
05-39	Pipe Repair Couplings, Sleeves and Bell Joint Clamps - 1st & Final PPI Renewal Hughes Supply Co. Harco Inc. Viking Supply Co. Cascade Water Works Water Works Supply	\$ 30,982 \$ 24,206 \$ 5,976 \$ 1,076 \$ 228
05-43	Hurstbourne Parkway Grid Tie at Interstate 64 - Assignment from Bid 05-43 Distribution System Repairs	
11439	Southern Pipeline Construction (CWBE)	\$ 63,519
05-79	Pipe Repair Couplings Hughes Supply Co.	\$ 84,103
06-12	Brass Valves and Fittings Mueller Co. Cambridge Brass Water Works Supplies Viking Supply Co. A. Y. McDonald Hayes Pipe Supply Hughes Supply Co. Wemhoener Water Works	\$ 360,057 \$ 81,872 \$ 69,535 \$ 56,106 \$ 25,226 \$ 7,058 \$ 2,000 \$ 132
06-19	Troubleshoot & Repair Zorn Pump #8 - Assignment to Bid 06-19 Contingency Contract for Pump Repairs RPM, Inc.	\$ 23,320
06-21	Water Meters Neptune Technology Group	\$1,097,376
06-23	Small and Large Meter Vault Frames & Lids Bingham & Taylor General Foundries	\$ 280,506 \$ 4,500
06-26	Plumbing Services Springfield Plumbing (MBE) - Section B Southern Plumbing - Section A	\$ 255,600 \$ 229,750
06-33	Repair of 24-inch damaged water main in Hurstbourne Parkway - Assignment to Bid 06-33 Contingency Contract for Transmission System Repairs Southern Pipeline Construction Co., Inc (CWBE)	\$ 27,363
06-35	Restoration & Construction of Asphalt & Concrete Paved Surfaces - Two-year Contract Stoll Construction	\$ 608,210
06-36	Tapping Saddles for Distribution Pipe A. Y. McDonald Mfg. Co.	\$ 202,499
06-39	Right Hand Drive Jeeps Cross Motors	\$ 75,600

06-43	Printing of Pipeline Map and Valve Location Books Hurt Printing	\$ 31,350
06-47	Meter Setters Water Works Supply	\$ 130,450
06-48	Valve Boxes Hughes Supply Co.	\$ 40,395
06-49	Swing Check Valves Plumber's Supply Co.	\$ 14,624
06-50	Plastic Water Meter Vaults & Elevator Rings Carson Industries, LLC	\$ 208,868
06-51	Restraint Joint Adapters Viking Supply Co.	\$ 63,348
06-52	Copper Tubing Water Works Supply Co.	\$ 444,362
06-58	Crew Trucks and Bodies All-State Truck Sales	\$ 153,684
	J. Edinger & Son, Inc.	\$ 73,128
KY State Contract # C- 05297095	Ford F-350 Cab and Chassis (4)	
11338	Man O' War Ford	\$ 89,744
KY State Contract C- 06172378	Oracle Peoplesoft Application DBA Services EMC	\$ 108,000

PROCUREMENT OF PROFESSIONAL SERVICES

10608	CHWTP Chlorine Generation System - Change Order Jordan, Jones & Goulding	\$ 75,000
02-70	CHWTP Rehabilitation of Softening Mixing and Clarification Basins #5 & #6 - Assignment from Plant and Facilities Engineering Services	
10232	O'Brien & Gere Engineers, Inc.	\$ 425,663
02-70	LWC Production Capacity Study - Assignment from Plant and Facilities Engineering Services Professional Services Contract CH2M Hill	\$ 81,241
02-70	Renovate B.E. Payne Sludge Lagoon #3 - Assignment from Plant and Facilities Engineering Services CH2M Hill	\$ 93,951
11310		
04-42	Sugar Tree Storage Tank - Assignment from Engineering Services for Distribution System Design & Construction Pipeline, Pump Stations, and Tanks	
03608	Quest Engineers, Inc.	\$ 43,400
Professional Service	2006 Annual Inspection - 4th & Final Contract Renewal Black & Veatch	\$ 34,401
Professional Service	Executive Coach Consulting Services Right Management	

NTE \$ 35,000

PROCUREMENT OF SOLE SOURCE MATERIALS AND SERVICES

	Renewal of Oracle Maintenance Support #1700207 Oracle	\$ 34,760
Sole Source	2006 LOJIC Operational and Capital Cost Payment Louisville & Jefferson County Metropolitan Sewer District (MSD)	\$ 254,411
Sole Source	EMC Storage Area Network (SAN) Maintenance and Support EMC Corporation	\$ 127,911
Sole Source 11331	Mobile Facility Data Access (Mobile GIS) Tadpole Technologies	\$ 183,020

Update Provided Regarding Crescent Hill Treatment Plant Chemical Storage Building

Mr. Heitzman updated the Directors on the chemical storage building at the Crescent Hill Water Treatment Plant and the activities of the Community Advisory Group established in April 2006. Meetings held in May 2006 included presentations by LWC staff and JJ&G Engineers on the available technologies for chlorine generation and delivery for water treatment. A June 26 meeting focused on the application of these alternative technologies to five sites at the Crescent Hill Water Treatment Plant.

The five alternative technologies evaluated include: continued delivery of chlorine by 90-ton rail car (Alternative 1); on-site generation of 0.8 percent sodium hypochlorite (Alternative 2); on-site generation of 12 percent sodium hypochlorite (Alternative 3); delivery of 12 percent sodium hypochlorite by truck (Alternative 4); and delivery of 12 percent sodium hypochlorite by rail car (Alternative 5). Five sites were evaluated for the chlorine technologies: the open space area north of the coagulation basins using a reduced footprint (Site A); the existing chemical building, south side Frankfort Avenue (Site B); the area adjacent to the fluoride and POL building, on the south side Frankfort Avenue (Site C); the area adjacent to grounds maintenance building, south side Frankfort Avenue (Site D); and the existing chlorine building (retrofit) (Site E).

The combination of technologies and sites yielded 25 different alternatives; however, several alternatives are not acceptable, reducing the viable alternatives to 11 scenarios that were evaluated for their ability to meet objectives of safety, reliability, operability, and maintenance. Seven of these alternatives were operationally undesirable, leaving four alternatives that warranted further consideration are on-site generation of 0.8 percent sodium hypochlorite at Site A, B or C or truck delivery of 12 percent sodium hypochlorite to the open space area (Site A). In addition to chlorine, this project includes upgrading the ferric chloride and polymer storage to 30-day supply volumes to meet Kentucky Division of Water standards. These four chlorine alternatives will accommodate the ferric chloride and polymer storage upgrades through either a new building or retrofit of the existing chlorine storage building.

On June 26, the Advisory Group agreed to present these four alternatives to their respective constituencies and bring input to the next meeting of the Community Advisory Group scheduled for August 4. LWC staff is reviewing each of these four alternatives in detail in preparation for the next meeting of the Community Advisory Group. Mr. Conner complimented Mr. Heitzman and the neighborhood group on the professionalism exhibited in working well together to achieve a solution. Mr. Martin inquired whether the north basin will need restoration. Mr. Heitzman advised it has been 25 years since the last major renovation of those basins, and future upgrades are inevitable. It is possible that the area at issue will need to be used for other LWC purposes in the future, so it may not be available in the future as a park-like area.

Report Given Regarding the New Service Installation Costs

Ms. Teasley advised the average cost to install a new ¾" water service reached \$810 at the end of 2005 with the three year average cost reaching \$696, widening the gap between the \$450 fee received from each new customer and the Louisville Water Company's (LWC) actual cost. As a result, LWC is subsidizing approximately 44% of the cost to install new ¾" services.

2006 actual costs to install new services are comprised of labor (57%), material (28%), equipment (9%) and contractual services (6%). Increases in wages and labor related overhead, increased drive time and reduced efficiency as a result of increased amount of rock subgrade have had the most significant impact on installation cost increases. Material expenses for ¾" new services have also increased by 25% between June 2004 and June 2006. With a strong housing market, these cost pressures can be more readily absorbed because of the increased efficiency associated with high volumes in concentrated areas.

However 2005 ¾" installations were down 16% from the previous 3 year average, and May 2006 year-to-date housing data indicates a 42% decline in new housing permit requests in the Louisville Metro area when compared to May 2005 year-to-date data.

To help keep new service installation costs and fee increases to a minimum, a pilot program developed with a committee of the Home Builders Association of Louisville (HBAL), is being implemented to provide a cost-sharing incentive to developers for installing PVC pipe called "service sleeves" in the ground at the time of the water main installation. This method allows LWC's service installation crews to run the service line from the main to the meter vault through the sleeve and avoid cutting of pavement and other difficult and costly excavations when a homeowner requests service.

Informal feedback gathered from the HBAL/LWC subcommittee meetings indicates that a multi-year approach to fee increases will be better received so HBAL members can incorporate increases into their cost margins. As a result, LWC staff is considering phasing in fee increases. Staff will also be recommending the 2007 Fee Schedule to the Board in the near future to allow for advance notice of the increases to homebuilders and other new customers.

Mr. Huber explained new customers also pay a \$700 System Development Charge to pay for various facilities such as booster pumps and storage tanks necessary to produce water in a sufficient quantity and at a pressure that is adequate.

Executive Session Conducted

The Board went into Executive Session without management present at 2:40 p.m.

There being no further business, the meeting was adjourned at 2:50 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
SEPTEMBER 19, 2006**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Ms. Margaret Harris
Mr. Gerald Martin
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. Rick Johnstone, Deputy Mayor, Louisville/Jefferson County Metro Government
Mr. John Huber, President/CEO
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Senior Vice President, Operations and Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Mr. James Brammell, Director of Engineering and Planning, Assistant Chief Engineer
Ms. Amber Halloran, Controller and Business System Owner, Supplying Financial Resources
Mr. Jim Smith, Business System Owner, Infrastructure Planning
Dr. Jack Wang, Business System Owner, Managing Water Quality
Ms. Barbara Crow, Process Owner, Providing Strategic Communications
Mr. Vince Guenther, Process Owner, Providing Governmental Relations
Ms. Kim Reed, Process Owner, First Run Response and Work Order Management

Visitors:

Mr. Larry Gaddis, Black and Veatch Consulting Engineers
Mr. Donnie Ginn, Black and Veatch Consulting Engineers
Ms. Sybil Ault, Crescent Hill Community Advisory Group
Ms. Martha Elson, The Courier-Journal
Mr. Peter Naake, Crescent Hill Community Advisory Group
Mr. Michael Williams, WAVE-TV

The regular meeting of the Board of Water Works was held on Tuesday, September 19, 2006 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:32 p.m.

Minutes from the Previous Special-Called Meeting Reviewed and Approved

Mr. Gerald Martin suggested changes to the draft minutes from the regular meeting held August 15, 2006, as follows: under the section regarding the Strategic Plan, change the fifth sentence of the second paragraph on page 5 to "Ms. Teasley stated some business opportunities are potentially low risk and involve low cost to the company to implement."; change the fourth and fifth sentence of the fourth paragraph on page 5 to "Mr. Martin suggested, at a minimum, we should include some funds for use in

the balance of 2006 to further develop and evaluate the top three initiatives. Mr. Conner stated agreement with those estimates, to the extent there is some assurance of success of the initiatives.”; under the section regarding the sources of investment capital for new business opportunities on page 10, add the following sentences to paragraph two after the third sentence: “Mr. Martin voiced disagreement with some of the conclusions and recommendations Mr. Miller arrived at in his presentation to the Board. While he believes a substantial amount of autonomy and organizational separation may be appropriate to maintain between LWC and any new businesses or acquisitions, Mr. Martin recommended the owner should be willing to participate fully in the potential rewards and the possible risks of such expansion or diversification strategies.”; and change the last sentence of the first paragraph on page 10 to state “Mr. Martin believes those opportunities must be addressed on a case-by-case basis.” Mr. Martin moved to approve the minutes from August 15, 2006, with these changes, seconded by Ms. Wendy Welsh, and the motion carried.

Authorization Given for Preliminary Design and Budget Established for the Crescent Hill Chemical Storage Facilities

Mr. Peter Naake addressed the Board on behalf of the Crescent Hill Community Advisory Group.. Mr. Naake stated the group opposes the use of Reservoir Park for a chemical storage facility. They have worked with Louisville Water Company and reached a compromise solution for the facility to be constructed on the south side of Frankfort Avenue on LWC property. They believe this addresses their concerns and shows LWC’s commitment to be a community partner. Mr. Naake thanked LWC staff for their cooperation.

Mr. Greg Heitzman distributed an article from the September 19, 2006 The Courier-Journal regarding this issue. Mr. Heitzman summarized that the evaluation process identified 25 possible combinations of sites and technologies, which were reduced to two feasible solutions based on safety, reliability, operability, maintainability and constructability. The two offered solutions were: (1) an on-site chlorine bleach generation facility constructed in the open field, north of the coagulation basins, with a new building including storage for ferric chloride and polymer chemicals or (2) an on-site chlorine bleach generation facility constructed on the south side of Frankfort Avenue and a retrofit of the existing chlorine building for ferric chloride and polymer chemical storage.

Mr. Heitzman highlighted the advantages and disadvantages of both solutions. Senior management has reviewed the two alternatives and agrees with the Community Advisory Group to pursue locating the chlorine facility on the south side of Frankfort Avenue. The next step is to proceed with preliminary engineering design on the chemical building and the ferric chloride building retrofit. This design phase will finally confirm the feasibility and engineering design assumptions made during the evaluation process. The budget reservation of \$12.2 million will be evaluated by the consulting engineer to determine the adequacy for this revised scope of work. JYG Engineers has provided services for the conceptual design and feasibility report, and staff recommends continuing to work with JYG to perform the preliminary design for the modified scope of work. The authorization of the engineering services agreement is within the contract authority of the President.

This solution allows the open field north of the coagulation basin to remain accessible to the public currently and under normal operating conditions. The procedures for Homeland Security Level 5 (Red) require the closing of Reservoir Avenue and this restricts public access to the plant facilities, including the Crescent Hill Reservoir. The Community Advisory Group was informed that this area must be retained for future plant replacement, rehabilitation, or expansion. In the next 10 years, the north coagulation complex will be replaced or rehabilitated and construction may require use of this open field area. Further, the Board has not yet decided on the advanced treatment technology required to meet future drinking water regulations. This open space may be required for construction of advanced

treatment and or relocation of facilities to accommodate advanced treatment in another area of the plant, and to avoid the taking of any residential property in the area.

Mr. Martin inquired whether pedestrian traffic will also be blocked if Homeland Security required a closing of the facility, and Mr. Heitzman stated it would. Mr. John Huber stated any facility constructed on the south side will be consistent in appearance with other buildings on that side of Frankfort Avenue. He added this is the twelfth plant addition at the Company's Crescent Hill property since the reservoir was built in 1880, and there will be other changes and additions in the future.

Mr. Heitzman stated one final issue to be resolved is access to the area where we will store ferric chloride and polymer. We may have to access this area from Pennsylvania Avenue, but he noted residents were apprised of this and stated no objection to it as a compromise to not using Reservoir Park at this time.

Ms. Margaret Harris moved to authorize staff to initiate preliminary design of the Crescent Hill Chemical Storage Facilities for chlorine, ferric chloride, polymer, and PAC and to establish a budget reservation of \$12.2 million for the project. The chlorine bleach facility will be located on the south side of Frankfort Avenue, and the existing chlorine and PAC feed buildings will be retrofitted to accommodate storage for ferric chloride, polymer and PAC chemicals. Upon completion of preliminary engineering by JJJ Engineers, the Board will be presented with a report and recommendation for final design and bid of the project. Staff will also present the preliminary design to the Community Advisory Group for their input on the final design. Mr. Martin seconded, and the motion carried.

Financial Report Provided

Mr. Robert Miller provided the financial results through August 2006, which were somewhat improved over previous months. Net Operating Revenue for August of \$4,629,936 is \$484,795 or 11.7% higher than budgeted and \$592,774 or 11.4% less than August 2005. However, Net Operating Expenses for the month of August were also higher than normal. Year-to-date Operation and Maintenance Expenses of \$32,824,001 are \$95,939 or 0.3% higher than budgeted and \$2,698,652 or 9.0% higher than 2005. YTD Total Operating Expenses of \$53,608,819 is \$386,418 or 0.7% higher than budgeted and \$4,659,742 or 9.5% higher than 2005. The budget variance is primarily related to higher depreciation expense. YTD Net Income of \$19,972,183 is \$1,406,465 or 6.6% less than budgeted and \$3,826,322 or 16.1% less than 2005.

Mr. Miller stated the forecast for 2006 was prepared using two sets of assumptions on water sales and expenses. Under one assumption, we will achieve the targeted dividend and under the other assumption we will be below target by approximately \$500,000. Mr. Huber noted water sales are fluctuating more than they have historically. Mr. Miller noted the major cost drivers are increased transmission main breaks, pump and motor repairs, overtime expense and the inventory adjustment. The 2006 forecast and the proposed 2007 budget are to be discussed with representative from the Mayor's office at an upcoming meeting. Mr. Martin commented that industrial sales continue declining. Mr. Heitzman commented our largest industrial customer notified us of its intent to utilize wells and thereby decrease the amount of water it purchases from LWC. Mr. Rick Johnstone noted our wholesale sales continue to increase.

Operations and Engineering Report Provided

Mr. Heitzman presented the Operations and Engineering report for August 2006. The average production during last month was 143.9 MGD, a 10.7 percent decrease from the 2005 August production of 161.1 MGD. Last month's production was lower than the five year average August production of 150.1 MGD by 4.2 percent. For the year to date, production is 6.2 percent and 3.2 percent lower than 2005 and the

five year average, respectively. Rainfall is nearly eight inches above normal, and 13.8 inches more than 2005.

July costs were high at \$200,000 (8.8 percent) over budget, bringing the year to date costs to \$307,000 (2.1 percent) over budget. August costs improved slightly, but continued to be over budget by \$162,000 (0.9 percent). These higher expenses were not expected since both production volume and maintenance activity are down for the year. Upon investigation, staff identified several major causes including material and maintenance costs, four large main breaks, an error in budgeting for sand and stone, rising fuel costs, the annual inventory adjustment, and increased overtime.

Beginning in mid August, staff implemented a plan to reduce operating and maintenance expenses to achieve budget by year end by deferring hiring, reducing overtime, shifting routine maintenance assignments to capital work, and suspending any discretionary expenses. Staff is optimistic that the Operations Core will be on or below the budget of \$26.1 million by year end, assuming a winter emergency does not develop in early December. Mr. Martin inquired about the inventory adjustment. Mr. Heitzman stated data is currently being collected on the warehouse and a report will be presented at an upcoming Audit Committee meeting. Mr. Martin inquired whether overtime can be managed differently. Mr. Heitzman stated this is also being analyzed and the goal for operations is to have overtime 7% or below of total labor costs excluding labor-related overhead costs. Mr. Conner asked for clarification regarding the budgeting error for sand and fill, and Mr. Heitzman advised it was an error in the unit cost estimates.

Serving Customers Report Provided

Mr. Huber provided the Serving Customers report for August 2006. The August abandonment rate was 9.2% compared to 8.7% in July 2006 and 11.5% in August 2005. Bad debt for the month was \$40,654 compared to \$47,409 in July 2006 and \$62,840 in August 2005. Bad debt is \$11,357 under budget for the month and \$46,276 over budget for the year.

In response to increasing volume in turn-off activity in 2005 and 2006, staff has re-evaluated the criteria for non-payment turn-offs. Factors considered were rate increases for LWC and MSD over the last several years, impacts of the service deposit implemented in early 2005, costs to LWC and customers and potential impacts on bad debt. Effective in September, the criteria will be adjusted consistent with current rate levels and to optimize collection of revenue at the lowest cost. Staff will continue to monitor the turn-off criteria for appropriate adjustments.

Compensation Committee Report Given

Mr. Conner summarized the discussions held at the Compensation Committee meeting on September 18, 2006. The adjustment in the salary ranges for the market movement has been 2.8% since 2004. The market has had merit increases of 3.4%, 3.5% and 3.7% for 2004, 2005 and 2006, respectively, and is projected to increase 3.7% in 2007. LWC salary budget increases have remained steady at 3.0% in each of those years. Staff is proposing a 3.7% increase overall in the total salary budget. This percentage is for budget planning purposes and individual merit increases would be determined by the employee's manager, according to the proposed 2007 merit matrix and in keeping with each manager's total salary budget. Mr. Conner stated the Compensation Committee agreed with using 3.7% increase overall in the total salary budget for planning purposes. He noted the full Board will approve the final budget which will include overall increases to the salary budget at the BOWW meeting in November.

Third Quarter Dividend Declared

Dr. Joseph Wise moved to adopt the following resolution to declare the Third Quarter Dividend:

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 1992 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 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, the Board passed a resolution on March 14, 2006 to adjust the 2005 annual dividend by \$302,350, from \$15,875,700 to \$16,178,050, the difference to be added in equal quarterly installments to the quarterly 2006 dividend payments, and

WHEREAS, the 1992 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 2006 Louisville Water Company annual budget contemplates the 2006 annual dividend to be \$14,842,140, it would be in order at this time to declare a regular first quarter dividend of \$3,710,535;

RESOLVED, the regular third quarter 2006 dividend of \$3,710,535 is hereby declared, and further

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,786,123 to the Louisville / Jefferson County Revenue Commission on September 29, 2006, this being the third quarterly dividend for 2006 plus one quarter of the dividend adjustment for 2005, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution

Ms. Welsh seconded, and the motion carried.

Strategic Plan, Strategy I: Water Quality and Strategy III: Synergy Discussed

Dr. Jack Wang discussed the changes to the key elements of Strategy I on Water Quality. It is the Company's goal to develop and retain well-qualified individuals in the area of water quality, to construct the facilities necessary to ensure compliance with the Long Term 2 Enhanced Surface Water Treatment Rule and the Disinfection By-Product Rule by 2012, to maintain high levels of achievement in source water quality, and to protect distribution water quality through the implementation of a cross connection control program and other distribution system best management practices.

Ms. Kim Reed discussed the key elements of Strategy I on Synergy. Specifically, the Company is striving to achieve synergies that will reduce cost, improve service and increase efficiency. These synergies can be found through developing procurement consortiums for the purchase of goods and services in order to gain volume discounts, through strengthening key business partnerships, through continual process improvements and staying abreast of industry research, through working with local government and other utilities on planning to better coordinate work, and by providing better access to company information.

Issues Affecting the 2007 Operating Budget

Mr. Miller provided an overview of the major issues that are affecting the 2007 Operating Budget. We have been more conservative in the 2007 water sales estimate, and we plan to increase the deposit to the

Infrastructure Replacement Reserve. The labor and labor-related overhead expense, depreciation, expense and return on equity are driving a rate increase of 6.5%. Without those drivers, the required rate increase would be only 3.0%. Mr. Martin inquired about the increasing depreciation expenses. Mr. Miller explained we cash finance depreciation. Water mains fully depreciate over 65 years and transmission mains fully depreciate over 100 years. Mr. Martin noted the bond issues require funding of depreciation expenses. Mr. Miller stated approximately one-half of each revenue dollar goes to operating the Company, and the other half goes to financing the investments.

Kentucky Retirement Systems Update Provided

Mr. Vince Guenther advised cost pressures affecting the increase in the assessment to employers are expected to increase for the next ten years. Currently, our contribution is 13.19% of payroll and it is expected to rise to 14.6% for the 2007-08 state fiscal year. Some changes have been made over the last two years to lower the costs; however, the major driver for costs is the unfunded retiree health insurance benefits. Recent legislative changes to lower costs include changing the required number of years of service to 30 instead of 27 in order to earn retirement at 60% of salary, raising the minimum age of retirement to 55, and most recently, changing the health plan guarantee to a state contribution of \$10/per month per service year payable to the retired employee to be used for payment of health insurance premiums.

Mr. Huber commented that CERS and our health insurance increases are significant cost drivers affecting our operating budget.

2006 Annual Inspection Report Given

Mr. Larry Gaddis of Black & Veatch Consulting Engineers summarized the findings from the 2006 Annual Inspection. The Annual Inspection is required pursuant to the 1992 Master Bond Covenant and includes a review of insurance policies, financial management and rate system and a physical review of water supply and treatment facilities.

Black & Veatch found that the Company is making commendable progress in funding, scheduling and implementing capital projects and correcting deficiencies identified previously. Overall, the water supply and treatment facilities have been maintained in good repair and sound operating condition and are capable of continuously supplying potable water to the Company's customers. Because of the simultaneous review necessary for the Bond Feasibility Study, Black & Veatch visited more sites than usual – 20 facilities at 11 locations. Their field inspection resulted in recommended actions. Of the recommended actions, 20 were ranked as High Priority, 54 were ranked as Medium Priority, 25 were ranked as Low Priority, 6 were ranked as Observations, and 23 were ranked as needing Routine Follow-Up.

Mr. Ginn highlighted the major High Priority items for Directors. First, designing and constructing facilities to meet the 2012 water treatment regulatory compliance timeline will be challenge and we should evaluate interim alternative improvements to meet those regulations, develop contingency plans, and continue the Advanced Treatment Technology. Second, the Company needs to review rapid material price increases and other drivers of capital project cost increases, perform a risk analysis on alternative project delivery methods. Third, there is 2 years or less of remaining capacity on the B. E. Payne Plant Lagoons due to deposited solids, which may have an adverse impact on suspended solids and chorine levels regulated by our discharge permit. Fourth, we should continue to evaluate risks associated with extending the service life of older facilities. Fifth, there is a need to develop more accurate site drawings at the Crescent Hill Filter Plant for emergency maintenance. Sixth, repair of a 72" gate valve in the clear well at the Crescent Hill Pump Station is needed and is planned for Fall 2006 or Winter 2007.

Notification Given to Directors of Their Responsibilities Under the Kentucky Open Records Act and the Kentucky Open Meetings Act

Ms. Barbara Dickens provided an overview of the legal responsibilities imposed on Directors pursuant to the Kentucky Open Records and Open Meetings Acts. Pursuant to 2005 legislative amendments, all elected or appointed members of government boards must be provided an overview of their responsibilities and sign a statement that this notification has been given. All Directors signed the verification to be provided to Metro Louisville Mayor Jerry Abramson.

Funding Discussed for the Infrastructure Replacement Reserve for 2006

Mr. Miller stated the Infrastructure Replacement Reserve for 2006 was intended to be funded in the amount of \$480,000. During the first eight months of 2006, revenues have been less than expected due to an unusually wet irrigation season. It now appears that revenues, net of expenses, may not be sufficient to fully fund the Infrastructure Replacement Reserve in 2006. Based upon continued low water pumpage through end of the irrigation season, staff recommended deferring funding of the Infrastructure Replacement Reserve for 2006. Dr. Wise moved to adopt the following resolution:

WHEREAS, the Board of Water Works adopted the 2006 Annual Budget on November 15, 2005; and

WHEREAS, the 2006 Annual Budget contemplated funding of the Infrastructure Replacement Reserve in the amount of \$480,000; and

WHEREAS, it now appears that revenues, net of expenses, may not be sufficient to fully fund the Infrastructure Replacement Reserve in 2006;

NOW, THEREFORE, be it resolved by the board of water works, as follows:

RESOLVED, that no further deposits be made to the Infrastructure Replacement Reserve until further notice or for the remainder of 2006, whichever first occurs; and

RESOLVED, that previous deposits to and requisitions from the Infrastructure Replacement Reserve during 2006 be cancelled.

Ms. Marita Willis seconded, and the motion carried.

Budget Increased for Project 03638: Crescent Hill Filter Plan Slate Roof Replacement

Mr. James Brammell reminded the Board of his report in August wherein he apprised Directors of recently discovered and previously unforeseen conditions that require modifications to the construction contract for the slate roof replacement on the CHFP North-South Filter and Chemical Buildings. Several of the wood structural elements of the buildings are rotted and require replacement or repair. The contractor also discovered rotted wood purlins and hip and ridge boards when it removed the slate and roof metals. The contractor has determined gutter brackets are unsalvageable and must be replaced. The Project Manager prepared Project Change Action No. 7 to deal with these conditions. At the August 2006 Board meeting, Dr. Wise asked staff to validate that the work to be performed under Change Action No. 7 was not included in the base bid of the construction contract. Staff has reaffirmed that the work was not included in the original scope of the project. Dr. Wise commented the consultant should have foreseen this issue when estimating the project. Mr. Brammell noted that this is necessary work, for which the Company would have incurred costs in doing the project. Dr. Wise moved to increase the project budget by \$165,083 and to establish a revised project budget of \$4,181,968. Ms. Welsh seconded, and the motion carried.

Budget Increased for Project 10414: Shelbyville Road II Main Replacement

Mr. Brammell advised this project is to replace water mains in Shelbyville Road from Breckenridge Lane to I-264. Subsequent to the last Board approved project estimate of \$1,673,000, several issues have arisen

which have resulted in a need for cumulative funding increases in the amount of \$415,607. Material cost increases of \$340,000 are the primary contributor to the project cost increases, with construction costs adding \$83,607. Staff anticipates a reduction in the anticipated engineering costs of \$8,000. The revised total project budget required is \$2,088,607. The materials estimate included in the most recent Board approved budget was underestimated. This was not discovered until a significant amount of the project had been completed. The shortfall in the materials budget was due to a failure to accurately include sufficient material (pipe) quantities in the estimate and due to an error in the unit cost of the pipe.

Mr. Rick Johnstone sought clarification regarding the project scope. Mr. Brammell advised this project is installing dual mains to avoid cutting into Shelbyville Road and incurring significant costs for each cut and significant disruption to traffic flow. We are nearing the end of the Main Repair and Replacement Project. Dr. Wise noted that, by having contractors purchase the materials directly from us, we are bearing the risk of materials price increases. Mr. Heitzman responded we have accepted that risk historically to ensure quality control in the materials being used in our water distribution system, but certainly it is a point of consideration while undergoing the evaluation of whether to maintain a warehouse or not. Mr. Conner pointed out that the risk, and the estimated cost for it, will simply be passed on to us in the contractor's lump sum bid if we allow them to purchase materials from outside the Company. Ms. Harris moved to increase the value of Project 10414: Shelbyville Road II Main Replacement Project by \$173,000 and to establish a new project budget at \$2,088,607. Ms. Welsh seconded, and the motion carried.

New Service Installation Fees Approved for 2007

Ms. Nora Freeman advised we charge new customers the cost of installation of the water service pipe and meter vault for new services. This charge is a flat fee or deposit, reviewed annually, approximating the anticipated cost of the installation. After the 2006 fee review, staff recommends increasing the 2007 new service installation fee for ¾-inch service by \$75.00 to \$525.00. The 2005 average cost to install a new ¾-inch water service reached \$810.58 with the three-year average cost reaching \$636.02. Year-to-date through July, the average cost to install a new ¾" water service continues to increase to \$915.94 with the in-house capital crews average through July costing \$697.78. This higher average cost of installation is due to the fact that: crews are encountering rock more often during installation; material costs have increased 25% since June 2004, the largest of which is a 109% cost increase for copper in 2005; and we are incurring additional costs for repairs due to curb cuts, which become necessary as a result of the rocky environment in which we are installing the service.

While the year-to-date July 2006 average service installation cost has increased over the 2005 annual average for ¾-inch retrofit irrigation, 1-inch, 1½-inch, 2-inch, 3 and 4-inch domestic services and 6-inch and 8-inch fire services, the cost has decreased for 4-inch fire services. Staff believes these increases are not significant enough to warrant a fee increase and does not recommend any change to the new service installation fees other than the ¾-inch service.

Staff will continue to closely monitor new service installation costs and look for opportunities to control future expenses. One cost control measure is the service sleeve pilot in partnership with the Home Builders Association of Louisville (HBAL) Land Development Committee. Despite these efforts, new service installation fees for ¾-inch services may need to increase again in 2008 to ensure the fees are consistent with the marketplace and to cover the majority of the Company's actual installation cost. Staff will continue to provide actual cost updates during 2007.

Directors discussed whether we should mandate the use of service sleeves. Mr. Huber explained that the difficulty derives from who should bear the additional costs for the service sleeve installation. While this method saves the Company considerably, service installation costs are borne by the homeowner usually but installation of service sleeves, since it would occur when roads are being paved in the development,

would be borne by the developer. Therefore, it would be an additional cost to the developer. Mr. Conner commented that developers would then pass this cost on to the homeowner in the cost of the home. Staff will continue to work on acceptance of this method. Ms. Willis moved to approve the new service installation fee for ¾" services at \$525.00 effective January 1, 2007, seconded by Ms. Welsh, and the motion carried.

Kentucky Infrastructure Authority (KIA) Grant Agreements and Resolutions Authorized for Bob-O-Link Road and Southern Bullitt County Water Storage Tank Projects

Mr. Brammell stated the Company has received conditional commitment letters from KIA for grant assistance for two projects, Bob-O-Link Road, in the amount of \$198,000 and Southern Bullitt County Water Storage Tank, in the amount of \$550,000. Dr. Wise moved adopt the following resolution accepting the Bob-O-Link Road and Southern Bullitt County Water Storage Tank KIA grants, approving the Grant Agreements, authorizing the amendment of the 2006 LWC Budget to note receipt of the funds for both projects, and authorizing the Chief Engineer to sign the grant documents for both projects.

WHEREAS, the General Assembly has appropriated funds for infrastructure projects in the 2006-2008 Budget of the Commonwealth; and

WHEREAS, the Grantee has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Grantee's utility system (the "Project"); and

WHEREAS, the Grantee desires funding from the Kentucky Infrastructure Authority (the "Authority") for the purpose of acquisition and construction of the Project.

NOW, THEREFORE, BE IT RESOLVED by the Board of Water Works of the Louisville Water Company as follows:

SECTION 1. That the Grantee hereby accepts the grant award and approves the Agreement between the Grantee and the Authority substantially in the form on file with the Grantee for the purpose of providing a portion of the necessary financing to the Grantee for the acquisition and construction of the Project.

SECTION 2. That Gregory C. Heitzman is hereby authorized, directed and empowered by the Grantee to execute the Agreement and all other necessary documents or agreements, and to otherwise act on behalf of the Grantee to implement the Project.

SECTION 3. That the Grantee hereby includes in its annual budget the receipt and expenditures of funds subject to the Agreement with the Authority.

SECTION 4. This Agreement shall take effect immediately upon passage

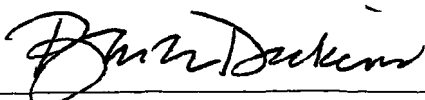
Ms. Willis seconded, and the motion carried.

Executive Session Conducted

The Board went into Executive Session without management present at 3:02 p.m.

There being no further business, the meeting was adjourned at 3:20 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
OCTOBER 10, 2006**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Margaret Harris
Mr. Gerald Martin
Ms. Marita Willis

Not Present:

Mayor Jerry Abramson
Ms. Wendy Welsh, Vice-Chair
Dr. Joseph Wise

Others Present:

Mr. Rick Johnstone, Deputy Mayor, Louisville/Jefferson County Metro Government
Mr. John Huber, President/CEO
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Senior Vice President, Operations and Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Ms. Amber Halloran, Controller and Business System Owner, Supplying Financial Resources
Ms. Barbara Crow, Process Owner, Providing Strategic Communications
Mr. Vince Monks, Distribution Water Quality Coordinator

The regular meeting of the Board of Water Works was held on Tuesday, October 10, 2006 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:35 p.m.

Minutes from the Previous Regular Meeting Reviewed and Approved

Ms. Margaret Harris moved to approve the minutes from September 19, 2006, seconded by Mr. Gerald Martin, and the motion carried.

Financial Report Provided

Mr. Robert Miller provided the financial results through September 2006, which were as previously forecasted. The revised forecasted revenues were on target at \$700,000 below budget, but Operations and Maintenance expenses, depreciation and other expenses were also below budget and therefore offset the lower revenue.

Operating Revenues for September of \$10,380,141 are \$673,004 or 6.1% lower than budgeted and \$365,931 or 3.4% less than September 2005. Operation and Maintenance Expenses for September of \$3,966,995 are \$117,559 or 2.9% less than budgeted and \$77,940 or 2.0% higher than September 2005. Total Operating Expenses for September of \$6,698,022 are \$302,019 or 4.3% less than budgeted and \$748 or nearly the same as September 2005. Net Operating Revenue for September of \$3,682,118 is \$370,985 or 9.2% lower than budgeted and \$366,679 or 9.1% less than September 2005.

Total Net Non-Operating Expense for September of \$178,979 is \$392,917 or 68.7% less than budgeted and \$140,182 or 43.9% less than September 2005. Net Income Before Distributions and Contributions for September of \$3,503,139 is \$21,931 or 0.6% higher than budgeted and \$226,496 or 6.1% less than September 2005. YTD Net Income of \$23,475,323 is \$1,384,533 or 5.6% less than budgeted and \$4,052,819 or 14.7% less than 2005. Capital Expenditures through September were \$44,470,093 or 51.39% of the 2006 Capital Budget of \$86,529,148 and 52.47% of the revised estimate of \$84,751,430.

Mr. Miller stated under current forecast we anticipate meeting the budgeted dividend, assuming no contribution to the Infrastructure Replacement Reserve and no unusual expenses.

Operations and Engineering Report Provided

Mr. Greg Heitzman presented the Operations and Engineering report for September 2006. The average production during last month was 124.3 MGD, a 9.6 percent decrease from the 2005 September production of 137.4 MGD. Compared with the five year average September production of 137.5 MGD, last month's production was also 9.6 percent lower. For the year to date, production is 6.6 percent and 4.0 percent lower than 2005 and the five year average, respectively. September production levels have not been this low since 1993. September was the second wettest on record with 9.6 inches of rainfall. Through September, total rainfall is 12 inches above the five year average and 22 inches more than 2005.

Due to the recent fall in fuel prices, the Fleet Process will be working with the purchasing and legal departments to pursue pre-purchase of 30 to 40 percent of the expected fuel needs for 2007. Current options being considered include purchasing futures contracts or working with a supplier to pre-buy fuel at current prices and taking delivery in 2007. With adjustments for sales tax and volume discounts, the Company pays approximately 25 cents less per gallon than the retail pump price. Through August, fuel expenses exceed budget by \$82,000 and with the recent reduction in fuel prices to less than \$2.00 a gallon (LWC cost), this budget overage will decline by year end. The 2006 budget assumes an average fuel price of \$2.32 per gallon for unleaded gasoline and \$2.06 per gallon for diesel fuel. Our fuel allocation is approximately one third un-leaded and two thirds diesel.

The bid opening for the Riverbank Filtration, Phase II project has been deferred until November 8, 2006 to increase competition as a result of two other tunneling projects being bid at this time in California. A special-called board meeting at the end of November may be necessary to approve the award of a contract.

Serving Customers Report Provided

Ms. Karla Teasley provided the Serving Customers report for September 2006. Customer satisfaction dropped in the third quarter from a second quarter Total Customer Satisfaction Index (CSI) of 857 to 831. All factors declined including water quality, customer service, information, reliability and price/value. Comparing 2005 factor scores to 2006 numbers year-to-date, information has dropped the most; however, it is weighted the least in the index formula. Also, the commercial non-service segment dropped the most, followed by the residential non-service segment. The year to date average of 844 for the Total CSI meets the Level I goal but falls six points short of the Level II goal. Customer satisfaction for the Service CSI increased in the third quarter to 820 from the previous high of 817. The year end average of 805 exceeds the Level III goal for the Corporate Performance Award (800). This is also a new high for the year to date average, up from a 2005 full-year average of 801.

A partnership with local artist Tom Foerster has helped raise thousands of dollars for Water For People, a non-profit organization that brings clean water and basic sanitation to thousands of the world's poorest people. Foerster created a series of 15 paintings of the Crescent Hill Reservoir that were displayed at the

historic Water Tower. Forty percent of the sale of those paintings and a portion of the proceeds of note card sales were set aside for Water For People. Additionally, LWC has three corporate giving campaigns: Metro United Way, Fund for the Arts and Water For People, which were combined for the first time this year.

Closed Session Held

Ms. Marita Willis moved to go into closed session to discuss proposed or pending litigation and a business proposal pursuant to KRS 61.810(1)(b) and (g), respectively, at 1:55 p.m. Mr. Martin seconded, and the motion carried.

Open Session Resumed

On the motion of Mr. Martin, seconded by Ms. Harris and unanimously carried, the Board resumed open session at 2:15 p.m. No action was taken in closed session.

Strategic Plan, Strategy II: Customer Satisfaction and Strategy IV: Organizational Effectiveness Discussed

Ms. Teasley discussed the updates and changes to Strategy II regarding Customer Satisfaction, which is to invest in new technologies and programs to enhance customer satisfaction and achieve best in class customer service. Many of the changes focus on customer service information system recovery time objectives and improving internal controls for the customer management system. The additions also address the need to consider affordability for our low income or fixed-income customers and emphasize the importance of business continuity planning in emergency situations.

Ms. Susan Lehmann discussed changes made to Strategy IV regarding Organizational Effectiveness. Formerly this goal focused on a high quality of work life, but it has now been broadened to include other organizational effectiveness initiatives. We plan to maximize the diverse talents in the workforce by effectively implementing our Performance Partnerships process, by rewarding and recognizing positive behavior consistent with our Core Values, and by ensuring skills training in a variety of job classifications, including a continued focus on information technology training.

Preliminary 2007 Operating Budget Discussed and Approved for Filing

Mr. Miller provided an overview of the Preliminary 2007 Budget. The proposed 2007 Capital Budget is \$74,223,154 and the proposed 2007 Operating Budget is \$125,318,900. The Capital Budget is developed based on the 2002-2021 Facilities Plan and the 2006 Annual Inspection Report. The Operating Budget is developed based on the 2007-2021 Strategic Plan and certain planning parameters such as projected water sales, the union contract and salary scale increases, and the anticipated inflation rate. The Capital Budget is funded primarily from cash generated from operations, i.e. profits not paid out as dividend and non-cash expenses such as depreciation. Another major source of Capital Budget funds are the developer contributions in the form of distribution extensions, water service and fire hydrants. The Operating Budget is funded almost entirely by water sales.

The 2007 Capital Budget is approximately \$20 Million lower than what was projected for 2007 in both the Series 2006 Bond Issue and the 2006 Capital Improvement Plan as a result of cash flow adjustments to major treatment plant projects to more accurately reflect current construction schedules and deferral of transmission projects to improve system reliability and redundancy. The reduced capital program will not impair our ability to spend the proceeds of the recent bond issue within the two year requirement. The breakdown of Capital Budget allocations is: Infrastructure Replacement/Rehabilitation - \$26.0 million;

New Technology and Facilities - \$17.9 million; Growth-Related Improvements - \$13.7 million; and Self-Financing Improvements - \$16.5 million.

The 2007 Operating Budget of \$125.3 million is based on the following assumptions: Water Sales Decreased by 1.6%; Operation and Maintenance Expense Up \$2.6 million or 5.2%; Depreciation and Amortization Expense Up \$2.4 million or 12.0%; Non-Operating Expenses Up \$1.6 million or 19.1%; Non-Operating Income Up \$2.7 million or 81.4%

This preliminary budget contemplates a rate increase of 6.5% for water sales on and after January 1, 2007. This rate increase is 1.5% higher than what was forecast in the financial plan contained in the Series 2006 Bond Issue. Without the decrease in projected water sales and the increase in funding to the Infrastructure Replacement Reserve, the rate increase would have been 4.3%.

Ms. Harris moved to authorize staff to file the preliminary budget with the Bond Trustee and with Louisville/Jefferson County Metro Government, Mr. Martin seconded and the motion carried. Authorization to file the budget does not indicate approval of the budget by the Board. A detailed presentation of the preliminary budget will be provided at the November Board meeting, along with the ten year Proforma Income Statement, the ten year Financial Plan, and the Comparative Ratio Analysis.

Enhanced Cross Connection Control Program Proposed

Mr. Vince Monks advised the Board the 2007-2021 Strategic Plan includes a strategy to ensure delivery of high quality water through the distribution system to customers. One of the tactics to implement this strategy is to enhance the Company's Cross-connection Control Program (CCP) to protect distribution water quality. The Company's current CCP has been successful in identifying potential cross-connections and installing backflow prevention devices on the customer's plumbing to protect the public water supply from contamination. These high risk customers include chemical manufacturers, funeral homes, and hospitals, among others. The CCP includes educating, developing, and maintaining professional relationships with key industrial and commercial customers to minimize the potential cross-connection risk. The Company's Service Rules include a rule on Cross-connection and Backflow Prevention that has been in place since 1995. In addition, Metro Ordinance 52.01 was adopted in 2005, which includes protection of the public drinking water supply from contamination. Additionally, new regulations by the USEPA will require high quality water in the distribution system. To address all these rules and regulations, the enhanced CCP enables LWC to address all commercial and industrial customers, not just high risk customers. The proposed program will be able to keep pace with water industry trends and emerge as a model of Best management practices in cross-connection control.

Staff efforts to enhance the current program included a gap analysis of LWC's current program and the USEPA best practices and expected regulatory requirements; a pilot study of over 30,000 commercial and industrial customer accounts; a program analysis to determine the staffing resources needed to implement the program over a three year period; and a financial evaluation of the enhanced program to determine the revenue requirements needed to fully fund the program. Staff is finalizing the details of the proposed program and will present a full recommendation for adoption of the enhanced Cross-connection Control Program in the spring of 2007 to be effective in mid 2007. Mr. Heitzman summarized that the CCP will have three components: plumbing installation, testing and quality assurance/quality control, which is the enhanced part of the program. Mr. Johnstone asked how many devices are currently in use. Mr. John Ralston stated there are approximately 5000 devices in place and we get information from certified backflow prevention plumbers on another 20,000. Fees charged to customers subject to the program will cover costs of operating the program.

Update Provided Regarding the Louisville and Jefferson County Information Consortium (LOJIC)

Mr. Heitzman provided a status update regarding the Louisville and Jefferson County Information Consortium (LOJIC). LOJIC is a mapping and information management system that allows planners, agencies, and utility operators to effectively manage spatial assets using a common geographic database. Currently, LOJIC participants include Metro Louisville (40% share), MSD (35% share), LWC (20% share) and PVA (5% share). LWC has participated with LOJIC since its inception in 1987 and became a 20% equity owner in 1996. The LOJIC capital investment has exceeded \$20 million, and annual operating costs are \$1.7 million. Annual revenue from maps sales and license fees of \$350,000 help reduce operating costs to \$1.3 million. Since 1987, the LOJIC user community has expanded to over 400, including agencies, educational institutions, and the private sector. Currently, LWC manages all distribution assets within the LOJIC GIS database and also uses LOJIC extensively for planning and engineering. Future applications for LOJIC include water quality and hydraulic modeling, work order management and work crew routing.

In early 2006, the LOJIC Policy Committee initiated a strategic planning process to determine the future of LOJIC. A new MOU will be entered into among the LOJIC partners. The MOU will replace the 1996 LOJIC agreement and continue the Company's commitment to the LOJIC partnership with a 20 percent equity stake and 20 percent allocation of LOJIC operating, maintenance and capital costs. MSD will continue to serve as the Project Management Agency for LOJIC housing the LOJIC information assets, hardware, software, and day-to-day management of LOJIC. LWC has two designated positions serving on the LOJIC Policy and Technical Committees. Currently, the Company's 20 percent share of LOJIC costs is \$255,000 annually. The proposed 2007 budget includes an increase in LOJIC funding to \$314,000 (\$257,000 O&M and \$57,000 capital). This 23 percent increase allows full funding by all LOJIC partners and also includes new investments for hardware, software, and planimetric/topographic upgrades. New LOJIC partners, such as TARC or Jefferson County Public Schools, and new revenue opportunities will offset annual operating expenses.

Certification Provided Regarding Projects and Change Actions Authorized During the Third Quarter of 2006

Mr. John Huber certified that the following projects and change actions were approved in accordance with Company policy and procedure from July 1 through September 30, 2006:

06800	Crescent Hill Filtration Plant Advanced Treatment Preliminary Engineering, cost center 268 – Project Proposal for Prepaid Regulatory Asset. CPAC-07/20/06, President-07/24/06		
	Approved project budget estimate =	\$ 2,500,000	<i>BOWW approval received.</i>
03638	CHFP Slate Roof replacements, cost center 224 – Project Change Actions to increase estimate. CPAC-08/03/06, President-08/07/06		
	Previously approved budget estimate =	\$ 3,792,864	
	Change in project budget estimate =	\$ 389,105	
	Approved project budget estimate =	\$ 4,181,969	<i>BOWW approval received.</i>
10613	CHFP HVAC Improvements, cost center 224 – Project Change Action #6 to increase estimate. CPAC-08/03/06, President-08/07/06		
	Previously approved budget estimate =	\$ 400,000	
	Change in project budget estimate =	\$ 254,533	
	Approved project budget estimate =	\$ 654,533	<i>BOWW approval received.</i>
99402	Riverbank Filtration Phase II, cost center 268 – Project Change Action #10 to increase estimate and revise cash flow. CPAC-07/27/06, President-07/28/06		
	Previously approved budget estimate =	\$ 40,424,800	
	Change in project budget estimate =	\$ 3,000,000	
	Approved project budget estimate =	\$ 43,424,800	<i>BOWW approval received.</i>

11319-11328 Managing Distribution Operations Point Capital program, cost center 280 – Project Change Action #2 to increase overall program estimate. CPAC-09/22/06, President-09/25/06

Previously approved program budget estimate =	\$ 3,117,750
Change in project 11325 : Transmission System Improv budget estimate =	0
Change in project 11328 : Lead Service Renewals (block) budget estimate =	366,000
Change in project 11320 : Lead Service Renewals (point) budget estimate =	44,550
Change in project 11327 : Large Meter Renovates/Installs budget estimate =	96,000
Change in project 11326 : Service Modifications budget estimate =	140,000
Change in project 11323 : Distribution System Improv budget estimate =	(14,300)
Change in project 11321 : Fire Hydrant Replacement budget estimate =	(25,000)
Change in project 11319 : Fire Hydrant Locks budget estimate =	0
Change in project 11324 : Blow Offs on Deadends budget estimate =	14,000
Change in project 11322 : Detector Check Valves budget estimate =	<u>(25,500)</u>
Requested program budget estimate =	\$ 3,713,500

BOWW approval was received for project 11328.

01743 Snyder Frwy transmission main, cost center 342 – Project Change Action #6 to increase estimate and revise cash flow. CPAC-09/22/06, President-09/25/06

Previously approved budget estimate =	\$ 15,570,320
Change in project budget estimate =	<u>\$ 12,225,080</u>
Requested project budget estimate =	\$ 27,795,400

BOWW approval is required. Will be submitted after further value engineering.

10414 Shelbyville Rd II main replacement (Breckenridge Ln to I-264), cost center 342 – Project Change Action #8 to increase estimate. CPAC-09/01/06, President-09/06/06

Previously approved budget estimate =	\$ 1,673,000
Change in project budget estimate =	<u>\$ 415,607</u>
Approved project budget estimate =	\$ 2,088,607 <i>BOWW approval received.</i>

11483 Outer Loop, Fegenbush Ln and Beulah Church Rd intersection improvement main relocation, cost center 342 – Project Proposal for non-budgeted project. CPAC-09/01/06, President-09/06/06

Approved project budget estimate =	\$ 488,000
Less Contribution =	<u>(438,000)</u>
LWC Net Cost =	\$ 50,000

11498 Bardstown Rd Lead Service Renewals, cost center 342 – Project Proposal to initiate unbudgeted lead service block renewal project. CPAC-09/22/06, President-09/25/06

Approved project budget estimate =	\$ 198,000
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Acct ADIC Tape Library Upgrade, cost center 441 – Project Proposal for unbudgeted project. CPAC-07/20/06, President-07/24/06

Approved project budget estimate =	\$ 100,840
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10434 Backlog Construction Return Posting, cost center 326 – Project Proposal for approval. CPAC-07/20/06, President-07/24/06

Approved project budget estimate =	\$ 831,453
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11481 Helm St grid-tie, Boxley Ave to Byrne Ave, cost center 342 – Project Proposal for initiating new project for work performed under another project (03523). CPAC-08/25/06, President-08/31/06

Approved project budget estimate =	\$ 108,011
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11499 River Park Place main relocation, cost center 342 – Project Proposal to initiate project funded in the 2006 Relocation program. CPAC-09/22/06, President-09/25/06

Approved project budget estimate =	\$ 109,000
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99416 Waste Wash Water Holding Tank and Pump Station, cost center 222 – Project Change Action #6 to decrease estimate. CPAC-09/22/06, President-09/25/06

Previously approved budget estimate =	\$ 3,565,022
Change in project budget estimate =	<u>\$ (142,886)</u>
Approved project budget estimate =	\$ 3,422,136

02603 PRP II BPS, cost center 222 – Project Change Action #3 to revise cash flow. CPAC-09/29/06, President-09/29/06

Approved project budget estimate =	\$ 300,000
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10609	Paint Bardstown Rd tank, cost center 222 – Project Change Action #7 to decrease estimate. CPAC-07/06/06, President-07/12/06	Previously approved budget estimate =	\$ 1,097,660
		Change in project budget estimate =	<u>\$ (21,472)</u>
		Approved project budget estimate =	\$ 1,076,188
02648	Ventilation Improvements at ZPS, cost center 224 – Project Change Actions #4 and #5 to increase estimate. CPAC-09/08/06, President-09/08/06	Previously approved budget estimate =	\$ 290,980
		Change in project budget estimate =	<u>\$ 25,407</u>
		Approved project budget estimate =	\$ 316,387
03638	CHFP Slate Roof Replacements, cost center 224 – Project Change Actions #5 and #6 to increase estimate. CPAC-07/13/06, President-07/14/06	Previously approved budget estimate =	\$ 3,993,597
		Change in project budget estimate =	<u>\$ 23,288</u>
		Approved project budget estimate =	\$ 4,016,885
11333	Phase III Advanced Treatment Technology, cost center 268 – Project Change Action #1 to revise cash flow. CPAC-07/20/06, President-07/24/06	Approved project budget estimate =	\$ 110,000,000
11338,08	Crane Truck, cost center 282 – Project Change Action #1 to increase estimate. CPAC-09/01/06, President-09/06/06	Previously approved budget estimate =	\$ 145,000
		Change in project budget estimate =	<u>\$ 39,000</u>
		Approved project budget estimate =	\$ 184,000
11338,16	Crew Trucks, cost center 282 – Project Change Action #1 to increase estimate. CPAC-09/01/06, President-09/06/06	Previously approved budget estimate =	\$ 131,100
		Change in project budget estimate =	<u>\$ 25,900</u>
		Approved project budget estimate =	\$ 157,000
10434	Backlog Construction Return Posting, cost center 326 – Project Change Action #1 to increase estimate. CPAC-07/20/06, President-07/24/06	Previously approved budget estimate =	\$ 831,453
		Change in project budget estimate =	<u>\$ 241,000</u>
		Approved project budget estimate =	\$ 1,072,453
02616	Cardinal Hill Reservoir Detention Basin, cost center 342 – Project Change Action #1 to increase estimate. CPAC-07/06/06, President-07/12/06	Previously approved budget estimate =	\$ 300,000
		Change in project budget estimate =	<u>\$ 240,820</u>
		Approved project budget estimate =	\$ 540,820
03523	Crittenden Dr II main replacement, cost center 342 – Project Change Action #3 to increase estimate and revise cash flow. CPAC-08/25/06, President-08/31/06	Previously approved budget estimate =	\$ 1,539,895
		Change in project budget estimate =	<u>\$ 92,352</u>
		Approved project budget estimate =	\$ 1,632,247
03523	Crittenden Dr II main replacement, cost center 342 – Project Change Action #4 to decrease estimate. CPAC-08/25/06, President-08/31/06	Previously approved budget estimate =	\$ 1,632,247
		Change in project budget estimate =	<u>\$ (108,011)</u>
		Approved project budget estimate =	\$ 1,524,236
10135	Reservoir Ave Phase 1 and 2, cost center 342 – Project Change Action #3 to increase estimate. CPAC-08/03/06, President-08/07/06	Previously approved budget estimate =	\$ 227,293
		Change in project budget estimate =	<u>\$ 105,419</u>
		Approved project budget estimate =	\$ 332,712

10286	River Port Rd grid-tie, cost center 342 – Project Change Action #1 to increase estimate. CPAC-07/06/06, President-07/12/06	Previously approved budget estimate =	\$ 343,000
		Change in project budget estimate =	<u>\$ 114,900</u>
		Approved project budget estimate =	\$ 457,900
10334	Sixth Avenue Main Replacement, cost center 342 – Project Change Action #1 to increase estimate. CPAC-08/18/06, President-08/18/06	Previously approved budget estimate =	\$ 151,000
		Change in project budget estimate =	<u>\$ 60,000</u>
		Approved project budget estimate =	\$ 211,000
11172	Old Ford Rd transmission main, cost center 342 – Project Change Action #2 to decrease estimate and revise cash flow. CPAC-07/20/06, President-07/24/06	Previously approved budget estimate =	\$ 576,000
		Change in project budget estimate =	<u>\$ (265,727)</u>
		Approved project budget estimate =	\$ 310,273
11187	South Dixie main replacement, cost center 342 – Project Change Action #4 to revise cash flow. CPAC-07/27/06, President-07/28/06	Approved project budget estimate =	\$ 1,056,425
11188	LaGrange Rd main replacement, cost center 342 – Project Change Action #3 to revise cash flow. CPAC-07/27/06, President-07/28/06	Approved project budget estimate =	\$ 510,000
11188	LaGrange Rd main replacement, cost center 342 – Project Change Action #4 to revise cash flow. CPAC-09/01/06, President-09/06/06	Approved project budget estimate =	\$ 510,000
11209	Phillips Ln widening relocation, cost center 342 – Project Change Action #2 to increase estimate. CPAC-08/25/06, President-08/31/06	Previously approved budget estimate =	\$ 20,800
		Change in project budget estimate =	<u>\$ 26,907</u>
		Approved project budget estimate =	\$ 47,707
11213	Johnsontown Road Water Main Relocation, cost center 342 – Project Change Action #1 to decrease estimate. CPAC-08/11/06, President-08/11/06	Previously approved budget estimate =	\$ 831,000
		Change in project budget estimate =	<u>\$ (389,880)</u>
		Approved project budget estimate =	\$ 441,120
11246	Frisch's Restaurant at 6209 Bardstown Rd, cost center 342 – Project Change Action #1 to increase estimate. CPAC-07/06/06, President-07/12/06	Previously approved budget estimate =	\$ 15,000
		Change in project budget estimate =	<u>\$ 23,000</u>
		Approved project budget estimate =	\$ 38,000
11361	Southern Pkwy main replacement, cost center 342 – Project Change Action #2 to decrease estimate and defer project to 2007 MRRP plan. CPAC-08/25/06, President-08/31/06	Previously approved budget estimate =	\$ 250,000
		Change in project budget estimate =	<u>\$ (244,500)</u>
		Approved project budget estimate =	\$ 5,500
11385	Baxter Ave main replacement, cost center 342 – Project Change Action #3 to revise cash flow. CPAC-08/25/06, President-08/31/06	Approved project budget estimate =	\$ 503,929
11406	City of Taylorsville master meter #3 and water main extension, cost center 342 – Project Change Action #3 to increase estimate. CPAC-08/11/06, President-08/11/06	Previously approved budget estimate =	\$ 90,000
		Change in project budget estimate =	<u>\$ 11,516</u>
		Approved project budget estimate =	\$ 101,516

11300-07	Middletown New Service Installations Program, cost center 364 – Project Change Action #2 to decrease overall program estimate and revise cash flow. CPAC-08/25/06, President-08/31/06		
	Previously approved program budget estimate =		\$ 4,477,572
	Change in project 11300 : Small Services LWC installed budget estimate =		(218,204)
	Change in project 11301 : Small Services Contractor installed budget est =		149,230
	Change in project 11302 : Large Services 1.5" and 2" budget estimate =		(26,952)
	Change in project 11303 : Large Services 4" and Larger budget estimate =		(89,042)
	Change in project 11304 : Fire Hydrant Installs budget estimate =		(30,000)
	Change in project 11305 : Fire Service Installs budget estimate =		9,364
	Change in project 11307 : Irrigation Service Retrofits budget estimate =		<u>101,870</u>
	Approved program budget estimate =		\$ 4,373,838
11447	Holsclaw Hill pump station, cost center 366 – Project Change Action #2 to increase estimate. CPAC-07/27/06, President-07/28/06		
	Previously approved budget estimate =	\$ 125,000	
	Change in project budget estimate =	<u>\$ 28,000</u>	
	Approved project budget estimate =	\$ 153,000	
01664	South Dixie 16" grid-tie, cost center 369 – Project Change Action #2 to revise cash flow. CPAC-07/13/06, President-07/14/06		
	Approved project budget estimate =	\$ 180,000	
02312	Barralton Hill and Pendleton Rd main extension, cost center 369 – Project Change Action #3 to increase estimate and revise cash flow. CPAC-07/27/06, President-07/28/06		
	Previously approved budget estimate =	\$ 171,500	
	Change in project budget estimate =	<u>\$ 66,300</u>	
	Approved project budget estimate =	\$ 237,800	
02343	Hurst Rd main extension, cost center 369 – Project Change Action #2 to increase estimate and revise cash flow. CPAC-07/06/06, President-07/12/06		
	Previously approved budget estimate =	\$ 94,000	
	Change in project budget estimate =	<u>\$ 50,000</u>	
	Approved project budget estimate =	\$ 144,000	
02348	Chester Ln main extension, cost center 369 – Project Change Action #2 to revise cash flow. CPAC-07/06/06, President-07/12/06		
	Approved project budget estimate =	\$ 140,000	
03313	Johnson Hollow PRV Station, grid-tie and Trappers Road extension, cost center 369 – Project Change Action #2 to revise cash flow. CPAC-07/13/06, President-07/14/06		
	Approved project budget estimate =	\$ 280,000	
03608	Sugartree Storage Tank, cost center 369 – Project Change Action #3 to revise cash flow. CPAC-07/13/06, President-07/14/06		
	Approved project budget estimate =	\$ 270,000	
10270	Southern Bullitt County storage tank, cost center 369 – Project Change Action #4 to revise cash flow. CPAC-07/13/06, President-07/14/06		
	Approved project budget estimate =	\$ 892,775	

Certification Provided Regarding Contracts and Bids Awarded During the Third Quarter of 2006

Mr. Huber stated it was discovered through a routine audit that two bid advertisements for materials did not appear in the newspaper. These bids for Plastic Meter Vaults and Meter Setters were opened and awarded in the second quarter of 2006. After review, it was determined that Louisville Water Company had submitted the advertisement for publication, but that the advertisement was not printed. A check to verify advertisement before bid opening is now a part of the Procurement process. With the exception of this issue, Mr. Huber certified that the following contracts were awarded from July 1 through September 30, 2006 in according with Company policy and procedure governing purchases:

CAPITAL PROGRAM

05-43	Reservoir Avenue Phase 2 - Assignment from Bid 05-43 Distribution System Repairs	
	10135 Southern Pipeline Construction Co. (CWBE)	\$150,518

06-04	Baxter Avenue Main Replacement Project 11385 Tom Brown Construction Co.	\$298,950
06-105	Crescent Hill Pump Station Unit #7 Overhaul - Discharge Valve Replacement 02402 Southern Pipeline Construction Co. (CWBE)	\$44,843
06-61	Holsclaw Hill Road Booster Pump Station 11447 Pace Contracting, LLC	\$123,000
06-71	Installation of Water Quality and Chemical Feed Instrumentation 11384 Walter B. Diecks Electric Co.	\$67,981
06-81	Weavers Run Water Main Extension Project - Bullitt County Extension Program - KT#1 02322 Kelsey Construction, LLC	\$364,113
06-82	Blossom Ridge Road 11396 Kelsey Construction, LLC - Grid Tie 11365 Kelsey Construction, LLC - Water Main Extension	\$64,716 \$123,994
06-89	Allmond Employee Parking Lot Lighting Improvement 11314 Meiners Electric	\$38,212
06-91	Ridge Road Water Main Extension 10561 C Squared Inc.	\$40,900
06-96	Cathodic Protection 2006 11459 C.P. Systems International, Inc.	\$151,040

PROCUREMENT OF MATERIALS AND SERVICES

02-41	Barricade Rentals - 4th and Final CPI Renewal Peyton's Barricade and Sign Co., LLC	\$142,431
03-29	CSI Data Collection - 3rd CPI Renewal Data Max	\$30,338
03-44	Property & Casualty Brokerage Services - 3rd CPI Renewal Neace Lukens	\$40,436
04-42	Southern Bullitt County 1MG Ground Storage Tank Final Design - Assignment from Bid #04-42 - Engineering Services for Distribution System Design & Construction Pipeline, Pump Stations, and Tanks 10270 O'Brien and Gere Engineers	\$41,345
04-51	LWC Property Protection - 2nd CPI Renewal Louisville Patrol & Detection	\$364,630
05-108	Digital Correlator System - RFP Fluid Conservation, Inc.	\$29,900
05-19	Banking Services - 1st CPI Renewal National City	\$25,008
05-19	Lockbox Services & Debit / Credit Card Services - 1st CPI Renewal Fifth Third Bank - Debit / Credit Card Services Fifth Third Bank - Lockbox Services	\$200,258 \$125,040
05-66	Construction Inspection and Technician Services - Correction to 1st CPI Renewal Quest	\$316,317
05-92	Polyvinyl Chloride (PVC) Pipe - 2nd PPI Renewal PW Eagle	\$571,915
06-107	Copper Tubing Hughes Supply Co.	\$288,274

06-19	Troubleshoot & Repair Zom Pump #8 CHANGE REQUEST - Assignment to Bid 06-19 Contingency Contract for Pump Repairs RPM Inc.		\$22,701
06-38	Water Treatment Chemicals		
	Aluminum Chemical	Liquid Polyaluminum Chloride (PACL)	\$21,120
	Calgon	Powdered Activated Carbon (Taste & Odor)	\$115,566
	CIBA	Poly - diallyldimethylammonium chloride	\$120,420
	JCI	Liquid Chlorine - B.E. Payne	\$100,739
	Kemiron	Liquid Ferric Chloride	\$1,355,206
	LCI	Fluosilicic Acid	\$211,593
	Mississippi Lime	Quicklime	\$507,059
	Univar	Liquid Chlorine - CHFP	\$241,368
	Univar	Ammonia	\$93,080
06-58	Crew Trucks and Bodies Peterson GMC-Kenworth		\$155,370
06-62	Ductile Iron Fittings Hughes Supply Co.		\$248,071
06-63	Polywrap Hamilton Plastics, Inc.		\$46,809
06-64	Propylene Glycol Southern Water Treatment Co.		\$72,154
06-65	Casing Spacers Hughes Supply Co.		\$42,485
06-66	Keytube Plastic Hughes Supply Co.		\$24,150
06-69	Road and Tire Service Huber Tire		\$147,208
06-76	One and one-half Ton Cab & Chassis with Service and Flatbed Truck Bodies Countryside Motors for Cabs and Chassis Manning Equipment for Bodies		\$56,529 \$51,176
06-79	Expendable Office Supplies Office Max		\$73,868
06-87	Water Pressure Regulators Hughes Supply Co.		\$30,667
06-88	Ductile Iron Pipe U.S. Pipe & Foundry		\$786,141
06-95	Miscellaneous Heavy Equipment Advantage Equipment (MBE) Whayne Supply		\$39,108 \$385,230
06-98	Steel Casing Pipe Hayes Pipe Supply Co.		\$41,517
GSA	Mobile Facility Data Access - Mobile GIS 11331 Force 3, Inc. (MBE)		\$23,925
KY State Contract #C- 06172378	ADIC Tape Library Upgrade EMC		\$106,480

PROCUREMENT OF PROFESSIONAL SERVICES

02-70	Preliminary Design for the CHFP Chlorine and Coagulant Feed System Improvements - Assignment from Plant and Facilities Engineering Services	
10608	Jordon Jones & Goulding (JJ&G)	\$170,000
02-70	Preliminary Design Study for CHFP East Filter and Backwash System Renovations - Assignment from Plant and Facilities Engineering Services	
10231	Camp, Dresser, & McKee (CDM)	\$248,124
06-77	Executive Search Firm	
<i>Recommended</i>	Battalia Winston (WBE)	\$79,160
<i>Short List</i>	Diversified Search (WBE)	\$82,659
	Edward W. Kelley	\$80,659
Professional Service	Facility Condition Assessment - ZPS to CHPS - Assignment from Plant and Facilities Engineering Services	
06800	CH2M Hill Engineers, Inc.	\$151,958

PROCUREMENT OF SOLE SOURCE MATERIALS AND SERVICES

Sole Source	AMR Repair Parts & Equipment for small and large meters Neptune Equipment	\$20,000
Sole Source	AutoCAD License Upgrade DLT Solutions, Inc.	\$28,213
Sole Source	Groundwater Monitoring Network U.S. Geological Survey (USGS)	\$25,200
Sole Source	IVR System Maintenance Renewal First Data Government Solutions	\$20,933
Sole Source	Renewal of Oracle Maintenance Support Contracts 3897249 & 1855160 with co-termining Renewals 2133139, 2291795 and 1700207 Oracle Corporation	\$94,544

First Reading Given to Policies on Long Range Planning, Financial Management and Risk Management

Mr. Miller reviewed as a first reading new policies proposed to express our company practices and position on long range planning, financial management and risk management. Mr. Conner questioned whether the statements should be policies adopted by company management or policies adopted by the Board of Water Works. Mr. Miller stated he will consider if there needs to be a high level statement for each one of these topics adopted by the Board and will make a recommendation at the next meeting.

Budget Increased and Bid Authorized for Project 10615: Zorn Water Tower Coating System

Mr. Heitzman advised the scope of Project 10615: Rehabilitate Zorn Water Tower Coating System included rehabilitation of the coating system and related repairs to the historic water tower structure. The tower was last coated as part of a major rehabilitation project in the early 1990s. During the design phase additional scope items were identified, including additional structural damage to the lower tower when bricks and masonry fell through the lower soffit of the tower balcony roof. The additional cost of these structural repairs is estimated at \$127,200. In addition, several other items are recommended for inclusion in the project budget: tuck pointing of the interior tower masonry at a cost of \$25,000; fall protection assembly for the interior vertical ladders at a cost of \$19,500; replacement of the deteriorated wood floor platform at the dome level at a cost of \$11,500; electrical upgrades to replace the aviation light assembly at the

dome and replace interior tower lighting at a cost of \$24,750; temporary fencing at a cost of \$10,500; increase in engineering and supervision at a cost of \$25,400; and, an increase contingency to 15 percent on the anticipated construction contract amount at a cost of \$49,390. Ms. Harris moved to increase the budget of Project 10615: Rehabilitate Zorn Water Tower Coating System from \$300,000 to \$593,240 and proceed to advertise and bid the project. Mr. Martin seconded, and the motion carried.

Budget Allocation Increased for Distribution Operations Capital Program

Mr. Heitzman advised Distribution Operations has completed over 86 percent of the assigned Capital Program due to coordination with the Metro Government's paving schedule and the low water sales resulting in fewer operations and maintenance activities. As work was shifted from operating and maintenance costs to capital, specific projects were targeted including lead service, fire hydrant, and large meter and service renovations. In accordance with Capital Projects Authorization Procedures, Ms. Willis moved to increase the budget allocation for in-house capital construction from \$3,117,750 to \$3,713,500, including \$366,000 of additional funding for lead service line renewals. Mr. Martin seconded, and the motion carried

Executive Session Conducted

The Board went into Executive Session without management present at 2:45 p.m.

There being no further business, the meeting was adjourned at 2:55 p.m.

Respectfully submitted,



Barbara K. Dickens

Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
NOVEMBER 14, 2006**

Board Members Present:

Ms. Wendy Welsh, Vice-Chair
Ms. Margaret Harris
Mr. Gerald Martin
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mr. Stewart Conner, Chairperson
Mayor Jerry Abramson

Others Present:

Mr. Rick Johnstone, Deputy Mayor, Louisville/Jefferson County Metro Government
Mr. John Huber, President/CEO
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Senior Vice President, Operations and Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Ms. Amber Halloran, Controller and Business System Owner, Supplying Financial Resources
Ms. Kay Ball, Program Manager, Riverbank Filtration

Visitors:

The regular meeting of the Board of Water Works was held on Tuesday, November 14, 2006 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Vice-Chair Wendy Welsh called the meeting to order at 12:33 p.m.

Minutes from the Previous Regular Meeting Reviewed and Approved

Ms. Barbara Dickens noted an error in the proposed minutes in the last paragraph of the report on the Cross Connection Control Program. Specifically, the last three sentences in final paragraph of the report should read: "Mr. Johnstone asked how many devices are currently in use. Mr. John Ralston stated there are approximately 5000 devices in place and we get information from certified backflow prevention plumbers on another 20,000. Fees charged to customers subject to the program will cover costs of operating the program." Additionally, the minutes should reflect that Mr. Greg Heitzman provided the reports on the final two items considered by the Board. Mr. Gerald Martin moved to approve the minutes, seconded by Dr. Joseph Wise, and the motion carried.

Chief Executive Officer Report

Mr. John Huber advised potential new congressional committee appointments will impact federal initiatives affecting water utilities in the next two years. Specifically, Barbara Boxer (D-CA) will become the Chair of the Environment and Public Works Committee in the Senate and she has previously expressed a desire for a perchlorate standard for water. In the House, John Dingell (D-MI) will likely

become Chair of the Energy and Commerce Committee and has been an advocate in the past of requiring water utilities to comply with the Chemical Security Act.

Financial Report Provided

Ms. Amber Halloran provided the financial results through October 2006 which, although unfavorable, were as forecasted. YTD Operating Revenues of \$96,720,721 are \$2,375,695 or 2.4% less than budgeted and \$74,242 or 0.1% higher than 2005. YTD Operation and Maintenance Expenses of \$40,579,171 are \$521,974 or 1.3% less than budgeted and \$2,647,993 or 7.0% higher than 2005. We are currently performing to meet or exceed our expense reduction plan. YTD Total Operating Expenses of \$67,007,154 is \$179,375 or 0.3% lower than budgeted and \$5,000,983 or 8.1% higher than 2005. YTD Net Operating Revenue of \$29,713,567 is \$2,196,321 or 6.9% less than budgeted and \$4,926,741 or 14.2% less than 2005. YTD Total Net Non-Operating Expense of \$3,026,445 is \$692,513 or 18.6% less than budgeted and \$250,630 or 9.0% higher than 2005. YTD Net Income of \$26,687,122 is \$1,503,808 or 5.3% less than budgeted and \$5,177,371 or 16.2% less than 2005.

Ms. Halloran advised that staff will meet with Metro Government representatives following the November results and provide an updated forecast including the projected final dividend payment for 2006.

Operations and Engineering Report Provided

Mr. Heitzman presented the Operations and Engineering report for October 2006. Wet weather continued in October with 5.3 inches of rainfall. Rainfall for the year is 60.7 inches, compared to 35.1 inches of rain through October of 2005. The average production last month was 116.8 MGD, an 11.0 percent decrease from the 2005 October production of 131.2 MGD. Last month's production was 6.2 percent lower than the five year average October production of 124.6 MGD. For the year to date, production is 7.1 percent and 4.2 percent lower than 2005 and the five year average, respectively.

Mr. Heitzman advised the Company was issued a Notice of Violation (NOV) of the Total Coliform Rule for the compliance period of June 2006. The NOV was issued as a Tier 3 monitoring and reporting violation for failure to submit the proper recheck samples from a routine water sample because, although the recheck samples were taken and submitted, they were labeled incorrectly as regular samples. There was no impact on water quality and public health was not compromised. Staff is meeting with the Kentucky Division of Water (DOW) to appeal the NOV. In addition, staff is reviewing standard operating procedures to determine additional quality control steps to avoid this data entry error in the future. If the appeal is not successful, this NOV will require public notification in the Consumer Confidence Report prior to October 18, 2007. Dr. Wise inquired about the frequency of this type of testing, and Mr. Heitzman indicated we sampled 305 times for the month of October. Mr. Johnstone asked how that number is determined, and Mr. Huber responded it is based on population. Mr. Heitzman advised LWC submits a sampling plan each year that is approved by the DOW.

In an effort to secure fuel for 2007 at the current reduced price, the Company has entered into a contract to provide consulting on strategies and procurement options for fuel and energy purchases. The objective for this contract is to operate within the 2007 budget allocation for fuel despite volatile fuel costs recently.

Mr. Heitzman noted a federal court rejected Calgon Carbon Corporation's claim that its UV disinfection method was patentable as a new use of an old process. The Court found that UV disinfection effectiveness with inactivation of Cryptosporidium and Giardia was inherent in prior methods and Calgon's method was simply a new result of an old process, not a new discovery. Louisville Water Company has considered using UV at the Crescent Hill Treatment Plant as an alternative treatment

technology for compliance with U.S. Environmental Protection Agency's Long Term 2 Enhanced Surface Water Treatment Rule (LT2 Rule).

Serving Customers Report Provided

Ms. Karla Teasley provided the Serving Customers report for October 2006. In reviewing the status of the Goshen Reserve fund, staff determined that certain customers are paying less under the Goshen rates than they would pay under LWC rates. For customers with services 1" and larger, they pay lower service charges than the current LWC rates which results in debits to the Goshen reserve instead of credits. Staff is working on the communication plan to transition these customers to the higher LWC rates or permit certain eligible customers the opportunity to downsize their meters.

The Metered Water Ratio team successfully presented the results of the 2005 water audit and analysis to the ELT in the third quarter and provided comparison data for 2004. The 2005 data included more accurate apparent and real loss estimates. The team also calculated LWC's Infrastructure Leak Index, which is the new metric being used by the water industry to track metered water performance. The Index has three performance tiers and LWC is performing in the lowest and best tier. The 2006 action plan and the ELT shared goal are on track to meet 2006 objectives.

Ms. Teasley advised Duane Murner has been elected Oldham County Judge-Executive, and Melanie Roberts has been elected Bullitt County Judge Executive.

News of a proposed water rate increase appeared on the front page of the Courier Journal's Metro Section and the Company received two letters and three e-mails that were unsupportive of the increase.

Closed Session Held

Ms. Marita Willis moved to go into closed session to discuss proposed or pending litigation and a business proposal pursuant to KRS 61.810(1)(b) and (g), respectively, at 1:15 p.m. Dr. Wise seconded, and the motion carried.

Open Session Resumed

On the motion of Dr. Wise, seconded by Mr. Martin and unanimously carried, the Board resumed open session at 2:03 p.m. No action was taken in closed session.

Audit Committee Report Given

Ms. Wendy Welsh provided a report of the Audit Committee's meeting held October 5, 2006. The outside auditor reviewed situations in which specific procedures concerning capital projects and procurement were applied to verify whether the procedures were being followed, and noted no exceptions in the performance of any of the procedures. Mr. Roger LeMaster, the Internal Auditor, conducted an audit of LWC's leases and reported adequate controls exist but could be strengthened.

Ms. Welsh advised Internal Audit observed the annual physical inventory in June and found reasonable controls were in place for counting inventory, but re-counts were necessary due to variances, which for the most part are a result of paperwork and data entry errors due to LWC not having an inventory management module with the Oracle Financial System. The Warehouse Team continues to evaluate outsourcing all or part of warehouse operations and will make a recommendation regarding the direction to take in the near future. Mr. Huber commented the net adjustment required improved for a period of time and has worsened without bar coding. Mr. Johnstone asked the cost of the inventory management

module, and Ms. Halloran advised it is a total cost of approximately \$600,000 for the module and implementation. Directors discussed the various ways in which materials are requisitioned from the warehouse, and Ms. Halloran commented that each job is balanced based on the information from the LWC inspector about what materials have gone into the ground.

Ms. Welsh stated Mr. Robert Miller had provided the Committee an update regarding the Company's voluntary compliance with the substantive components of Sarbanes-Oxley, noting that the Company will not seek actual certification of its financial statements from the external auditor, but will perform the work internally that would be necessary if we were to seek actual certification.

Public Affairs and Customer Satisfaction Committee Report Given

Ms. Marita Willis provided a report of the Public Affairs and Customer Satisfaction Committee's meeting held November 7, 2006. The Monthly Billing Pilot is proceeding. To move forward, the collection cycle will have to be condensed for all customers by a few days. The Interactive Web Response (IWR) project has been rescoped and will include an upgrade to Interactive Voice Response (IVR) because the IVR provider will no longer support the current software. IWR will allow credit card and eCheck payments over the web. IWR will allow payment extensions, and all activity will be real-time to eCIS, meaning it will automatically update the CIS. The IVR will have additional functionality. The Home Service Line Insurance Program was presented and the Committee fully supported moving forward with the program. It provides insurance in the event a customer's own service line needs repair for a relatively low cost paid through the water bill. Mr. Martin inquired whether the team considered having LWC staff provide the plumbing services, and Mr. Huber stated the Company believes the best approach is a collaborative effort with local plumbers who are prequalified by the insurance company to do the work.

Ms. Willis stated the new manager in the call center presented two new quality assurance measures already implemented, which should improve call abandonment and agent availability. The Company will continue with its current communication program regarding lead and will provide additional information at customer's request. Staff have continued to grow the Smile Kentucky! Dental partnership and is working with ORSANCO to bring its floating classroom to Louisville in May of 2007. Mr. Huber suggested an event allowing the Board to view the floating classroom while it is here. In response to a question from Dr. Wise regarding the Home Insurance Program, Ms. Dickens advised approval of the program is within the President's authority granted by the Board.

Authorization Granted to Award a Contract for 99-402: Riverbank Filtration Bids

Ms. Kay Ball advised three pre-qualified bidders submitted bids for the value-engineered Riverbank Filtration Tunnel project. The "value engineering" exercise with Jordon Jones & Goulding resulted in design modifications to allow the project to be built within budget, while meeting the functional objective of delivering 45 MGD supply to the B.E. Payne Water Treatment Plant. The final design consists of a Base Bid of 6,100 feet of bored tunnel, a pump station, and three collector wells capped at ground level with an engineer's estimate of \$34 million. An alternate scope was included in the request for bids for additional tunnel length, one additional collector well, and a tunnel connector for future expansion.

The low bid was received from Mole Constructors, Inc. at a cost of \$29,998,000. Subsequent to the bid opening, the bid documents were evaluated and deemed responsive and responsible. Mole Constructors, Inc. exceeds the Good Faith Minority Business requirements with 15.5 percent Minority Business Enterprise and 5.3 percent Women Business Enterprise participation. Staff recommended awarding both alternate bids in addition to the Base Bid. Alternate Bid 1 includes an additional 1,600 feet of bored tunnel and one additional collector well, which will provide an additional 15 MGD of water supply, for a bid amount of \$3,925,000. Alternate Bid 2 includes an additional tunnel connection, which will provide

flexibility to make a future connection to the tunnel with wells located upstream or across the river, for a bid cost of \$75,000. The total cost of the Base Bid, Alternate Bid 1, and Alternate Bid 2 is \$ 33,998,000. Mr. Martin moved to authorize the President to award a contract to Mole Constructors, Inc in the amount of \$33,998,000 to install the Riverbank Filtration Tunnel and Pump Station including the Base Bid, Alternate Bid 1, and Alternate Bid 2 and reserve the budget at \$43,422,800 to reflect the awarded contract amount. Ms. Margaret Harris seconded and the motion carried. Staff will seek authorization to proceed with construction services included within the existing JJ&G contract at a future BOWW meeting.

Staff Recommended Practice for Amortization of Undepreciated Value of Plan Assets Abandoned Prior to the End of Accounting Life

Mr. Miller advised staff has determined recently, upon completion of several construction projects at its water pumping, treatment and storage facilities, that many of the plant assets being replaced had not reached the end of their accounting life. The remaining depreciation of the original cost of the previous facilities was being recovered through water rates; however, with the replacement of those assets, it is appropriate to remove those previous facilities from the utility-plant-in-service account and to amortize the remaining undepreciated value as a regulatory asset according to Statement of Financial Accounting Standards No. 71 "Accounting for the Effects of Certain Types of Regulation".

In several of these projects, the previous assets were electrical or rotating equipment that had been assigned longer useful lives that were typical of water treatment buildings or basins. In other projects, the previous assets failed prior to the end of their design life. In addition, it was determined that previous identification of abandoned or removed plant facilities had not been consistently applied. . Accounting staff has subsequently reviewed the register of plant assets with engineering and plant operations staff and identified facilities for removal from the utility-plant-in-service account. Mr. Miller reviewed the undepreciated value of the assets by location. The total amount is \$3,611,289.23.

Mr. Miller recommended that the Board authorize the capitalization of the undepreciated value of the utility plant assets no longer in service described above as a regulatory asset that would otherwise be charged to expense and that these costs be amortized over a period determined by the Board and recovered through rates in equal amounts over that same period beginning in 2007. The amortization period selected is at the discretion of the Board, and there is not a past practice by the Company on this matter. Mr. Miller recommended an amortization period of eight years, which represents approximately one-half of the weighted average remaining life of the assets. This would result in an annual amortization amount of approximately \$451,400, offset by a decrease of approximately \$201,800 in annual depreciation expense. Mr. Miller advised staff discussed this matter with Strothman and Company and the external auditor and recommended proceeding to amortize these costs as described. The Preliminary 2007 Annual Budget reflects this recommended accounting treatment.

Mr. Martin inquired whether we are required to include this in the depreciation reserve. Ms. Halloran responded these funds are not deposited in the depreciation reserve account, and Mr. Miller stated it should be recovered through water rates. Mr. Martin asked if this affects the pro forma income statement, and Mr. Miller responded it only affects rates, but not net income or the owner's dividend. Mr. Johnstone asked if this has to be addressed, and Mr. Miller stated it must be addressed because we know these are no longer utility plant in service assets. Dr. Wise moved to authorize the capitalization of the undepreciated value of these plant assets no longer in service as regulatory assets, amortization of them over an eight year period, and recovering of these values through rates in equal amounts over eight years beginning in 2007. Ms. Harris seconded, and the motion carried.

Preliminary 2007 Annual Budget Adopted and 2007-2016 Financial Plan Approved

Mr. Miller advised that following the publication of the Preliminary 2007 Budget in October but the following revisions and corrections have been made: (1) lower operation & maintenance expense of \$100,000 due to lower insurance bids ; higher non-operating income of \$ 47,100 due to increasing the interest rate allocated to capital projects; lower non-operating expense of \$ 75,000 due to capital project write-offs being reduced; the inclusion of bond principal payment for Series 2006 Bonds of \$500,000; and a lower infrastructure replacement reserve deposit by 270,000, thereby reducing the deposit from \$1,230,000 to \$960,000. The effect of these changes is (1) an increase to net income of \$222,100; (2) a decrease to net income available for dividend of \$7,900; and, (3) a decrease to the dividend of \$4,740.

The Preliminary 2007 Capital Budget has also been revised to reflect project proposals and change actions processed after the preliminary budget book was prepared. This has resulted in an increase in the Preliminary 2007 Capital Budget of \$4,178,314; however, more than half of this increase is from revision of cash flows for projects originally budgeted in 2006 but moved to 2007.

Ms. Halloran provided an overview of the 2007-2016 Financial Plan. The Pro Forma Income Statement was developed with ten year planning horizon. The Return on Equity target is assumed at 9.61% for 2007, 9.7% for 2008, and steadily increasing to 10.00% by 2013. Mr. Martin inquired whether we are using the end-of-year equity for the target, and Ms. Halloran affirmed we are. Mr. Martin commented that many companies use average equity to calculate their Return on Equity.

Ms. Halloran stated water consumption for residential, commercial and industrial is forecasted using an average of predicted and lower limits analysis provided by Dr. Cerrito, Statistical Consulting of Louisville, Inc. Wholesale and municipal are forecasting using actual consumption and known changes. Dr. Wise asked if we are accounting for the projected decrease in industrial water sales. Ms. Halloran stated we are but we are also projecting additional wholesale water sales we have a reasonable likelihood of achieving based on current contracts.

The Infrastructure Replacement Reserve funding is \$960,000 in 2007 and ramping up until 2013. Operations and Maintenance expenses are projected to increase 5% depending on specific category during 2007 through 2016. Staff calculated the depreciation and amortization increase using the 10 year capital plan. We included the interest expense of \$3,972,400 for the borrowing in 2006 as a non-operating expense for 2007. The principal payments on the Series 2001 bonds conclude in 2014. Principal payments on new bond issues commence in the year following the bond issue.

In terms of water rates, Ms. Halloran stated we are projecting an increase by 6.5% in 2007 with varying increases, not to exceed 6.5% in 2008 – 2016. The debt service coverage and max debt service coverage remain well above the minimum debt service coverage of 1.3 times in the Bond Resolution covenants and the long-term target of 2.0 times. The Debt Plan assumes a borrowing in 2009, 2011, 2013 and 2016.

Ms. Halloran reviewed the comparative analysis of our financial results based on liquidity, capitalization ratios, coverage ratios, profitability ratios, and dividend ratios. Mr. Martin noted that our dividend payment ratio is higher if you include water provided in lieu of taxes. Mr. Martin recommends we report yield on market rather than yield on book value because that more clearly shows what our owner's investment would be valued at by a taxable investor

Ms. Harris moved to adopt the following resolution to adopt the 2007 Annual Budgets, to file the 2007-2016 Financial Plan, to develop rate schedules for an average 6.5.% rate increase:

RESOLVED, that the Preliminary 2007 Operating Budget as revised and submitted by staff be adopted as the approved 2007 Operating Budget, and;

RESOLVED, that the Preliminary 2007 Capital Budget as revised and submitted by staff be adopted as the approved 2007 Capital Budget, and;

RESOLVED, that the Preliminary 2007-2016 Financial Plan be filed as the 2007-2016 Financial Plan, and;

RESOLVED, that the rate schedules be prepared and presented based upon a cost-of-service rate study with an average rate increase of 6.5% to be effective for water service beginning January 1, 2007 and thereafter.

Dr. Wise seconded, and the motion carried.

Participation in the AWWA Research Foundation Discussed

Mr. Heitzman stated we are involved in 16 projects focused on topics concerning infrastructure, management, and water quality. The total value of the research projects is \$6.0 million. The Company has committed to \$266,798 of in-kind labor and \$3,000 in direct contributions. AwwaRF has committed \$60,600 to the Company for staff labor. The Company's involvement in water infrastructure research has accelerated in the past four years through a partnership with the University of Louisville Speed Scientific School. In 2002, the Company partnered with Louisville MSD and the University of Louisville to form the Center for Infrastructure Research. Since its formation, the Center has received over \$2.5 million in infrastructure grants: \$1.8 million has been awarded from AwwaRF. The Center is quickly becoming nationally recognized for its collaborative approach among utilities, consultants, and educators for water infrastructure research. The Company is an active member of AwwaRF and membership dues for 2006 were \$79,468. Through our involvement we gain critical knowledge that helps us effectively manage emerging issues and exchange best practices with our peers. Our involvement also allows the Louisville Water Company to build on its national reputation as an industry leader in water research and development.

Executive Session Conducted

The Board went into Executive Session without management present at 3:17 p.m.

There being no further business, the meeting was adjourned at 3:22 p.m.

Respectfully submitted,



Barbara K. Dickens

Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
DECEMBER 12, 2006**

Board Members Present:

Mr. Stewart Conner, Chairperson
Ms. Margaret Harris
Mr. Gerald Martin
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Ms. Wendy Welsh, Vice-Chair
Mayor Jerry Abramson

Others Present:

Mr. Rick Johnstone, Deputy Mayor, Louisville/Jefferson County Metro Government
Mr. John Huber, President/CEO
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Senior Vice President, Operations and Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Ms. Karla Teasley, Vice President, Customer Service and Business Development
Mr. Jim Brammell, Assistant Chief Engineer and Director of Engineering Planning
Ms. Amber Halloran, Controller and Business System Owner, Supplying Financial Resources
Ms. Barbara Crow, Process Owner, Providing Strategic Communications
Ms. Sue Purdy, Process Owner, Budgeting and Ratemaking
Ms. Kay Ball, Program Manager, Riverbank Filtration
Mr. Vince Guenther, Manager, Governmental Relations
Mr. Scott Muhlenbeck, Senior Financial Analyst

The regular meeting of the Board of Water Works was held on Tuesday, December 12, 2006 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chair Stewart Conner called the meeting to order at 12:30 p.m.

Minutes from the Previous Regular Meeting Reviewed and Approved

Ms. Margaret Harris moved to approve the minutes of November 14, 2006, seconded by Ms. Marita Willis, and the motion carried.

Chief Executive Officer Report

Mr. John Huber discussed the arrangement between the Company and the Louisville Visual Art Association (LVAA). The LVAA leases the former pump station at Zorn Avenue for their gallery and offices and also leases a portion of the grounds for rental income to benefit LVAA, for a minimal lease payment. Mr. Huber advised we have been evaluating the arrangement to ensure better management of the risks and the public relations issues involved. It is advantageous to have a tenant there because it is a symbol of Louisville and on the National Historic Landmark Registry, so we need to maintain the building.

Mr. Huber advised the Directors of the Water Supply Planning Meeting to be held Friday, December 15, 2006.

Financial Report Provided

Ms. Amber Halloran provided the financial results through November 2006, which were below forecast. YTD Operating Revenues of \$105,170,690 are \$3,898,033 or 3.6% less than budgeted and \$915,525 or 0.9% less than 2005. YTD Operation and Maintenance Expenses of \$44,361,649 are \$787,117 or 1.7% less than budgeted and \$2,331,781 or 5.5% higher than 2005. YTD Total Operating Expenses of \$73,349,955 is \$655,492 or 0.9% lower than budgeted and \$4,712,765 or 6.9% higher than 2005. YTD Net Operating Revenue of \$31,820,735 is \$3,242,541 or 9.2% less than budgeted and \$5,628,290 or 15.0% less than 2005. YTD Total Net Non-Operating Expenses of \$3,204,652 is \$1,074,514 or 25.1% less than budgeted and \$443,477 or 12.2% lower than 2005. Mr. Gerald Martin inquired why our O&M expenses are higher than 2005 when we have sold less water, and Ms. Halloran advised the increases are due to higher fixed costs.

YTD Net Income of \$28,616,082 is \$2,168,027 or 7.0% less than budgeted and \$5,184,813 or 15.3% less than 2005. A delay in billing resulted in an understatement of our net income by \$750,000. Without this delay, net income would have been only \$150,000 below forecast. In response to Mr. Martin, Ms. Halloran advised staff reviewed the billing delay issue and noted that some accounts needed an additional step to ensure they would be billed a full 365 days for the year. Ms. Halloran advised are still on target to meet the budgeted dividend, assuming no extraordinary unbudgeted expenses in December. Our budget assumes significantly higher operation and maintenance expenses in December.

Ms. Halloran advised we received the annual notice of increase effective July 1, 2007 from the County Employees Retirement System. The employer contribution rate will increase to 16.17% from the current level of 13.19%, representing an increase in pension expense for the Company of 22.6% during the latter half of 2007. This is the third consecutive substantial increase in the employer contribution rate. This follows an increase of 29.5% for the latter half of 2004 through the first half of 2005 and of 20.1% for the latter half of 2005 through the first half of 2006. The LWC 2007 Annual Budget contemplated an increase to 14.7% for the employer contribution portion of the pension expense. This higher rate will result in operation and maintenance expenses increasing by \$170,000 more than budgeted for the latter half of 2007.

Operations and Engineering Report Provided

Mr. Heitzman presented the Operations and Engineering report for November 2006. He advised the Kentucky Division of Water has now rescinded the Notice of Violation issued to the Company on October 18, 2006 for a reporting error found in a Total Coliform Rule Monitoring report from June 2006.

Mr. Martin asked if the Company attempts to collect from at fault parties when they damage LWC infrastructure, such as hydrants. Mr. Heitzman confirmed we do.

Serving Customers Report Provided

Ms. Karla Teasley provided the Serving Customers report for November 2006. The November abandonment rate was 9.0% compared to 10.2% in October 2006 and 16.5% in November 2005. Abandonment improved significantly in November prior to the impact of high call volume after the extended Thanksgiving holiday weekend. Bad debt for the month was \$95,566 compared to \$9,378 in October 2006 and \$60,327 in November 2005. Bad debt is \$43,555 over budget for the month and \$67,765 over budget for the year. Ms. Teasley advised vacancies in the call center continue to require overtime to minimize operational impact. Currently, there are two full-time and one part-time customer service positions vacant.

Mr. Vince Guenther updated the Directors regarding newly elected officials within our service area. There are three individuals newly serving on the Metro Council – Dr. Judy Green, Vicki Welsh and

Marianne Butler; a new Judge/Executive in Oldham County, Duane Murner; a new Judge/Executive in Bullitt County, Melanie Roberts; a Mayor in Shepherdsville who served as Mayor in the 90s but who is newly elected this term, Sherman Tinnell; and new state representatives in Bullitt County, Larry Belcher and Gary Tapp. There were no changes in the Kentucky Senate anywhere in the state, and there were no changes in the local offices in Shelby or Spencer County.

Legal Report Provided

Ms. Barbara Dickens advised we have confirmed that the method utilized by hydrant crews to remove asbestos gaskets did not result in the presence of asbestos in the air at or above the OSHA limit, according to certified air monitoring conducted by the Company's environmental consultant.

2007 Water Rate Schedule Adopted

Ms. Halloran advised the Board directed staff at the previous meeting to prepare rate schedules based upon a cost-of-service rate study with an average rate increase of 6.5% to be effective for water service beginning January 1, 2007 and thereafter. Ms. Halloran reviewed the methodology for computing the rates. Ms. Halloran reviewed the Rate Schedules with the Board. The proposed rate schedule was developed in accordance with a cost of service study based upon the methods suggested in American Water Works Association Manual M1, Water Rates. Staff has also updated demand factors based on standard estimation routines using an average for the previous five years. The wholesale water rates for service to North Nelson Water District, North Shelby Water Company, and West Shelby Water District also require approval by the Kentucky Public Service Commission, but those rates will increase by 5%.

Mr. Rick Johnstone inquired about charges to Burnheim Forest, and Mr. Heitzman advised the agreement for water to Burnheim Forest was inherited in the Kentucky Turnpike merger and those rates are frozen until they reach LWC rates according to that agreement. The amount over LWC rates, the rate differential, funds a portion of the improvements in Bullitt County. Dr. Joseph Wise moved to approve the proposed 2007 rates to be effective for all consumption on and after January 1, 2007. Mr. Martin seconded, and the motion carried.

Fourth Quarter 2006 Dividend Declared

Ms. Halloran advised Section 508 of the Series 1992 Water System Revenue Bond Resolution provides that Louisville Water Company will pay to Louisville / Jefferson County Revenue Commission an annual dividend on Louisville Water Company stock owned by Louisville / Jefferson County Metro Government, Kentucky ("Metro"). The dividend is to be paid in quarterly installments, such payments to be based on the estimated annual net income and as nearly equal in amount as possible. The projected dividend based on the latest estimated annual net income of \$31,788,900 for 2006 is \$14,842,140. Considering dividends declared earlier this year, the fourth quarter dividend should be \$3,710,535. The quarterly dividend payment must be increased by \$75,586 to reflect one quarter of the \$302,350 dividend underpayment in 2005. At the end of the year, the calculation is made of the required dividend pursuant to the formula in the bond covenants. Any adjustment necessary is either an additional quarterly payment or credit in 2007, depending on whether it is actually underpaid or overpaid. Mr. Martin moved to adopt the following resolution to declare and issue payment for the Fourth Quarter 2006 Dividend to Metro:

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 Series 1992 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 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, the Board passed a resolution on March 14, 2006 to adjust the 2005 annual dividend by \$302,350, from \$15,875,700 to \$16,178,050, the difference to be added in equal quarterly installments to the quarterly 2006 dividend payments, and

WHEREAS, the 1992 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 Louisville Water Company estimated annual net income for 2006 is \$31,788,900 and the projected annual dividend computed in the manner specified in the Series 1992 Water System Revenue Bond Resolution is \$14,842,140 and considering dividends declared earlier this year, it would be in order at this time to declare a regular fourth quarter dividend of \$3,710,535;

RESOLVED, the regular fourth quarter 2006 dividend of \$3,710,535 is hereby declared, and further

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,786,121 to Louisville / Jefferson County Revenue Commission on December 29, 2006, this being the fourth quarterly dividend for 2006 plus one quarter of the dividend adjustment for 2005, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

Ms. Willis seconded, and the motion carried

Authorization Granted to Proceed with Phase IV, Construction Services of Consulting Engineer's Contract for Project 99-402: Riverbank Filtration

Ms. Kay Ball advised the overall budget reservation for the Riverbank Filtration Project was adjusted to \$43,422,800 to reflect the base bid and both alternate bids. The Engineering Consultant, JJ&G, proposed a total fee of \$5,804,300 for engineering design and construction services to include four task phases: Task I – Preliminary Design / Subsurface Investigations, \$1,248,700; Task II – Final Design, \$1,940,500; Task III – Bidding Assistance, \$ 193,100; and Task IV – Construction Inspection Services, \$2,422,000. Tasks I and II are now complete, and Task III is nearing completion with total expenses to date of \$3,017,906. With the award of the construction contract, the next phase, Construction Inspection Services, will begin in January 2007. JJ&G has reviewed the number of man-hours necessary for project administration and inspection and has concluded the budget proposed is adequate to cover the 31-month construction period. The inspection services will include two inspectors: one for the above ground pumping facilities and collector wells, and one specialty inspector for the tunneling operations.

Ms. Ball reviewed the current overall project budget and expenditures per category to date. Many events can adversely affect the budget during the construction of a project of this size and complexity. However, staff does not see the need to revise the total project budget. Currently, the budget does not include a contingency for unforeseen construction issues, contract delays, scope revisions, or the sewer installation.

Ms. Harris moved to authorize staff to proceed with Task IV, Construction Inspection Services, included within the existing JJ&G engineering services contract of \$5,804,300, Mr. Martin seconded, and the motion carried.

Budget Increased and Bid Authorized for Phase 1A of Project 01743: Gene Snyder Freeway Transmission Main

Mr. Jim Brammell advised the 2002-2021 Facilities Plan recommended the construction of a transmission main following the Gene Snyder Expressway from the English Station Standpipe to Billtown Road due to continuing growth in eastern and southeastern Jefferson County and expected growth in our service areas

of Shelby, Spencer, and Bullitt Counties. Construction was originally planned for completion in 2011 at a cost of \$15,547,000. Based on more recent hydraulic analyses and growth projections, the sizing and scope of this project has changed from the original concept and has been corrected due to an underestimation of the length of the project.

These scope changes and increases in material and labor prices have raised the total cost estimate to \$26.2 million. A value engineering exercise has been completed, reducing the budget estimate by \$1.6 million. The revised project budget of \$26.2 million was included in the 2007 Capital Improvement Plan, which was approved by the Board of Water Works in November 2006. The increased estimated costs for Phase 1A are: the need for an 84-inch tunnel under Shelbyville Road, the need to maintain vehicular access to and from the Middletown Fire Station, and the requirement by the Kentucky Transportation Cabinet to mechanically bore underneath Interstate 265 to avoid blasting.

The complexity and length of this project necessitates its construction in four phases (1A, 1B, 2A, and 2B), with Phase 1A to begin in 2007. Phase 1B will be deferred until 2012-2016 and Phase 2A will be deferred until 2017-2026. Phase 2B may be advanced in the near future to coincide with other development in the area. The construction of Phase 1A satisfies many of LWC's future needs, including Consulting Engineer's recommendation to address critical supply issues in the eastern and southern service areas. Phase 1A is the critical supply leg for the proposed I-64 Transmission Main to serve the eastern portion of the Company's retail and wholesale service area. Mr. Martin moved to authorize staff to finalize design and advertise Phase 1A for construction. The budget reservation for Phase 1A is \$9,585,799. Dr. Wise seconded, and the motion carried.

Budget Established for Sewer Service Project for Middletown Facility

Mr. Brammell advised our Middletown Substation facility on English Station Road has never been connected to local sanitary sewers. Conditions have become favorable for LWC to pursue constructing public and private sewer lines and making the sanitary connection. The project will include gravity and force mains and a small pump station. LWC will be responsible for obtaining off-site easements. The total project cost for this work is estimated to be \$450,000 of which \$80,000 is expected to be reimbursed, for a net cost to LWC of \$370,000. The project will provide sanitary sewer service to approximately 18.4 acres of property owned by the Company. Ms. Willis authorized staff to proceed with this unbudgeted capital project, seconded by Dr. Wise, and the motion carried.

2007 Board of Water Works Meeting Dates Established

Mr. Martin moved to approve the following dates for meetings of the BOWW for 2007: January 16, February 20, March 13, April 10, May 8, June 12, July 10, August 14, September 18, October 9, November 13, and December 11. Ms. Harris seconded, and the motion carried.

Executive Session Conducted

The Board went into Executive Session without management present at 1:55 p.m.

There being no further business, the meeting was adjourned at 2:00 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

BOARD OF WATER WORKS
REGULAR MEETING MINUTES
January 16, 2007

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Mr. Greg Heitzman, Senior Vice President of Operations and Chief Engineer
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Mr. Jim Brammell, Director of Engineering and Assistant Chief Engineer
Ms. Amber Halloran, Business System Owner, Supplying Financial Resources and Controller
Ms. Barbara Crow, Process Owner, Providing Strategic Communications
Ms. Kay Ball, Program Manager, Riverbank Filtration
Mr. Ron Green, Program Manager, Minority and Women Business Enterprises

The regular meeting of the Board of Water Works was held on Tuesday, January 16, 2007 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:35 p.m.

Chief Engineer Elected

Mr. Conner opened nominations for the position of Vice President Chief Engineer, recently vacated due to the reassignment of Mr. Greg Heitzman to the position of Senior Vice President, Operations. Mr. John Huber nominated James Brammell, currently serving as Assistant Chief Engineer, for the position of Vice President, Chief Engineer. Mr. Conner called for other nominations. There were no other nominations and Mr. Conner declared the nominations for Vice President, Chief Engineer to be closed. Mr. Gerald Martin moved to approve the appointment of Mr. Brammell to Vice President, Chief Engineer until the Annual Meeting of the Board in April, 2007. Ms. Margaret Harris seconded, and the motion carried. Ms. Barbara Dickens administered the Oath of Office to Mr. Brammell.

Minutes from the Previous Meeting Reviewed and Approved

Mr. Martin moved to approve the minutes from the Regular Meeting held December 12, 2006, seconded by Ms. Marita Willis, and the motion carried.

Chief Executive Officer Report Provided

Mr. Huber advised Ms. Karla Olsen Teasley has accepted a position as the President of Illinois-American Water. This was a tremendous opportunity for Ms. Teasley. Mr. Huber acknowledged the contributions she made here at LWC during her tenure.

Mr. Huber advised the 70-year anniversary of the 1937 flood in Louisville is approaching. Mr. Huber informed a book titled *The Great Flood of 1937: Rising Waters, Soaring Spirit*, by Rick Bell has been released about the events surrounding the flood. It includes information about the impact to the Water Company.

Financial Report Provided

Mr. Robert Miller reported complete financial reports for December 2006 are not available at this time. Accounts have been held open in order that all expenses through December may be reflected completely on the year-end financial statements. The Statement of Revenues, Expenses, and Changes in Net Assets with budget and prior year comparisons for financial results through December 2006 and the Statement of Net Assets and the Statement of Cash Flows will be available for the February 2007 Board meeting.

The Total Sale of Water for December 2006 of \$8,565,715 was \$569,286 or 6.2% less than budgeted and \$90,288 or 1.0% less than last year. Total Operating Revenue for December of \$8,953,986 was \$583,932 or 6.1% less than budgeted and \$190,054 less than last year. The sale of water and total operating revenue results were significantly lower than expected for the month of December. Staff is continuing to analyze these results to verify their accuracy. We are reviewing metering and billing information for the last four billing months. The Total Sale of Water for 2006 of \$109,100,849 was \$4,670,791 or 4.1% less than budgeted and \$1,215,819 or 1.1% less than last year. Total Operating Revenue for 2006 of \$114,124,676 was \$4,481,964 or 3.8% less than budgeted and \$1,105,579 or 1.0% less than last year. In addition, staff is developing new revenue forecasting and internal control techniques for implementation in 2007.

Current estimates indicate the Net Income Available For Dividend is \$1.4 Million less than projected and we will be below the dividend target by approximately \$600,000. Staff will be meeting with Metro Government officials in the next few days. Mr. Conner asked if this impacts the bond covenants in any way, and Mr. Miller stated it does not. Mr. Martin noted we have no other discretionary funds to utilize to make up this shortfall because we are not making a payment to the Infrastructure Replacement Reserve, and this further confirms our need for high yield revenue opportunities outside of traditional water sales. But for the interest income from the bond issue being higher, our financial situation would be worse. Dr. Joseph Wise asked whether we have analyzed the difference between the cost to the customer now compared to years past due to the combined effects of lower consumption and annual inflation. Mr. Miller advised we have not formally analyzed this, but we will provide an analysis to the Directors at an upcoming meeting.

Operations Report Provided

Mr. Heitzman provided the Operations and Engineering Report for December 2006. Average production last month was 112.9 MGD, a 2.1 percent decrease from December 2005 production of 115.4 MGD. The declining December sales confirmed that our base water sales have eroded over the last few years. For the entire year, production is 6.0 percent lower than 2005 and 4.0 percent lower than the five year average. December rainfall for the Louisville area is 1.81 inches more than in December 2005 and year-

to-date rainfall is 27.23 inches more than the same period in 2005. Production has not been this low since 1996, and consumption has not been this low since 1993.

Oxy Vinyl (former BF Goodrich complex) is in the process of reducing their potable water consumption due to the use of two vertical wells to supplement their production water at the plant. Prior to activation of these wells, Oxy Vinyl consumed an average of 3.05 MGD, or 1.1 billion gallons per year, providing average annual revenue of \$1,428,813. The projected revenue impact from this reduction in potable water use is estimated at \$664,000. Approximately \$415,000 of this water sales reduction was anticipated in development of the 2007 budget.

Serving Customers Report Provided

Mr. Heitzman provided the Customer Service Report for December 2006. The December abandonment rate was 10.5% compared to 9.0% in November 2006 and 19.7% in December 2005. These results are favorable given the staffing issues endured for most of 2006.

Customer satisfaction rose in the fourth quarter to a total Customer Satisfaction Index (CSI) of 843 and all factors increased. The year end average of 844 for the Total CSI meets the Level I goal. Customer satisfaction for the Service CSI dropped in the fourth quarter to 785 from the previous high of 820. The year end average of 800 meets the Level III goal for the Corporate Performance Award (800). Mr. Conner commented, with regard to the price-value component of the CSI, it is difficult for customers to distinguish between our rates and MSD's rates when looking at their bills. Mr. Heitzman responded we realized this and attempted to address it several years ago by formatting the bill into three separate parts. Mr. Conner is still concerned customers do not make a distinction and feels we should continue to look at this issue. Mr. Heitzman followed that monthly billing may help to address the impact of higher rates on the price-value component but agrees we need to consider the impact of MSD charges on our bill.

Mr. Heitzman advised ten years have passed since LWC began using Local 1683 labor to install new water services in 1996. 65,000 new water services, serving approximately 206,000 people, have been installed throughout our service area. The company recently recognized the crews as a result of the \$3 Million in savings realized due to the success of this initiative.

Smile Kentucky!, LWC's partnership with the local dental community, accepted an \$18,235 donation from the Prospect/Goshen Rotary Club after its successful golf scramble. PNC Bank made a \$3,500 contribution to the Rotary Club for this purpose. Proceeds will be used to help purchase a mobile dental van.

Mr. Martin inquired about the decline in the metered water ratio. Mr. Huber stated since it is a percentage of water produced, when we produce less water, the percentage increases although leakage remains constant usually.

Closed Session Held

Ms. Wendy Welsh moved to go into closed session to discuss proposed or pending litigation matters pursuant to KRS 61.810(1)(c) at 1:10 p.m. Dr. Wise seconded, and the motion carried.

Open Session Resumed

On the motion of Mr. Martin, seconded by Dr. Wise, and unanimously carried, the Board resumed open session at 1:30 p.m. No action was taken in closed session.

Amendments Adopted to the Service Rules and Regulations

Mr. Heitzman advised staff reviews the Company Service Rules and Regulations annually to determine if any changes should be made. The by laws of the Board require the Board to approve all changes to the Rules. Staff recommends a few minor changes in the service rules that will clarify the rules for customers. The proposed changes include: disallowing the use of irrigation services for filling of swimming pools (and avoiding MSD sewer charges); requiring installation where service sleeves are available; requiring fire department approval when discontinuing a fire service; defining water main extensions and metered water service to clarify eligibility for tapping fee and developer refunds; and consistently referring to common terms and to LWC throughout. General Counsel has reviewed these proposed revisions. Mr. Martin moved to approve the amendments to the Service Rules and Regulations, as outlined specifically in the board letter, effective January 1, 2007. Ms. Welsh seconded and the motion carried.

Certification Provided for Projects and Change Actions Approved During Fourth Quarter 2006

Mr. Huber reported the following projects and change actions within his authority were approved from October 1 through December 31, 2006 in accordance with the Capital Projects Authorization Policy and Procedure. Certain projects and change actions also obtained the requisite approval by the Board, as noted for those projects and change actions below.

- 10231 CHFP Filter and Backwash System Renovations, cost center 222 – Project Proposal for approval. CPAC-11/03/06, President-11/06/06
Approved project budget estimate = \$ 11,722,000
BOWW approval received.
- 11531 Middletown Substation Facility Sanitary Sewers, cost center 222 – Project Proposal to initiate non-budgeted project. CPAC-12/01/06, President-12/04/06
Total Asset Cost including contribution = \$ 450,000
Approved Net LWC Cost = \$ 370,000
BOWW approval received.
- 11217 Technology Park, cost center 366 – Project Proposal to initiate project. CPAC-11/17/06, President-11/21/06
Total Asset Cost including contribution = \$ 874,250
Approved Net LWC Cost = \$ 370,000
BOWW approval received May 2004.
- 03625 Renovation of South Coagulation Flocculation and Sedimentation Basins at CHWTP, cost center 222 – Project Change Action #7 to increase estimate. CPAC-12/15/06, President-12/15/06
Previously approved budget estimate = \$ 3,767,403
Change in project budget estimate = \$ 110,319
Requested project budget estimate = \$ 3,877,722
BOWW approval required.
- 10615 Zorn Water Tower Coating System Rehabilitation, cost center 224 – Project Change Action #3 to increase estimate and revise cash flow. CPAC-10/06/06, President-10/10/06
Previously approved budget estimate = \$ 300,000
Change in project budget estimate = \$ 293,240
Approved project budget estimate = \$ 593,240
BOWW approval received.
- 06800 Phase III Advanced Treatment Technology, cost center 268 – Project Change Action #1 to increase estimate. CPAC-12/08/06, President-12/12/06
Previously approved budget estimate = \$ 2,500,000
Change in project budget estimate = \$ 686,400
Requested project budget estimate = \$ 3,186,400
BOWW approval required.

01743 Snyder Frwy transmission main, cost center 342 – Project Change Action #6 to increase estimate and revise cash flow. CPAC-12/01/06, President-12/04/06
 Previously approved budget estimate = \$ 15,570,320
 Change in project budget estimate = \$ 10,605,379
 Approved project budget estimate = \$ 26,175,699
BOWW approval received.

Project Proposals For Nonbudgeted Projects Approved By The President:

11534 Shepherdsville 580 PZ modifications, cost center 322 – Project Proposal for non-budgeted project. CPAC-12/19/06, President-12/20/06
 Approved project budget estimate = \$ 110,000

PROJECT CHANGE ACTIONS APPROVED BY THE PRESIDENT:

99407 Goshen elevated storage tank, cost center 222 – Project Change Action #10 to revise cash flow. CPAC-12/15/06, President-12/15/06
 Approved project budget estimate = \$ 2,078,031

00401 Zorn Intake and Pump Station Rehabilitations, cost center 222 – Project Change Action #3 to revise cash flow. CPAC-10/27/06, President-10/30/06
 Approved project budget estimate = \$ 4,814,000

00401 Zorn Intake and Pump Station Rehabilitations, cost center 222 – Project Change Action #4 to revise cash flow. CPAC-12/15/06, President-12/15/06
 Approved project budget estimate = \$ 4,814,000

10233 BEPWTP Clarification and Mixing Basin Complex Renovation, cost center 222 – Project Change Action #6 to revise cash flow. CPAC-10/27/06, President-10/30/06
 Approved project budget estimate = \$ 13,505,890

10609 Paint Bardstown Rd tank, cost center 222 – Project Change Action #9 to increase estimate and revise cash flow. CPAC-12/19/06, President-12/20/06
 Previously approved budget estimate = \$ 1,077,108
 Change in project budget estimate = \$ 28,631
 Approved project budget estimate = \$ 1,105,739

11312 ZPS Power Systems Rehabilitation, cost center 222 – Project Change Action #1 to revise cash flow. CPAC-10/27/06, President-10/30/06
 Approved project budget estimate = \$ 1,986,000

02656 Replacement of 480V transformer at CHFP, cost center 224 – Project Change Action #3 to increase estimate. CPAC-11/03/06, President-11/06/06
 Previously approved budget estimate = \$ 300,000
 Change in project budget estimate = \$ 47,792
 Approved project budget estimate = \$ 347,792

10615 Zorn Water Tower Coating System Rehabilitation, cost center 224 – Project Change Action #4 to revise cash flow. CPAC-12/19/06, President-12/20/06
 Approved project budget estimate = \$ 593,240

10662 Zorn Pump Station Structural Improvements, cost center 224 – Project Change Action #3 to revise cash flow. CPAC-12/19/06, President-12/20/06
 Approved project budget estimate = \$ 157,400

11352 CHFP East Filter Gallery Window Replacement, cost center 224 – Project Change Action #2 to revise cash flow. CPAC-10/27/06, President-10/30/06
 Approved project budget estimate = \$ 160,000

11352 CHFP East Filter Gallery Window replacement, cost center 224 – Project Change Action #3 to decrease estimate and revise cash flow. CPAC-12/19/06, President-12/20/06
 Previously approved budget estimate = \$ 160,000
 Change in project budget estimate = \$ (39,130)
 Approved project budget estimate = \$ 120,870

11353	River Rd Country Club building improvement, cost center 224 – Project Change Action #1 to revise cash flow. CPAC-10/27/06, President-10/30/06	
	Approved project budget estimate =	\$ 250,000
10548	Distribution System Telemetry Installation/Upgrade, cost center 264 – Project Change Action #1 to revise cash flow. CPAC-10/27/06, President-10/30/06	
	Approved project budget estimate =	\$ 197,040
99402	Phase II Riverbank Filtration, cost center 268 – Project Change Action #11 to revise cash flow. CPAC-10/27/06, President-10/30/06	
	Approved project budget estimate =	\$ 43,424,800
99402	Riverbank Filtration Phase II, cost center 268 – Amendment to Project Change Action #11 to revise cash flow. CPAC-11/10/06, President-11/11/06	
	Approved project budget estimate =	\$ 43,424,800
11319	Managing Distribution Operations Point Capital program, cost center 280 – Project Change	
- 11328	Action #3 to increase overall program estimate. CPAC-12/15/06, President-12/15/06	
	Previously approved program budget estimate =	\$ 3,713,500
	Change in project 11325 : Transmission System Improv budget estimate =	18,208
	Change in project 11328 : Lead Service Renewals (block) budget estimate =	(59,497)
	Change in project 11320 : Lead Service Renewals (point) budget estimate =	115,000
	Change in project 11327 : Large Meter Renovates/Installs budget estimate =	38,500
	Change in project 11326 : Service Modifications budget estimate =	10,000
	Change in project 11323 : Distribution System Improv budget estimate =	(10,000)
	Change in project 11321 : Fire Hydrant Replacement budget estimate =	0
	Change in project 11319 : Fire Hydrant Locks budget estimate =	(4,000)
	Change in project 11324 : Blow Offs on Deadends budget estimate =	(6,000)
	Change in project 11322 : Detector Check Valves budget estimate =	<u>(29,000)</u>
	Approved program budget estimate =	\$ 3,786,711
11338	Fleet Program 2006, cost center 282 – Project Change Action #1 to decrease estimate and revise cash flow. CPAC-11/03/06, President-11/06/06	
	Previously program budget estimate =	\$ 1,892,147
	Change in project budget estimate =	<u>\$ (19,036)</u>
	Approved project budget estimate =	\$ 1,873,111
11329	Aerial Photography and Digital Base Mapping update, cost center 326 – Project Change Action #2 to revise cash flow. CPAC-12/15/06, President-12/15/06	
	Approved project budget estimate =	\$ 496,100
98663	National Turnpike relocation, cost center 342 – Project Change Action #2 to increase estimate. CPAC-10/23/06, President-10/24/06	
	Previously approved budget estimate =	\$ 875,906
	Change in project budget estimate =	<u>\$ 23,737</u>
	Approved project budget estimate =	\$ 899,643
01557	Cardinal Hill Secondary Supply Phase 1, cost center 342 – Project Change Action #9 to increase estimate. CPAC-10/23/06, President-10/24/06	
	Previously approved budget estimate =	\$ 3,073,636
	Change in project budget estimate =	<u>\$ 32,109</u>
	Approved project budget estimate =	\$ 3,105,745
01743	Snyder Frwy transmission main, cost center 342 – Project Change Action #7 to increase contract with no change in estimate. CPAC-12/19/06, President-12/20/06	
	Approved project budget estimate =	\$ 26,175,699
03523	Crittenden Dr II main replacement, cost center 342 – Project Change Action #5 to increase estimate. CPAC-11/03/06, President-11/06/06	
	Previously approved budget estimate =	\$ 1,524,236
	Change in project budget estimate =	<u>\$ 29,150</u>
	Approved project budget estimate =	\$ 1,553,386
03523	Crittenden Dr II main replacement, cost center 342 – Project Change Action #6 to revise cash flow. CPAC-11/03/06, President-11/06/06	
	Approved project budget estimate from CA#5 =	\$ 1,553,386

03662	Louisville International Airport (Standiford Field) 60" relocation, cost center 342 – Project Change Action #12 to decrease estimate and revise cash flow. CPAC-12/19/06, President-12/20/06	
	Previously approved budget estimate =	\$ 6,527,778
	Change in project budget estimate =	<u>\$ (234,075)</u>
	Approved project budget estimate =	\$ 6,293,703
10030	Westport Rd Transfer Station, cost center 342 – Project Change Action #11 (REVISED) to increase estimate, revise cash flow and reimbursement. CPAC-10/23/06, President-10/24/06	
	Previously approved budget estimate =	\$ 3,614,535
	Change in project budget estimate =	<u>\$ 10,700</u>
	Approved project budget estimate =	\$ 3,625,235
10135	Reservoir Ave Phase 1 and 2, cost center 342 – Project Change Action #6 to increase estimate. CPAC-10/23/06, President-10/24/06	
	Previously approved budget estimate =	\$ 346,186
	Change in project budget estimate =	<u>\$ 50,327</u>
	Approved project budget estimate =	\$ 396,513
10287	Jackie Way area main replacement, cost center 342 – Project Change Action #2 to increase estimate. CPAC-11/17/06, President-11/21/06	
	Previously approved budget estimate =	\$ 1,539,075
	Change in project budget estimate =	<u>\$ 78,666</u>
	Approved project budget estimate =	\$ 1,617,741
10334	Sixth Ave area main replacement (Shepherdsville), cost center 342 – Project Change Action #2 to increase estimate. CPAC-12/01/06, President-12/04/06	
	Previously approved budget estimate =	\$ 211,000
	Change in project budget estimate =	<u>\$ 137,900</u>
	Approved project budget estimate =	\$ 348,900
10378	Westport Rd – Washburn Ave to Lynn Way, cost center 342 – Project Change Action #1 to decrease estimate. CPAC-12/01/06, President-12/04/06	
	Previously approved budget estimate =	\$ 1,206,000
	Change in project budget estimate =	<u>\$ (931,236)</u>
	Approved project budget estimate =	\$ 274,764
10382	Kentucky St area main replacement, cost center 342 – Project Change Action #6 to decrease estimate and revise cash flow. CPAC-12/19/06, President-12/20/06	
	Previously approved budget estimate =	\$ 2,150,786
	Change in project budget estimate =	<u>\$ (91,000)</u>
	Approved project budget estimate =	\$ 2,059,786
10414	Shelbyville Rd II main replacement – Breckenridge Ln to I-264, cost center 342 – Project Change Action #9 to revise cash flow. CPAC-12/08/06, President-12/12/06	
	Approved project budget estimate =	\$ 2,088,607
10415	Westport Rd – Primrose Dr to Ambridge Circle, cost center 342 – Project Change Action #3 to revise cash flow. CPAC-11/10/06, President-11/11/06	
	Approved project budget estimate =	\$ 4,752,000
10415	Westport Rd – Primrose Dr to Ambridge Circle, cost center 342 – Project Change Action #4 to increase estimate. CPAC-12/19/06, President-12/20/06	
	Previously approved budget estimate =	\$ 4,752,000
	Change in project budget estimate =	<u>\$ 133,000</u>
	Approved project budget estimate =	\$ 4,885,000
10459	Wolf Pen Branch 36" Phase II, cost center 342 – Project Change Action #4 to revise cash flow. CPAC-12/01/06, President-12/04/06	
	Approved project budget estimate =	\$ 3,388,900
10516	Manslick Rd main replacement, cost center 342 – Project Change Action #5 to increase estimate and revise cash flow. CPAC-12/15/06, President-12/15/06	
	Previously approved budget estimate =	\$ 483,730
	Change in project budget estimate =	<u>\$ 41,020</u>
	Approved project budget estimate =	\$ 524,750

10585	Pitts Point Rd area main replacement, cost center 342 – Project Change Action #5 to revise cash flow. CPAC-12/19/06, President-12/20/06	
	Approved project budget estimate =	\$ 1,120,509
11016	Downtown Bridge main relocation, cost center 342 – Project Change Action #1 to revise cash flow. CPAC-12/15/06, President-12/15/06	
	Approved project budget estimate =	\$ 1,000,000
11055	Shelbyville Rd III MRRP, Eden Ave to Burnley Rd, cost center 342 – Project Change Action #9 to increase estimate. CPAC-10/27/06, President-10/30/06	
	Previously approved budget estimate =	\$ 1,538,615
	Change in project budget estimate =	\$ <u>60,784</u>
	Approved project budget estimate =	\$ 1,599,399
11055	Shelbyville Rd III MRRP – Eden Ave to Burnley Rd, cost center 342 – Project Change Action #10 to increase estimate and revise cash flow. CPAC-12/19/06, President-12/20/06	
	Previously approved budget estimate =	\$ 1,599,399
	Change in project budget estimate =	\$ <u>28,030</u>
	Approved project budget estimate =	\$ 1,627,429
11172	Old Ford Rd 16" transmission main, cost center 342 – Project Change Action #3 to revise cash flow. CPAC-12/01/06, President-12/04/06	
	Approved project budget estimate =	\$ 310,273
11187	South Dixie main replacement, cost center 342 – Project Change Action #5 to increase contract and revise cash flow. CPAC-11/17/06, President-11/21/06	
	Previously approved budget estimate =	\$ 1,056,425
	Change in project budget estimate =	\$ <u>0</u>
	Approved project budget estimate =	\$ 1,056,425
11192	Nitta Yuma main replacement, cost center 342 – Project Change Action #1 to revise cash flow. CPAC-10/23/06, President-10/24/06	
	Approved project budget estimate =	\$ 450,000
11199	Constitution Dr, cost center 342 – Project Change Action #2 to revise cash flow. CPAC-12/19/06, President-12/20/06	
	Approved project budget estimate =	\$ 174,200
11213	Johnsontown Rd main relocation, cost center 342 – Project Change Action #3 to revise cash flow. CPAC-12/15/06, President-12/15/06	
	Approved project budget estimate =	\$ 442,120
11264	Cardinal Hill Secondary Supply Phase 2B, cost center 342 – Project Change Action #3 to revise cash flow. CPAC-11/03/06, President-11/06/06	
	Approved project budget estimate =	\$ 3,693,500
11385	Baxter Ave main replacement, cost center 342 – Project Change Action #5 to decrease estimate and revise cash flow. CPAC-12/19/06, President-12/20/06	
	Previously approved budget estimate =	\$ 486,879
	Change in project budget estimate =	\$ <u>(2,375)</u>
	Approved project budget estimate =	\$ 484,504
11436	North Oldham US 42, cost center 342 – Project Change Action #1 to decrease estimate and revise cash flow. CPAC-12/19/06, President-12/20/06	
	Previously approved budget estimate =	\$ 112,900
	Change in project budget estimate =	\$ <u>(2,640)</u>
	Approved project budget estimate =	\$ 110,260
11498	Bardstown Rd lead services, cost center 342 – Project Change Action #2 to increase estimate and revise cash flow. CPAC-10/23/06, President-10/24/06	
	Previously approved budget estimate =	\$ 198,000
	Change in project budget estimate =	\$ <u>7,250</u>
	Approved project budget estimate =	\$ 205,250

11300-07	Middletown New Service Installations Program, cost center 364 – Project Change Action #3 to decrease overall program estimate and revise cash flow. CPAC-11/10/06, President-11/11/06	
	Previously approved program budget estimate =	\$ 4,373,838
	Change in project 11300 : Small Services LWC installed budget estimate =	(32,721)
	Change in project 11301 : Small Services Contractor installed budget est =	(221,627)
	Change in project 11302 : Large Services 1.5" and 2" budget estimate =	67,601
	Change in project 11303 : Large Services 4" and Larger budget estimate =	(4,006)
	Change in project 11304 : Fire Hydrant Installs budget estimate =	(24,327)
	Change in project 11305 : Fire Service Installs budget estimate =	(2,660)
	Change in project 11307 : Irrigation Service Retrofits budget estimate =	<u>(18,923)</u>
	Approved program budget estimate =	\$ 4,137,175
02204	Rose Island Rd, cost center 366 – Project Change Action #2 to revise cash flow. CPAC-11/17/06, President-11/21/06	
	Approved project budget estimate =	\$ 386,120
10441	The Paddock at Eastpoint, cost center 366 – Project Change Action #1 to increase estimate. CPAC-10/23/06, President-10/24/06	
	Previously approved budget estimate =	\$ 75,300
	Change in project budget estimate =	<u>\$ 33,200</u>
	Approved project budget estimate =	\$ 108,500
11186	Signature Point Phase 1, cost center 366 – Project Change Action #1 to revise cash flow. CPAC-12/15/06, President-12/15/06	
	Approved project budget estimate =	\$ 128,200
11408	Arbor Ridge Commercial East, cost center 366 – Project Change Action #1 to revise cash flow. CPAC-12/15/06, President-12/15/06	
	Approved project budget estimate =	\$ 136,000
02319	Weavers Run BPS, cost center 369 – Project Change Action #5 to increase estimate and revise cash flow. CPAC-12/08/06, President-12/12/06	
	Previously approved budget estimate =	\$ 275,000
	Change in project budget estimate =	<u>\$ 18,000</u>
	Approved project budget estimate =	\$ 293,000
03316	Keith Hollow grid-tie and PRV Station, cost center 369 – Project Change Action #3 to increase estimate. CPAC-10/06/06, President-10/10/06	
	Previously approved budget estimate =	\$ 125,000
	Change in project budget estimate =	<u>\$ 85,000</u>
	Approved project budget estimate =	\$ 210,000
10452	Licksillet area main extension, cost center 369 – Project Change Action #2 to revise cash flow and request to advertise and bid. CPAC-10/13/06, President-10/13/06	
	Approved project budget estimate =	\$ 1,216,410
11112	Apple Valley Way main extension, cost center 369 – Project Change Action #4 to decrease estimate. CPAC-10/13/06, President-10/13/06	
	Previously approved budget estimate =	\$ 338,000
	Change in project budget estimate =	<u>\$ (144,000)</u>
	Approved project budget estimate =	\$ 194,000
11112	Apple Valley Way main extension, cost center 369 – Project Change Action #5 to increase estimate. CPAC-12/01/06, President-12/04/06	
	Previously approved budget estimate =	\$ 194,000
	Change in project budget estimate =	<u>\$ 45,909</u>
	Approved project budget estimate =	\$ 239,909
11131	Apple Valley Way grid-tie, cost center 369 – Project Change Action #4 to increase estimate. CPAC-10/13/06, President-10/13/06	
	Previously approved budget estimate =	\$ 60,500
	Change in project budget estimate =	<u>\$ 144,000</u>
	Approved project budget estimate =	\$ 204,500

11174	Bob-O-Link Rd main extension, cost center 369 – Project Change Action #2 to increase contract and revise cash flow. CPAC-12/01/06, President-12/04/06	
	Previously approved budget estimate =	\$ 153,720
	Change in project budget estimate =	\$ <u>36,000</u>
	Approved project budget estimate =	\$ 189,720
11396	Blossom Ridge 12" grid-tie, cost center 369 – Project Change Action #3 to increase estimate. CPAC-12/15/06, President-12/15/06	
	Previously approved budget estimate =	\$ 82,785
	Change in project budget estimate =	\$ <u>11,215</u>
	Approved project budget estimate =	\$ 94,000
11452	Licksillet 8-inch grid-tie, cost center 369 – Project Change Action #2 to increase estimate. CPAC-12/08/06, President-12/12/06	
	Previously approved budget estimate =	\$ 47,000
	Change in project budget estimate =	\$ <u>9,450</u>
	Approved project budget estimate =	\$ 56,450
01489	Financial Decision Support and Executive Support System (FINS), cost center 441 – Project Change Action #2 to increase estimate. CPAC-10/13/06, President-10/13/06	
	Previously approved budget estimate =	\$ 3,898,180
	Change in project budget estimate =	\$ <u>21,525</u>
	Approved project budget estimate =	\$ 3,919,705
10237	Security Program, cost center 461 – Project Change Action #1 to revise cash flow. CPAC-12/15/06, President-12/15/06	
	Approved project budget estimate =	\$ 200,000

Project Change Actions For Cancelled Projects Approved By The President

10229	Hikes Point elevated tank land purchase, cost center 322 – Project Change Action #1 to cancel project. CPAC-12/15/06, President-12/15/06	
	Approved project budget estimate =	\$ 315,000
10254	Manslick Rd 770 PP Expansion transmission main, cost center 342 – Project Change Action #1 to cancel project. CPAC-12/15/06, President-12/15/06	
	Approved project budget estimate =	\$ 1,229,000
11114	Westport Rd – Chenoweth Ln to Primrose Dr, cost center 342 – Project Change Action #3 to cancel project. CPAC-12/19/06, President-12/20/06	
	Approved project budget estimate =	\$ 133,000
10663	Business to Customer E-Business Applications – IWR, cost center 441 – Project Change Action #1 to cancel and defer project to future year. CPAC-12/01/06, President-12/04/06	
11335	Business Continuity and Disaster Recovery for IT Architectures, cost center 441 – Project Change Action #1 to cancel and defer project to future year. CPAC-12/01/06, President-12/04/06	
	Approved project budget estimate =	\$ 1,500,000

Certification Provided for Contracts Awarded During Fourth Quarter 2006

Mr. Huber certified the following contracts have been awarded in accordance with the Purchasing Policy and Purchasing Procedures from October 1, 2006 through December 31, 2006:

Capital Program

04-42	Distribution System Design and Construction - Pipeline, Pump Stations, and Tanks - Crittenden Drive II Main Replacement - CONTRACT INCREASE	
	03523 Quest, Inc.	\$28,900
04-42	East KY 480 500,000 Gallon Elevated Storage Tank	
	11392 O'Brien and Gere Engineers	\$76,228

04-77	Installation of Water Services, Fire Hydrants, Fire Services and Discontinuation of Small Water Services - 2nd and Final CPI Renewal		
	Basham Construction	05-10601 Installation of 3/4" and 1" Water Service Connections	\$1,019,449
	Miller Pipeline	05-05686 Discontinuing Small Water Services	\$73,484
	Tom Brown Construction	05-10602 Installation of 1 1/2" & 2" Water Service Connections	\$159,423
	Tom Brown Construction	05-10603 Installation of 4" & Larger Water Service Connections	\$98,719
	Tom Brown Construction	05-10605 Installation of Fire Service Connections	\$236,323
	Tom Brown Construction	05-10604 Installation of Fire Hydrants	\$53,083
05-10	Gene Snyder Transmission Main - Phase 2B - Assignment from Contingency Contract for Transmission System Emergency Repairs and/or Capital Improvements		
	01743 and Southern Pipeline Construction Co. (CWBE) 11613		\$671,637
06-108	Westport Road Transfer Station Site Improvements		
	10030 MAC Construction & Excavating, Inc.		\$109,700
06-110	Cardinal Hill Reservoir Roof Replacement		
	11317 Geoghegan Roofing Corp.		\$79,795
06-111	Crescent Hill Filter Plant East/West Filter Building - East Annex Monitor and Lime Building Window Replacement		
	11352 Koch Corporation		\$89,870

06-08	Water Bottles Louisville Container Co.		\$120,548
06-100	Security Services CSI Security Services (MBE)		\$71,604
06-102	Site Restoration Le Famille (MBE)		\$62,935
06-103	Brokerage Services for Medical, Dental, Medicare, HMO Supplement, Short/Long Term Disability and Life Insurance (Group, AD&D, Supplemental, & Dependent) Aon		\$42,000
06-106	Sale of Two Tracts of LWC Surplus Property Bryant & Associates (Tract II)	Paid to LWC	\$231,000
06-115	Polyvinyl Chloride Pipe (PVC) Water Works Supply		\$333,948
06-117	Flowable Backfill - 2 Year Contract Advance Ready Mix Concrete (WBE)		\$729,060
06-119	Truck Mount Valve Exerciser E.H. Wachs		\$49,959
06-120	Insulated Concrete Forms Advance Ready Mix		\$31,448
06-126	Brass Valves and Fittings Water Works Supply		\$50,131

GS-35F-0519M Fins Production Server Upgrade - GSA Purchase			
Paragon Systems			\$25,178
KY State	2007 Chevrolet Impala 4-Door Sedans - Two (2) vehicles		
Contract # C-			
05418665			
11338.15	Bachman Commercial Sales		\$31,161
KY State	Ford F-150 Regular and Super Cab Pickup Trucks		
Contract #C-			
05297095			
11338	Man O'War Ford		\$99,324

Procurement Of Professional Services

04-42	Engineering Services for Distribution System Design & Construction Pipeline, Pump Stations, and Tanks - 2nd CPI Renewal O'Brien & Gere Engineers Qk4 Quest Engineers	Estimate	\$480,000
Professional Service	Gene Snyder Transmission Main (Phase 2B) 01763 CH2M Hill Engineers		\$92,877
Professional Service	Middletown Substation Facility Sanitary Sewers Mindel, Scott & Associates, Inc.		\$42,000

Procurement Of Sole Source Materials And Services

failures, several years are higher, especially those including the severe winters of 1977, 1983, 1989, and 1994. The summer droughts and associated high water demand of 1988 and 1999 also contributed to high main breaks. During moderate weather, such as 1990, 1998, and 2006, main breaks were minimal due to mild winters and slack water demands that place less stress on the distribution system. In 2006, 433 main breaks were recorded – a level not seen since 1975.

In 1985, the Company initiated a water main replacement program to replace high maintenance water mains that contribute to poor water quality and unreliable service. In 1992, after extensive study and evaluation, a comprehensive program to replace or rehabilitate 500 miles of unlined cast iron pipe installed between 1860 and 1935 was approved by the Board. The program included a 15-year, \$150 million plan to reduce distribution maintenance costs and improve water quality, system reliability, hydraulic capacity for fire flow, and overall customer satisfaction. This program is completing its final year in 2007 with a final cost estimate of \$132 million. The program is on target to replace 172 miles of cast iron pipe and rehabilitate another 251 miles of pipe, and is often profiled as an industry best practice for addressing aging water infrastructure. One of the objectives of the program was to reduce distribution system failures (breaks and leaks) from a 10-year moving average of 34 failures per 100 miles of main in 1992 to less than 25 failures per 100 miles of main. Without this investment, annual main failures were projected to be over 1,100 by 2010, requiring main repair budgets of nearly three times the current allocation. Staff continues to refine the infrastructure renewal program with an annual budget of \$8 million. The primary focus of the current program is to replace all remaining lead service lines; replace water mains with high failure rates; and develop techniques to extend the life of the 3,800-mile distribution system. This program has been financed through rates, not debt.

Project Budgets Increased Due to Capital Interest on the Projects

Ms. Amber Halloran advised the Company currently charges capital interest on the majority of our capital

Capital Projects Authorization Policy Clarified

Mr. Brammell stated a significant effort has been undertaken the past year on reviewing and revising the procedures to implement the Capital Projects Authorization Policy. Inconsistencies exist with regard to when projects greater than \$2 million require Board approval, and staff recommend clarifying that authority. Mr. Martin moved to adopt the following resolution, amending the authorization previously granted by resolution, and amending the Board Policy on Capital Project Authorizations:

WHEREAS, the Board of Water Works approved an increase to the authority delegated to the President of Louisville Water Company at the meeting held on January 11, 2005, and

WHEREAS, the Management of Louisville Water Company has developed a Capital Projects Authorization Policy and Capital Projects Authorization Procedures as internal controls to support increases to the authority delegated to the President of Louisville Water Company;

THEREFORE BE IT RESOLVED that the Board of Water Works hereby approves the further clarification to the President of Louisville Water Company the authority, within the bounds of the Capital Projects Authorization Policy and Procedures, to:

1. Proceed with preliminary engineering for all Projects in the 2007 Capital Budget with an estimated cost of more than \$2,000,000 with the stipulation that each item will be fully explained to the Board and approval obtained following preliminary design and prior to final design and solicitation of bids.
2. Proceed to completion for those Projects in the 2007 Capital Budget with an estimated cost of \$2,000,000 or less.
3. Proceed with the acquisition of property of \$250,000 or less per parcel as needed for projects in the capital improvement program.
4. Proceed to authorize *project* change orders of \$250,000 or less on those Projects in the 2007 Capital Budget where such change orders do not cause the total project cost to exceed \$2,000,000.
5. Proceed to completion of non-budgeted capital projects with an estimated cost of \$250,000 or less with an adjustment to the capital improvement program.

AND BE IT RESOLVED, that all projects greater than \$2,000,000 must be submitted for approval to the Board of Water Works following preliminary design and prior to final design and solicitation of bids.

AND BE IT RESOLVED, that all project change orders greater than \$250,000 must be submitted for approval to the Board of Water Works.

AND BE IT RESOLVED, that periodically throughout the year the President will certify to the Board of Water Works that approvals are being granted pursuant to the Capital Projects Authorization Policy and Procedures.

AND BE IT FURTHER RESOLVED, that the Internal Auditor will periodically audit and report quarterly to the Board of Water Works that approvals are being granted pursuant to the Capital Projects Authorization Policy and Procedures and the external auditors will attest through agreed upon procedures and report annually to the Board of Water Works that approvals are being granted pursuant to the Capital Projects Authorization Policy and Procedures.

Dr. Wise seconded, and the motion carried.

Capitalization of Costs Pursuant to FAS 71 Approved on Project 00680: Crescent Hill Filtration Plant Advanced Treatment Technology, Task 1: Riverbank Filtration (RBF) Preliminary Engineering

Ms. Kay Ball advised the Board approved staff to proceed with preliminary engineering for Crescent Hill Filtration Plant Advanced Treatment Technology in the estimated amount of \$2.5 million and to charge the expenditure as a regulatory asset over a five year period using the Financial Accounting Standards No. 71 (FAS 71). The RBF scope of work was developed and expanded to include two long-term pumping tests to address water quality concerns and develop a more thorough understanding of the aquifer. Adding an additional test at the most narrow portion of the aquifer at Glenview Avenue included installation of a pumping well, six monitoring wells, a temporary power supply, electrical service throughout the 12 month pumping period, and a resource for sampling and lab analysis. Analysis of the water samples included a regime of four testing schedules to evaluate for treatment issues, organic compliance, inorganic compliance, and national drinking water standards compliance. Many of the parameters can not be analyzed by the LWC lab and will require contracting with a water-only certified lab. This equates to a \$686,400 deficit in the budgeted amount of \$1.5 million for the RBF Preliminary Engineering. The additional amounts requested are \$2,185,400 for Preliminary Engineering, \$650,000 for Pilot Plant Testing, and \$350,000 for a Facilities Assessment at Crescent Hill, for a total increase of \$3,186,400. Ms. Welsh moved to increase the budget of Project 06800: Crescent Hill Filtration Plant Advanced Treatment Technology in the amount of \$686,400. Mr. Martin seconded, and the motion carried.

Staff also recommends that the Board of Water Works authorize the capitalization of the \$686,400 in additional costs using FAS 71 in the same fashion as the original project. The original project of \$2,500,000 is currently being amortized over five years beginning in 2006. Staff recommends this additional amount be amortized over three years beginning in 2008 so the end date matches the original amortization period and the start date is delayed until 2008 to incorporate in 2008 rates. This will be an increase of approximately \$228,800 in years 2008 – 2010 over the original amount amortized of \$500,000. Mr. Conner inquired as to the extent of the testing, and Ms. Ball explained it is extensive due to the number of tests over a 12 month period. Ms. Harris moved to revise the budget reservation to be charged under FAS 71 to \$3,186,400 with the additional amount amortized over three years beginning in 2008. Dr. Wise seconded, and the motion carried.

Authorization Given to Award Contract for Health Insurance Plan

Ms. Kathy Schroeder advised LWC staff worked with our independent insurance broker, Rob Gipperich of Aon to evaluate proposals from health, dental, life and disability insurance carriers for the plan year beginning March 1, 2007. Premium forecasts and staff recommendations are based upon employee and dependent census data as of October 2006 and may be subject to adjustments. Staff negotiated renewal with Humana at a projected annual premium of \$4,295,000 (projected company cost is \$3,775,000). This represents a 9.5% increase in premiums from 2006 to 2007. The 2007 budget included a 12% increase for medical coverage; actual rate increase is 2.5% lower than budgeted and 5.5% lower than Humana's initial quote. Ms. Willis moved to authorize the President to award a contract to Humana, Inc. for medical insurance in the full amount of \$4,295,000 (Company cost of \$3,775,000). Ms. Welsh seconded, and the motion carried. Dr. Wise asked if there were any changes negotiated for the 2007 plan, and Ms. Schroeder stated there were not.

Ms. Schroeder advised Mr. Huber has the authority to award the contracts for dental, life and disability employee insurance. Delta Dental will increase premiums 2.0%, which represents an annual premium of \$295,000 (projected company cost is \$259,000). The 2007 budget included an 8.0% increase for dental coverage; actual rate increase is 6.0% lower than budgeted. Our new life insurance broker, Aon,

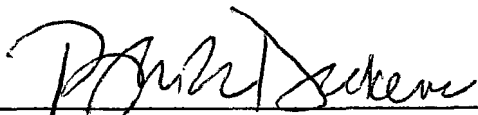
continues to work with our current carrier, Monumental Life Insurance Company, to determine our rates for 2007. At this time, we do not anticipate a rate increase and expect the life insurance rates to come within the budgeted amount of \$142,000. The increase in the net premium over 2006 is a factor of salary adjustments, not a rate increase. Fees for the administration of the self-funded short-term disability plan (STD) and premiums for the fully insured long-term disability plan (LTD) will not increase in 2007. The total cost to LWC for CIGNA's administrative fees for these plans are \$88,500 (STD = \$8,500; LTD = \$80,000).

Executive Session Conducted

The Board went into Executive Session without management present a 2:25 p.m.

There being no further business, the meeting was adjourned at 2:35 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
February 20, 2007**

Board Members Present:

Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis

Not Present:

Mayor Jerry Abramson
Mr. Stewart Conner, Chair
Dr. Joseph Wise

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Mr. Greg Heitzman, Senior Vice President, Operations
Mr. Jim Brammell, Vice President, Chief Engineer
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Amber Halloran, Business System Owner, Supplying Financial Resources and Controller
Ms. Barbara Crow, Process Owner, Providing Strategic Communications

The regular meeting of the Board of Water Works was held on Tuesday, February 20, 2007 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Vice Chair Wendy Welsh called the meeting to order at 12:31 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Mr. Gerald Martin moved to approve the minutes from the Regular Meeting held January 16, 2007, seconded by Ms. Marita Willis, and the motion carried.

Chief Executive Officer Report Provided

Mr. John Huber advised meetings held with wholesale customers went well. Our rate tariff must be filed with the Public Service Commission (PSC) for wholesale customers regulated by the PSC. The 2008 rate increase for these customers are projected to not exceed 6.4%. Mr. Huber advised the legislative session is underway and a bill has been filed to provide PSC oversight of the Metropolitan Sewer District (MSD). *Men's Health* magazine ranked 100 cities for water cleanliness and graded them from "A" to "D." They graded LWC a "B" due to a monitoring violation over 8 years ago. Mr. Huber commented a Water for Profit article in *CFO Magazine* notes a strong growth strategy is critical for water utilities, which typically operate with a negative free cash flow.

Financial Report Provided

Mr. Robert Miller summarized the unaudited financial results for December 2006. Operating Revenues for December of \$8,921,423 are \$616,495 or 6.5% less than budgeted and \$222,618 or 2.4% less than

December 2005. Water sales for December were significantly lower than expected. Despite a detailed analysis, staff was not able to identify any special cause for the variance other than lower consumption in October through December. YTD Operating Revenues of \$114,092,112 are \$4,514,528 or 3.8% less than budgeted and \$1,138,143 or 1.0% less than 2005. Water sales decreased by 3,074 million gallons or 7.7% in 2006. This is equivalent to more than twenty-eight days of billable consumption. The decrease in operating revenues from lower water sales to residential, commercial, and wholesale customers more than offset a 5.0% increase in water rates effective January 1, 2006. Operation and Maintenance Expenses for December of \$4,150,392 are \$968,205 or 18.9% less than budgeted and \$1,261,713 or 23.3% less than December 2005. The budget variance is primarily due to the contingency included in the December administrative and general expense budget. YTD Operation and Maintenance Expenses of \$48,512,042 are \$1,755,322 or 3.5% less than budgeted and \$1,070,068 or 2.3% more than 2005.

Mr. Miller advised revenues for 2006 were down by \$4.5 Million, O&M Expenses were down \$1.7 Million, and Interest Income was up \$1.5 Million, resulting in Net Income being \$1.3 lower than projected. As a result, the actual dividend owed is down by \$780,000 from the amount budgeted.

January results were favorable due to the length of the bills and not yet reported distribution systems emergency repairs cost. Mr. Miller advised recognition of revenue can vary due to the time between readings, the number of accounts estimated, and the read-to-bill date or month of recognition.

Mr. Miller advised staff has determined that our fuel purchase volumes are too low to economically justify the use of sophisticated financial instruments for this purpose. Staff intends to pursue participation on an existing government-procured fuel supply contract or bidding a new contract on behalf of the Company. The contract with Summit Energy has been concluded but we will maintain that relationship in the event future circumstances warrant pursuing their services again.

Engineering Report Provided

Mr. James Brammell provided the Engineering Report for January 2007. The total budget approved by the Board in April 2006 to replace the traveling screens and to perform specific pump rehabilitation at the Zorn Pumping Station is \$4.81 million. The intake structure houses submerged openings and mechanical equipment to screen debris from the river water. Construction began September 15, 2006 on this very complex and operationally sensitive project, which is now approximately 40 percent complete and is progressing well. The installation of the first traveling screen was completed on February 2 and work on the second screen is underway. Completion is projected for early July 2007.

2006 Capital Program Results Expenditures for the year totaled \$67.5 million, which is \$5.9 million higher than 2005 and \$11.2 million higher than the previous five-year average. The 2006 expenditures amounted to 95.99 percent of the revised capital program of \$70.34 million. This result is 7.06 percent higher than last year and 25.99 percent higher than the previous five-year average.

Operations Report Provided

Mr. Greg Heitzman provided the Operations report for month of January 2007. During late January, main break activity picked up significantly the last 4 days of the month. There were 83 main breaks repaired for the month (42 breaks the last 4 days). The backlog of work orders rose significantly to 876 units. The winter emergency activities likely contributed to the very high call center activity – 37,172 calls received in January with an abandonment of 18.1%. This high call volume and abandonment rate are attributed to several factors, including significant staff shortages; new staff; higher than normal bill estimates; extended bill cycles (7 to 14 days); and winter emergency activities. Several days during the month

exceeded an abandonment rate of 40%. During periods of high call volume, management shifted resources from other operating areas to supplement the call center, implemented mandatory half hour lunches, and worked overtime.

Mr. Heitzman stated there was an error in the December 2006 monitoring report for Total Organic Carbon (TOC) based on data incorrectly entered by our contractor lab. As a result, the Company expects to receive a Tier 3 Notice of Violation (NOV). Staff does not agree with the assessment and has asked for an additional review from the Division of Water.

Mr. Heitzman reported company teams have been formed to develop a request for proposal (RFP) for the service line insurance program and for marketing services to assist with market research and brand strategy.

Audit Committee Report Provided

Ms. Welsh provided an overview of the discussions held at the Audit Committee's meeting on January 19, 2007. She advised 2 of the 3 options from the warehouse evaluation conducted in the Fourth Quarter 2006 have been eliminated. The second option has resulted in considering an "inventory lite" management system, which would be a viable option.

Ms. Welsh advised the procurement card usage audit found internal controls for the procurement card process to be generally effective. Staff is continuing to reduce the number of company cards held by employees. Two control issues were found but had been addressed prior to the audit. Ms. Welsh advised the Internal Auditor conducted an audit of cash processing and noted additional controls have been implemented. Ms. Welsh advised staff is reviewing billing dates to ensure customers are being billed for exactly 365 days per year. The Committee also reviewed the 2007 Audit Plan and the 2007 Audit Committee agenda schedule and received an update of the status of the Network Security Audit's action items.

Compensation Committee Report Provided

Mr. Martin provided a report of the Compensation Committee's meeting on January 29, 2007. He summarized performance toward the goals in the Corporate Performance Award, the Executive Incentive Plan and the ELT Shared Goals. The payout of the Corporate Performance Award is at 62.5% of the eligible award or \$316.56 per employee and \$130,741 total for 413 eligible employees. Mr. Martin moved to approve the Corporate Performance Award payout as described, seconded by Ms. Margaret Harris, and the motion carried.

The Company did not meet the "light switch" net income target required for the Executive Incentive Plan, so although we other goals were met, there is no payout under this Plan.

Under the ELT Shared Goals, ELT achieved a Level 5 for Goal A regarding the Capital Plan, a Level 4 on the RBF Phase II and III goal, a Level 4 on the Metered Water Ratio Improvements Goal, and Level 3 on the Diversity Goals relating to minority and women procurement and the hiring of diverse employees. Regarding Goal B, to create new business strategies and revenue, the Board deferred the discussion of the rating to the Executive Session for a final decision.

Mr. Martin advised the Committee reviewed proposed goals for 2007 and was in consensus to approve the goals as proposed for the Corporate Performance Award and the Executive Incentive Plan. The Committee modified Goal B requiring ELT to create new business strategies to ensure revenue and

profitability to define a Level 3 rating as the completion of three business cases, a Level 4 rating as the completion of three business cases plus the implementation of one frontier project, and a Level 5 rating as the completion of three business cases plus the implementation of two frontier projects. The Committee otherwise agreed with the proposed goals as presented. On motion of Mr. Martin, seconded by Ms. Willis and unanimously carried, the Board approved the ELT Shared Goals for 2007 as recommended by the Committee.

Mr. Martin also recommended, on behalf of the Committee, to set the salary for James Brammell, newly appointed as Vice President, Chief Engineer, at \$119,588 annually until such time as salaries are reconsidered for company officers. Ms. Harris seconded, and the motion carried.

Update Provided Regarding Residential Customer Water Consumption

Mr. Miller reported total consumption in 2006 of 36.978 billion gallons was 1.822 billion gallons or 4.7% lower than budgeted, 3.074 billion gallons or 7.7% lower than 2005, and the lowest amount since 1993. A portion of this decrease was due to higher than normal rainfalls; however, the decrease in residential customer water consumption was part of a larger trend that is expected to continue. The Environmental Protection Agency (EPA) announced it is releasing a final specification for the latest generation of water-saving, high-efficiency toilets, which will use less than 1.3 gallons per flush. EPA also announced it is developing product performance criteria for high-efficiency bathroom sink faucets, which will have a maximum flow rate of 1.5 gallons per minute (a 40 percent reduction from current flow rates).

Mr. Heitzman advised the Company is participating in research with the American Water Works Association and the University of Louisville Center for Infrastructure Research on water use patterns. These patterns have been changing throughout the United States and current trends are adversely affecting many utilities' ability to accurately forecast revenues. Causes of water usage trends appear to be climate/rainfall, household size, water conservation, misclassification of residential customers in the customer database of the utilities, and price increases. Until now, trend data has been focused in the arid Southwest where water rationing is a common occurrence and not in the Midwest. This project is scheduled for completion by July 2009.

Mr. Miller stated monthly residential water bills have not increased commensurate with the changes in water rates due to the decrease in water consumption per household. Moreover, when adjusted for inflation, the monthly residential average bill has not materially changed during 1990-2006. We have reduced the anticipated total consumption in the 2007 Annual Budget to 38.2 billion gallons. Further reductions in budgeted consumption may be necessary if the decline in consumption per household outpaces the increase in the number of households.

Mr. Martin commented the strategic direction of the water business is not favorable unless LWC can increase revenue from water sales and other sources. It is common for water utilities to operate with a negative cash flow and that pattern will continue. We must find additional sources of revenue to satisfy all our stakeholders. Mr. Huber commented we need to consider the structure of our bills. Currently, the fixed price portion of our bills is smaller than the variable portion. Mr. Miller advised more information on this issue will be forthcoming at a future Board meeting.

Strategic Plan 2007-2021 Update

Ms. Susan Lehmann advised the 2007-2021 Strategic Plan was finalized and communicated to all employees by December 31, 2006. Financial resources were included in the 2007 budget to begin implementation of the top line revenue growth sub strategies. One of the 2006 Shared Goals for the ELT

was to "Create New Business Strategies to Ensure Revenue and Profitability." All elements of this objective were completed on or ahead of schedule. The Board agreed to assess ELT's performance on this goal as a part of the 2006 ELT Shared Goal results.

IT Strategic Plan 2003-2006; Summary of Status Report

Mr. Miller provided a status report for the 2004-2006 Information Technology Strategic Plan. The key Information Technology strategies for 2004-2006 included: investment in the four Information Technology Architectures; replacement of or re-engineering of legacy Information Supply Systems; investment in technologies to provide information to employees, customers, suppliers, and business partners quickly and efficiently; initiatives for Business Continuity, Disaster Recovery, and Information Security; and investment in training to support the quality products and services we have in place and will have in the future. Staff has completed a majority of the key elements of these strategies, such as: completion of the Automated Mapping/Facility Management/Geographic Information System project; implementation of the Human Resources Management System; implementation of the Mobile Dispatch System; adoption of Information Technology Control Frameworks and audit plan; and enhancement of network and information security and storage management with the installation of Network Attached Storage devices, data archival (electronic mail) system, and disk backup system.

Several key elements were deferred or cancelled due to changing business priorities and resource availability. Several of these elements will be the focal point for 2007. Also, several initiatives added to the plan in 2006 will continue in 2007. The development of a new IT Strategic Plan is underway and will be ready for use in developing the 2008 Annual Budget.

Engineer of Record/Facility Plan Consultant Selection

Mr. Brammell reported staff developed the Request for Proposal (RFP) for Facility Plan development and conducting annual inspections. Factors in the selection process will include having a current Statement of Qualifications on file with Louisville Water Company; a nationwide and favorable reputation; recent successful experience in performing significant planning studies and/or plant and production engineering work with LWC; and, a local office within reasonably close proximity to Louisville. Based on this criteria, five consulting firms have been invited to submit proposals: CH2M Hill; Black & Veatch; Jordan, Jones & Goulding; O'Brien & Gere; and CDM. Proposals are due March 14, 2007 and staff evaluation should be completed by April 5th. Staff will likely recommend a firm at the May meeting. The first work assignment for the selected consultant will be the 2007 Annual Inspection, which is expected to begin in May. Development of the 2010 - 2030 Facility Plan would begin in 2008.

Budget Increased for Project 10662: Zorn Pump Station

Mr. Brammell reported the Zorn Pump Station Structural Improvements project is presently budgeted for \$157,400 to rehabilitate the Zorn Boiler Building's reinforced concrete in order to remediate spalling and corrosion affecting the structural support columns and beams. The Boiler Building houses critical electrical switchgear and equipment essential to the functionality of the Zorn Pump Station. Cornerstone Engineering, Inc. (CEI) was retained to design a solution to this problem. In the initial investigation, other significant deficiencies with the concrete slabs were detected and some of the original grated openings in the floor have been filled with concrete without reinforcing steel. The construction cost for the additional work, as well as the work in the original scope, is now estimated at \$304,000, and with the addition of a 15 percent contingency and engineering and inspection costs, the total required project budget is \$400,000. Mr. Martin moved to increase the project budget by \$242,600, from \$157,400 to \$400,000, seconded by Ms. Willis and the motion carried.

Project Approved for Emergency Work Resulting From CSX Derailment in Brooks, KY

Mr. Brammell advised the Company incurred extraordinary operating costs and damage to facilities as the result of the CSX train derailment in Brooks, Kentucky on January 16, 2007. An initial assessment of the effect of the incident has been completed and staff has preliminarily determined the impact to LWC. Specifically, the derailment resulted in potential contamination and damage to LWC's facilities requiring unexpected staffing, contractual services, and materials costs. LWC's activities have included: around the clock support to ensure firefighting capacity and respond to questions regarding the water supply; additional water quality monitoring; and engineering, design and construction of new water mains. At this time, the majority of anticipated costs as a result of this derailment and recovery have not yet been expended. We have asserted a claim against CSX to recover the additional costs and damages for the specific facility repairs, in addition to water quality monitoring and unbudgeted labor expenses, directly resulting from this incident. Total estimated costs are \$923,700. LWC has submitted an invoice for a partial claim in the amount of \$14,875.60 and will invoice further as costs are expended. Ms. Harris moved to retroactively approve the initiation and planned completion of a project estimated at \$400,000 for the replacement of the 6-inch main in Huber Station Road, Angela Drive, and Stearns Lane; for the potential replacement of water facilities along Highway 1020; and for other ancillary work with estimated costs totaling \$923,700. Mr. Martin seconded, and the motion carried.

KIA Grant Accepted and Budget Amended to Note Receipt of Funds for Bullitt County Water Improvement Program - Walls Hollow Road Grant

Mr. Brammell stated the Company has received a conditional commitment letter from KIA for grant assistance for the Walls Hollow Road Project in the amount of \$168,000. Mr. Martin moved to adopt a Resolution accepting the Walls Hollow Road KIA grant, approving the Grant Agreement, authorizing the amendment of the 2007 LWC Budget to note receipt of the funds and authorizing James H. Brammell to sign the grant documents.

WHEREAS, the General Assembly has appropriated funds for infrastructure projects in the 2006-2008 Budget of the Commonwealth; and

WHEREAS, the Grantee has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Grantee's utility system (the "Project"); and

WHEREAS, the Grantee desires funding from the Kentucky Infrastructure Authority (the "Authority") for the purpose of acquisition and construction of the Project.

NOW, THEREFORE, BE IT RESOLVED by the Board of Water Works of the Louisville Water Company as follows:

SECTION 1. That the Grantee hereby accepts the grant award and approves the Agreement between the Grantee and the Authority substantially in the form on file with the Grantee for the purpose of providing a portion of the necessary financing to the Grantee for the acquisition and construction of the Project.

SECTION 2. That James H. Brammell is hereby authorized, directed and empowered by the Grantee to execute the Agreement and all other necessary documents or agreements, and to otherwise act on behalf of the Grantee to implement the Project.

SECTION 3. That the Grantee hereby includes in its annual budget the receipt and expenditures of funds subject to the Agreement with the Authority.

SECTION 4. This Agreement shall take effect immediately upon passage

Ms. Harris seconded, and the motion carried.

Executive Session Conducted

The Board went into Executive Session without management present at 2:04 p.m.

ELT Shared Goal Rating Given

Ms. Willis moved to approve the ELT Shared Goal B concerning the Development of New Business Strategies at a Level 5, seconded by Mr. Martin, and the motion carried.

There being no further business, the meeting was adjourned at 2:18 p.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Barbara K. Dickens", written over a horizontal line.

Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
March 13, 2007**

Board Members Present:

Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson
Mr. Stewart Conner, Chair

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Mr. Greg Heitzman, Senior Vice President, Operations
Mr. Jim Brammell, Vice President, Chief Engineer
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Mr. Spencer Bruce, Business System Owner, Managing Distribution Operations
Ms. Amber Halloran, Business System Owner, Supplying Financial Resources and Controller
Ms. Barbara Crow, Process Owner, Providing Strategic Communications

The regular meeting of the Board of Water Works was held on Tuesday, March 13, 2007 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Vice Chair Wendy Welsh called the meeting to order at 12:33 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Mr. Gerald Martin recommended adding the following to the first sentence of the last full paragraph on page 4 of the February 20, 2007 draft minutes: "unless LWC can increase revenue from water sales and other sources." Mr. Martin moved to approve the minutes from the Regular Meeting held February 20, 2007, as amended, seconded by Ms. Marita Willis, and the motion carried.

Chief Executive Officer Report Provided

Mr. John Huber reported LWC employees Ed Chestnut and Ron Green and BOWW Director Marita Willis are featured in the Who's Who in Black Louisville, Inaugural Edition.

Mr. Huber attended the AMWA Water Policy Conference, where discussions were held regarding the focus of the Democratic congressional committee chairs on increased federal funding for wastewater and water utilities and the regulation of perchlorate and MTBE in water. Mr. Huber advised the EPA is focusing on security, including mutual aid agreements among utilities, water efficiency, the management of water infrastructure, changes in the climate, and water quality issues involving pharmaceuticals and microbials. Additionally the private sector involvement in the water industry may increase if the cap on private activity bonds for water projects is lifted as advocated by the EPA Administrator.

Financial Report Provided

Mr. Robert Miller summarized the financial results for February 2007. Operating Revenues for February of \$9,016,636 are \$737,043 or 7.6% less than budgeted. Operating revenues are lower for nearly all customer classes without an obvious cause, but possible factors include the effect of estimates for meters not read, the effect of variances for billings different from the schedule, challenges in the budget spread, and lower usage per account. Operation and Maintenance Expenses for February of \$4,827,359 are \$232,711 or 5.1% more than budgeted. The budget variance is due to distribution system winter emergency costs. Total Net Non-Operating Expense for February of \$129,798 is \$165,630 or 56.1% less than budgeted and \$176,125. The budget variance is due to higher than expected interest income. YTD Total Net Non-Operating Expense of \$352,750 is \$208,954. Net Income for February is \$894,995 or 39.8% less than budgeted. YTD Net Income is \$673,853.

Mr. Miller commented staffing levels were lowered significantly in 2003, and staff levels are currently even lower than in 2003. Ms. Welch inquired whether the staffing is affecting the abandonment rate in the Call Center. Mr. Greg Heitzman advised the abandonment rate has been due to vacancies as well as inexperience of newly hired call center employees. Mr. Martin commented the cash paid to suppliers was twice what it was for the same period in 2006. Mr. Miller advised staff would follow up on this.

Engineering Report Provided

Mr. Jim Brammell provided the Engineering Report for February 2007. Preliminary engineering is nearly completed on Project 10608—Crescent Hill Filter Plant Chlorine Generation System. A meeting was held on February 26 with the Community Advisory Group to provide a status report and update on the project. The feedback from the CAG was favorable.

Mr. Brammell reported LWC continues to participate on a coordinate capital improvements team with multiple Metro government departments, MSD, and the Kentucky Transportation Cabinet (KTC). The advantages of coordinated construction to the agencies and utilities are lower construction costs, higher productivity, and diminished risk of damage to infrastructure. Current efforts are being made to coordinate LWC projects with Metro's paving schedule. Mr. Huber noted these efforts compliment the BOWW's strategic goal to achieve synergies.

Operations Report Provided

Mr. Heitzman provided the Operations report for month of February 2007. LWC received two Notice of Violation (NOV) letters from the Kentucky Division of Water (DOW) on February 22 regarding a clerical error in the December 2006 monitoring report for Total Organic Carbon (TOC). The analysis date in the original report was incorrectly entered. As a result, Kentucky DOW issued two Tier 3 reporting violations: one for BEP and the other for Crescent Hill Filtration Plant. Staff reviewed the regulations and believes no violation exists because the TOC monitoring occurred and was timely submitted, but simply contained an obvious clerical error.

Bad Debt for the month was \$15,720 compared to \$43,329 in February 2006. Through February, we are \$66,234.93 below budget for bad debt write offs. The improvement in this area is attributed to the continued hard work of collections and cashiering staff and the relatively small number of accounts eligible for bad debt status.

The Company received an Engineering Excellence Honor Award by the American Consulting Engineers Council of Kentucky for the \$18 million construction upgrade of the B.E. Payne Water Treatment Plant in 2004. The award was given for the significant utilization of minority and women business, the ability to upgrade the plant while maintaining operation, integrating new filtering technology, and completing the project well below the budget allocation of \$20 million.

Closed Session Held

Ms. Margaret Harris moved to go into closed session to discuss proposed or pending litigation matters and a specific business proposal pursuant to KRS 61.810(1)(c) and (g), respectively, at 1:05 p.m. Dr. Joseph Wise seconded, and the motion carried.

Open Session Resumed

On the motion of Ms. Harris, seconded by Mr. Martin, and unanimously carried, the Board resumed open session at 1:55 p.m. No action was taken in closed session.

Dividend Declared

Mr. Miller advised Section 508 of the Series 1992 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 the City. The 2007 Annual Budget provides for a budgeted annual dividend of \$15,673,500. Dr. Wise moved to declare the first quarterly 2007 dividend in the amount of \$3,918,375.

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 1992 Water System Revenue Bond Resolution sets forth a formula for determining the amount of any such dividend, and

WHEREAS, the 1992 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 2007 Louisville Water Company Annual Budget contemplates the 2007 annual dividend to be \$15,673,500, it would be in order at this time to declare a regular first quarter dividend of \$3,918,375; therefore, be it

RESOLVED, the regular first quarter 2007 dividend of \$3,918,375 is hereby declared, and further

RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,918,375 to the Louisville / Jefferson County Revenue Commission on March 30, 2007, this being the first quarterly dividend for 2007, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

Mr. Martin seconded, and the motion carried.

Report Provided Concerning 2006 Strategic Plan Measurements

Mr. Ed Chestnut advised the Compensation Committee received a detailed update of results of the measurements for the 2006 Strategic Plan. The information was provided to the remainder of the Board for their review. Mr. Chestnut also reviewed data on the number of services installed annually from 1996-2006. Mr. Johnstone commented some of the decline may be attributed to the growing number of multi-unit developments, such as patio homes, for which the Company permits master metering.

Discussion Held Regarding Ratio Analysis of 2006 Financial Results

Mr. Miller advised staff has conducted a ratio analysis of the 2006 financial results. Financial management staff plans for and monitors five groups of financial metrics: liquidity, capitalization, coverage, profitability and dividend payout. The annual budget for 2007 contemplates that all measures except for Return on Equity ("ROE") will meet or exceed the LWC targets. LWC revenue bonds currently carry a rating of Aa1 from Moody's Investors Service and AA+ from Standard & Poor's. These ratings are quite favorable and are the next rating below the top rating of AAA. Staff believes there are approximately ten water or sewer utilities in the United States with a rating of AAA. Comparing LWC results for 2006 with the AAA medians identified by Fitch Ratings, the LWC results compare favorably on Long Term Debt to Net Utility Plant and Operating Margin and compare unfavorably on Days of Funded Operations and Debt Service Coverage. LWC is on track to achieve and sustain financial performance that meets or exceeds the targets established in the long term financial plan and to maintain the current favorable bond ratings. However, the results do not indicate that an improvement of the bond rating to AAA will be practical in the near term.

Analysis Provided of Revenue, Consumption and Number of Accounts by Customer Class from 1990 through 2006

Mr. Miller reported the Company has seen lower than expected water sales for three of the past four years. Based upon an analysis of usage per account by customer class, staff has discerned a decrease in the average consumption per account for residential, commercial and industrial customers. Mr. Miller reviewed the revenue, consumption, and number of accounts for the residential, commercial and industrial customer classes for 1990 through 2006. The number of residential customers has increased from 195,641 in 1990 to 244,478 in 2006 due to the extension of water mains throughout Jefferson County and the conversion of previous wholesale customer accounts through mergers and acquisitions. During that time, consumption has increased but at a lower rate due to the offsetting decrease in consumption per account. The number of commercial customers has increased from 17,755 in 1990 to 23,225 in 2006. During that time, consumption increased until 2000 when it began to level out or decline due to a decrease in consumption per account. The number of industrial customers has decreased from 400 in 1990 to 321 in 2006. During that time, consumption decreased both due to a decrease in the number of customers as well as in consumption per account.

With the increasing numbers of residential and commercial accounts accompanied by the decreasing number of industrial accounts, the amount of revenue received from each customer class has changed markedly from 1990 to 2006. Revenue from commercial customers as a percentage of total revenue has increased from 31% to 35% while revenue from industrial customers as a percentage of total revenue has decreased from 14% to 7%. Revenue from residential customers as a percentage of total revenue has remained relatively stable at 44% to 45%. The balance of the difference is attributable to increased wholesale and municipal sales. We have added 61,752 customer accounts from 1990 to 2006 for an increase of 26.6%, from 232,085 to 293,837. Total annual water sales have remained relatively flat during that same period, falling by 34.1 million gallons for a decrease of 0.09%, from 37,012 million gallons to 36,978 million gallons. Also during that same period, Louisville Water Company increased the investment in net utility plant by \$492,802,059 for an increase of 194.6%, from \$253,300,521 to \$746,102,580. These increased investments have resulted in improved water quality, customer satisfaction, and infrastructure reliability. However, they have not resulted in increased total water sales. Further growth in top-line revenue and profitability will require continually increased numbers of customer accounts as well as effective execution of the growth strategies in the 2007-2021 Strategic Plan.

Mr. Huber stated the results of this analysis further support our need to consider our current pricing structure. Mr. Miller agreed, stating this is a high point of discussion at water utility leadership conferences. Mr. Martin expressed concern in meeting our ROE target.

Discussion Held About “Water For Profit”

Mr. Miller advised CFO Magazine published a profile of the water utility industry on February 1, 2007 titled *“Water for Profit: Undaunted by Tight Regulations and Huge Infrastructure Costs, Companies Dive into the Water Business”*. The article notes the steady pace of acquisitions by investor-owned water utilities, despite the effort of municipally-owned utilities to protect their exclusive franchises. The water utility is a capital intensive industry with negative cash flow to build assets to grow net income, without adequate rate increases. Acquisitions of adjacent utilities are necessary to attain economies of scale while providing a fair and reasonable ROE at 10-11%. Mr. Miller noted these pressures are difficult when considering the customer objective to control rate increases at or below 5%, maintain tax exempt bond ratings at Aa1/AA+, and increasing equity while lowering debt. Many water utilities are entering into related non-regulated business lines in order to achieve the balance necessary between these objectives. Mr. Martin commented that while it is the standard method to value water utilities, the way in which we value the Company provides a lower book value that it really is.

Update Provided Regarding Kentucky General Assembly Legislation

Mr. Heitzman noted we have monitored the activities of the General Assembly, but it does not appear any of the proposed legislation still viable in this session will significantly affect the Company.

Update Provided Regarding the Winter Emergency Activities

Mr. Spencer Bruce provided a summary of activities involved in the Winter Emergency, which occurred when the air and water temperatures dropped rapidly. Distribution Operations progressed through three of the four levels of the Winter Emergency Plan. Crews worked 12 to 16 hour shifts over a 2 week period. There were 257 main breaks vs. a five year average of 54 for the month of February. For the first two months of the year, there were 340 main breaks, compared to a total of 436 for all of 2006. There were three road closures, over 210 street cuts, customer driveways or sidewalks, and 3559 work units completed. Meter reading was behind schedule and many routes were estimated in order to prevent bills with greater than 68 service days. As a result, of the 129,424 accounts billed in February 2007, 14,396 (11.12%) were estimated. In February 2006, 140,271 accounts were billed and 1,861 (1.33%) accounts were estimated. Collection related turn off for non-payment and plug services work was suspended during the extreme cold February 5 – 7, resulting in a backlog of 398 work units. This backlog was addressed using overtime and normal collection procedures did not have to be modified. The call center handled 34,985 calls compared to 31,360 for the same period last year. There were no significant impacts from the winter weather on the treatment plants or pumping operations. Management stepped down from the Winter Emergency on February 18, but some impacts from it will continue 60 days beyond then.

2007 Water Rate Schedule Revised

Mr. Miller advised the rates charged to the Kentucky Turnpike Water District #2 customers remained the same after the merger of LWC and the District in October 2000, including a special rate previously negotiated with the City of Lebanon Junction. In January 2005, LWC reached agreement with the City of Lebanon Junction for a standard wholesale contract to replace the previous contract with Kentucky Turnpike Water District #2. Lebanon Junction uses this supply only on an emergency standby basis. Staff noticed that the reference to the special rate for Lebanon Junction had not been removed from the

approved 2007 Water Rate Schedule, as it should have been. This correction to the rate schedule reflects the contract currently in place and does not have a financial impact nor does it impact filings with the Kentucky Public Service Commission. Mr. Martin moved to revise the 2007 Water Rate Schedule to remove the reference to the special rate for the City of Lebanon Junction in Paragraph 6.02.02, seconded by Dr. Wise, and the motion carried.

Condemnation of Easements Approved

Mr. Brammell advised of plans to install a 16-inch transmission water main across two parcels at 16601 and 16603 Dixie Highway located in Southwest Jefferson County. This project is the last segment of a 16-inch transmission main along Dixie Highway from Rogers Lane to Katherine Station Road. A total of 11 easements are required for the project, of which 9 have been acquired. The proposed grid-tie will connect two separate sections of this 16-inch transmission main and will improve area flow availability for fire service and will ensure high quality water is provided. The proposed grid-tie is a necessary component to support growth south of this area. There are no alternatives from the current design that are operationally or economically feasible. Staff has negotiated with the owners of this property along this route for several years without having reached an acceptable settlement; therefore, it is necessary to proceed with condemnation of the two remaining easements required for the project. Dr. Wise moved to adopt the following resolution:

RESOLVED, that it is hereby determined to be necessary that the Louisville Water Company obtain a permanent easement on certain land located along U. S. Highway 31W a/k/a South Dixie Highway in Jefferson County, Kentucky (such land being more particularly described in Exhibits A and B attached to the Resolution) for the purpose of using such land for installing, operating, monitoring, maintaining, and replacing water main facilities, which will enhance water quality and improve fire protection service, it being the Board of Water Works' determination that such land is needed from owners Barry Lee Smith and the Estate of R. Gene Smith, at 16601 and 16603 S. Dixie Highway in Jefferson County, Kentucky, said parcels located at Tax Block 1064, Lots 14 and 20, and any or all other lawful owners of such properties, the need for such land being to allow the public use of said land by the Louisville Water Company in fulfilling the public use and purpose of providing purified water services and fire protection services to the residents of Louisville/Jefferson County, Kentucky and surrounding areas, the Louisville Water Company being hereby authorized, if reasonable efforts to purchase the necessary easements have failed, to bring a condemnation action against the owners of such land.

Ms. Harris seconded, and the motion carried.

Executive Session Conducted

The Board went into Executive Session without management present at 2:50 p.m.

There being no further business, the meeting was adjourned at 3:05 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
APRIL 10, 2007**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Mr. Greg Heitzman, Senior Vice President, Operations
Mr. James Brammell, Vice President, Chief Engineer
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Ms. Barbara Crow, Process Owner, Providing Strategic Communications

The regular meeting of the Board of Water Works was held on Tuesday, April 10, 2007 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:38 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Ms. Wendy Welsh moved to approve the minutes from the Regular Meeting held March 13, 2007, seconded by Mr. Gerald Martin, and the motion carried.

Financial Report Provided

Mr. Robert Miller provided the report of financial results through March 2007. Operating Revenues for March of \$9,406,247 are \$223,677 or 2.4% more than budgeted due to higher than expected commercial water sales. YTD Operating Revenues of \$28,722,868 are \$373,786 or 1.3% less than budgeted. Operation and Maintenance Expenses for March of \$4,101,335 are \$61,651 or 1.5% more than budgeted due to distribution system winter emergency costs. YTD Operation and Maintenance Expenses of \$12,913,673 are \$376,244 or 3.0% more than budgeted. YTD Total Operating Expenses of \$21,134,792 is \$318,812 or 1.5% more than budgeted. YTD Net Operating Income of \$7,588,077 is \$692,597 or 8.4% less than budgeted. Total Net Non-Operating Expense for March of \$198,951 is \$96,380 or 32.6% less than budgeted due to higher than expected interest income. YTD Total Net Non-Operating Expense of \$551,701 is \$305,334 or 35.6% less than budgeted. YTD Net Income of \$7,036,376 is \$387,263 or 5.2% less than budgeted.

Mr. Miller responded to Mr. Martin's question in the March meeting about the increase in payments to suppliers and advised the increase corresponds to the payment of an accrual of capital expenditures at the end of 2006. Mr. Rick Johnstone noted the lower use of water by Metro Government is helpful since

those are free water accounts. In response to Mr. Johnstone's request for clarification regarding higher O&M costs per customer, Mr. Miller advised this is due to the higher O&M costs incurred during the Winter Emergency.

Operations Report Provided

Mr. Greg Heitzman presented the Operations report for March. Contractors have completed a significant number of asphalt repairs required as a result of the Winter Emergency. Of the 275 backlog of concrete and asphalt restorations, all restorations will be completed in April, allowing Operations to shift work to the capital program.

In early March, a leak was discovered on the 60" transmission main at Palatka between Southview and Sunny Brook Drive. It is the result of a circumferential break in the prestressed concrete main. This section has been taken out of service to minimize the risk of a catastrophic failure, which other communities have had with pre-stressed concrete cylinder pipe. If pipe cannot be obtained quickly from the manufacturer, the roadway will be covered to allow traffic until the pipe is received and then coordinated with Metro Public Works to be closed for repairs for approximately two weeks.

Call Center operations received 33,135 calls in March compared with 32,477 in March 2006. The call abandonment rate was 7.6%, significantly lower than the January and February rates of 18.1% and 13.4% respectively. Although lower, the abandonment rate exceeded our goal of 5%. We continue to be understaffed in the call center with one fulltime and one part time vacancy. In addition, staff availability was reduced due to sickness and planned vacations. LG&E provided management a tour and presentation of their Virtual Call Center. Staff will continue to benchmark with LG&E and look to transfer best practices to our call center operation.

The first quarter 2007 CSI results show an increase over first quarter 2006. The Total CSI was 856 for the quarter compared to 845 in 2006, while the Serviced Customers CSI was 785 compared to 779 in 2006. A review of the sub-elements of the CSI, reveals an increase in all areas of water quality, customer service, information, reliability, and price value. The residential segments improved, while the commercial serviced and non-serviced segments declined. The overall results were better than expected, considering the 6.5 percent water rate increase in January and the winter emergency and customer service and billing issues experienced during February.

Chief Engineer Report Provided

Mr. James Brammell provided the Engineering report. Expenditures through March 2007 for the capital program totaled \$13.08 million, which is \$233.8 thousand higher than the same period in 2006. These expenditures equate to 14.24 percent of the revised 2007 capital program of \$91.81 million.

The quarterly meeting of the Shepherdsville Advisory Board was held on March 20, 2007 at the Louisville Water Company's Bullitt County office. The Board was briefed on LWC organization changes, the Shepherdsville Rate Differential, the Highway 44 Main Replacement, and Monthly Billing.

Mr. Brammell advised the Huber Station, Angela Drive, and Stearns Lane replacement work from the CSX Train Derailment is complete. CSX-requested scope changes have resulted in the project budget for this water main work to rise from \$400,000 to \$455,300. LWC has received additional information resulting in a decision to replace some length of the existing water facilities in the Highway 1020 corridor. The February estimate, still tentative, was for the replacement of 2,000 feet of 12-inch main at a projected cost of \$266,000.

Compensation Committee Report

Mr. Conner asked Ms. Susan Lehmann to summarize the Committee's discussion regarding 2007 salaries. Ms. Lehmann stated the merit matrix results in a 2.8% move in the market. LWC budgeted a 3.5% overall increase in salaries.

Audit Committee Report Given

Ms. Welsh gave the report of the Audit Committee's meeting held March 29, 2007. She reviewed comments by the external auditors, Strothman & Company. Strothman issued a clean, unqualified audit and found no significant deficiencies or material weaknesses. She summarized the results of the HR Compliance Audit and the status of Outstanding Issues, which were reported to the Committee.

First Quarter 2007 Certification Provided for Projects Authorized and Change Actions Approved

Mr. Huber certified that the following projects and change actions were authorized in the First Quarter of 2007 pursuant to the Capital Projects Authorization Policy and Procedures, with the exception of a purchase for an unbudgeted capital project that was approved by the Bids and Awards Committee contingent upon approval by the Capital Projects Authorization Committee (CPAC), but was actually authorized by an employee without first getting that CPAC approval. CPAC approval was subsequently granted and would have been granted had CPAC had the opportunity to meet prior to the authorization form being submitted. This form was submitted to the vendor early to obtain favorable pricing.

PROJECT PROPOSALS REQUIRING BOARD APPROVAL

11624 Huber Station Rd relocation CSX, cost center 342 – Project Proposal for non-budgeted project. CPAC-01/30/07, President-01/30/07

Approved project budget estimate = \$ 404,540
Net LWC Cost = \$ - 0 -

BOWW approval received.

11636 Mobile Supply Chain Applications for Material Tracking and Management, cost center 441 – Project Proposal for non-budgeted project. CPAC-01/26/07, President-01/29/07

Approved project budget estimate = \$ 275,000

BOWW approval received.

PROJECT CHANGE ACTIONS REQUIRING BOARD APPROVAL

10233 BEPWTP Clarification and Mixing Basin Complex Renovation, cost center 222 – Project Change Action #7 to increase estimate. CPAC-01/12/07, President-01/16/07

Previously approved budget estimate = \$ 13,505,890
Change in project budget estimate = \$ 1,023,916
Approved project budget estimate = \$ 14,529,806

BOWW approval received.

10662 Zorn Pump Station Structural Improvements, cost center 224 – Project Change Action #4 to increase estimate. CPAC-02/09/07, President-02/09/07

Previously approved budget estimate = \$ 157,400
Change in project budget estimate = \$ 242,600
Approved project budget estimate = \$ 400,000

BOWW approval received.

99402 Phase II – Riverbank Filtration, cost center 268 – Project Change Action #12 to increase estimate. CPAC-01/12/07, President-01/16/07

Previously approved budget estimate = \$ 43,424,800
Change in project budget estimate = \$ 3,743,500
Approved project budget estimate = \$ 47,168,300

BOWW approval received.

PROJECT PROPOSALS FOR NONBUDGETED PROJECTS APPROVED BY THE PRESIDENT

11630	2007 Backlog Construction Return Posting, cost center 326 – Project Proposal for non-budgeted project. CPAC-02/02/07, President-02/05/07	
	Approved project budget estimate =	\$ 240,764
3999	Oracle Database and Application Server Software, cost center 446 – Project Proposal for non-budgeted project. CPAC-02/28/07, President-02/28/07	
	Approved project budget estimate =	\$ 114,500
11652	Telecommunications Switch Upgrade, cost center 446 – Project Proposal for unbudgeted project originally planned for 2008. CPAC-03/16/07, President-03/20/07	
	Approved project budget estimate =	\$ 140,000
PROJECT PROPOSALS APPROVED BY THE PRESIDENT		
11613	Gene Snyder Freeway transmission main – Phase 2B, cost center 342 – Project Proposal to set up project out of 01743 Gene Snyder Freeway transmission main – Phase 1A. CPAC-01/05/07, President-01/08/07	
	Approved project budget estimate =	\$ 815,400
11615	Gene Snyder Freeway transmission main – Phase 1B, cost center 342 – Project Proposal to set up project out of 01743 Gene Snyder Freeway transmission main – Phase 1A. CPAC-01/05/07, President-01/08/07	
	Approved project budget estimate =	\$ 9,133,000
11616	Gene Snyder Freeway transmission main – Phase 2A, cost center 342 – Project Proposal to set up project out of 01743 Gene Snyder Freeway transmission main – Phase 1A. CPAC-01/05/07, President-01/08/07	
	Approved project budget estimate =	\$ 6,641,500
11618	Harrod’s Creek Bridge, cost center 342 – Project Proposal to initiate project funded in 2007 program. CPAC-01/05/07, President-01/08/07	
	Approved project budget estimate =	\$ 257,000
	Net LWC Cost =	\$ 142,950
11619	S 2 nd St area lead service renewals, cost center 342 – Project Proposal to initiate project funded in 2007 program. CPAC-01/05/07, President-01/08/07	
	Approved project budget estimate =	\$ 301,265
11621	Southern Pkwy main replacement, cost center 342 – Project Proposal to initiate project funded in 2007 capital program. CPAC-01/12/07, President-01/16/07	
	Approved project budget estimate =	\$ 445,000
11625	S Third St lead service renewals, cost center 342 – Project Proposal to initiate project funded in 2007 capital program. CPAC-01/19/07, President-01/22/07	
	Approved project budget estimate =	\$ 322,885
11626	Woodside Rd MRRP, cost center 342 – Project Proposal to initiate project funded in 2007 capital program. CPAC-01/19/07, President-01/22/07	
	Approved project budget estimate =	\$ 167,300
11627	Country Ln MRRP, cost center 342 – Project Proposal to initiate project funded in 2007 capital program. CPAC-01/19/07, President-01/22/07	
	Approved project budget estimate =	\$ 172,000
11634	Arbegust Railroad Crossings, cost center 342 – Project Proposal to initiate project funded in 2007 capital program. CPAC-02/09/07, President-02/09/07	
	Approved project budget estimate =	\$ 277,000
11659	Haldeman – Bellaire Ave lead service renewals, cost center 342 – Project Proposal for project funded in the 2007 Capital Plan. CPAC-03/23/07, President-03/27/07	
	Approved project budget estimate =	\$ 202,725
11620	Renaissance Zone South Business Park Section 1, cost center 366 – Project Proposal for project funded in the 2007 Capital Program. CPAC-03/16/07, President-03/20/07	
	Approved project budget estimate =	\$ 200,000
	Net LWC Cost =	\$ -0-
10274	Lake Elmo water main extension, cost center 369 – Project Proposal for project funded in the 2007 capital program. CPAC-02/23/07, President-02/26/07	
	Approved project budget estimate =	\$ 168,000

11595	KY 61 / Lebanon Junction 12" main extension, cost center 369 – Project Proposal to initiate project funded in 2007 capital plan. CPAC-01/12/07, President-01/16/07	
	Approved project budget estimate =	\$ 547,000
	Net LWC Cost =	\$ 164,000
11651	Bates Ln water main extension, cost center 369 – Project Proposal for project funded in the 2007 Capital Program. CPAC-03/16/07, President-03/20/07	
	Approved project budget estimate =	\$ 120,000
<u>PROJECT CHANGE ACTIONS APPROVED BY THE PRESIDENT</u>		
02402	CHPS Pump #7 Overhaul, cost center 222 – Project Change Action #3 to increase estimate and approval to bid. CPAC-01/26/07, President-01/29/07	
	Previously approved budget estimate =	\$ 482,500
	Change in project budget estimate =	\$ 52,500
	Approved project budget estimate =	\$ 535,000
11551	690 PZ BPS's (2), cost center 222 – Project Change Action #1 to revise cash flow. CPAC-02/02/07, President-02/05/07	
	Approved project budget estimate =	\$ 3,000,000
03638	CHFP Slate Roof Replacements, cost center 224 – Project Change Action #8 to increase estimate. CPAC-02/16/07, President-02/20/07	
	Previously approved budget estimate =	\$ 4,181,969
	Change in project budget estimate =	\$ 20,396
	Approved project budget estimate =	\$ 4,202,365
06800	Phase III Advanced Treatment Technology, cost center 268 – Project Change Action #2 to revise cash flow. CPAC-01/26/07, President-01/29/07	
	Approved project budget estimate =	\$ 3,186,400
11555	Prospect/Goshen Area Supply Improvements, cost center 322 – Project Change Action #1 to decrease estimate. CPAC-02/16/07, President-02/20/07	
	Previously approved budget estimate =	\$ 600,000
	Change in project budget estimate =	\$(435,000)
	Approved project budget estimate =	\$ 165,000
98664	Hurstbourne Pkwy – Bardstown Rd to Fern Valley Rd, cost center 342 – Project Change Action #3 to decrease contribution which increases LWC cost. CPAC-01/26/07, President-01/29/07	
	Previously approved budget estimate for Net LWC Cost =	\$ 830,290
	Change in budget estimate for Net LWC Cost =	\$ 46,622
	Approved project budget estimate for Net LWC Cost =	\$ 876,912
98665	Westport Rd, Herr Ln to Hurstbourne Pkwy, cost center 342 – Project Change Action #1 to increase estimate. CPAC-03/16/07, President-03/20/07	
	Previously approved budget estimate =	\$ 500,000
	Change in project budget estimate =	\$ 95,000
01743	Gene Snyder Freeway transmission main – Phase 1A, cost center 342 – Project Change Action #8 to decrease estimate. CPAC-01/05/07, President-01/08/07	
	Previously approved budget estimate =	\$ 26,175,699
	Change in project budget estimate =	\$(16,589,900)
	Approved project budget estimate =	\$ 9,585,799
02466	Bashford Manor Ln relocation, cost center 342 – Project Change Action #3 to decrease estimate. CPAC-01/12/07, President-01/16/07	
	Previously approved budget estimate =	\$ 318,825
	Change in project budget estimate =	\$ (63,912)
	Approved project budget estimate =	\$ 254,913
11187	South Dixie main replacement, cost center 342 – Project Change Action #6 to increase contract amount. CPAC-01/12/07, President-01/16/07	
	Previously approved budget estimate =	\$ 1,056,425
	Change in project budget estimate =	\$ - 0 -
	Approved project budget estimate =	\$ 1,056,425

11371	Broadway – Lead Service Renewals, cost center 342 – Project Change Action #4 to decrease estimate. CPAC-01/26/07, President-01/29/07	Previously approved budget estimate =	\$ 148,385
		Change in project budget estimate =	\$ (85,858)
		Approved project budget estimate =	\$ 62,527
11613	Gene Snyder transmission main Phase 2B, cost center 342 – Project Change Action #2 to increase contract amount with no change in project budget and revise cash flow. CPAC-01/19/07, President-01/22/07	Previously approved budget estimate =	\$ 815,400
		Change in project budget estimate =	\$ - 0 -
		Approved project budget estimate =	\$ 815,400
11624	Huber Station Rd CSX relocation, cost center 342 – Project Change Action #2 to increase estimate. CPAC-02/23/07, President-02/26/07	Previously approved budget estimate =	\$ 404,540
		Change in project budget estimate =	\$ 50,795
		Approved project budget estimate =	\$ 455,335
11624	Huber Station Rd CSX relocation, cost center 342 – Project Change Action #3 to increase estimate. CPAC-03/16/07, President-03/20/07	Previously approved budget estimate =	\$ 455,335
		Change in project budget estimate =	\$ 96,015
		Approved project budget estimate =	\$ 551,350
03307	Knob Creek Rd main extension, cost center 369 – Project Change Action #4 to increase estimate. CPAC-02/16/07, President-02/20/07	Previously approved budget estimate =	\$ 196,000
		Change in project budget estimate =	\$ 121,600
		Approved project budget estimate =	\$ 317,600
03315	Johnson Hollow Rd main extension, cost center 369 – Project Change Action #4 to increase estimate. CPAC-02/16/07, President-02/20/07	Previously approved budget estimate =	\$ 177,660
		Change in project budget estimate =	\$ 74,430
		Approved project budget estimate =	\$ 252,090
PROJECT CHANGE ACTIONS FOR CANCELLED PROJECTS APPROVED BY THE PRESIDENT			
11593	Cooper Chapel 16" transmission main, cost center 322 – Project Change Action #1 to cancel project. CPAC-02/16/07, President-02/20/07	Approved project budget estimate =	\$ 376,000

First Quarter 2007 Certification Provided for Contracts and Bids Awarded

Mr. Huber certified that the following contracts and bids were awarded in the First Quarter of 2007 pursuant to the Purchasing Policy and Procedures:

Capital Program

06-127 02402B	Renovate Pump #7 (Crescent Hill Pump Station) RPM, Inc.	\$113,229
06-33	Palatka at Southview 60" WEKO Seal Project - Assignment to Bid 06-33 Contingency Contract for Transmission System Repairs T & C Contracting, Inc.	\$93,135
07-24 02402C	Renovate Pump Motor #7 (Crescent Hill Pump Station) Magnetech Industrial Services, Inc.	\$214,515
07-26 11398	Ridge Road Water Main Extension Project Debbie Sutherland Excavating (CWBE)	\$66,000
07-33 03315-13313- 11229-11399	Johnson Hollow Area Water Main Extensions Tom Brown Construction Co.	\$387,655

Procurement Of Emergency Materials And Services

Certificate of Huber Station Road CSX Relocation Project
Emergency
11624 Tillich Contracting, Inc. \$30,500

Procurement Of Materials And Services

04-03	Gate and Wheel Valves - 3rd and Final PPI Renewal Mueller Company (Group 1)	\$497,702
04-21	Janitorial Services - 3rd & last CPI Renewal Adams Cleaning (CMBE) \$50,947 KIMCO Corporation \$74,454 National Janitorial \$27,077 Purvis Professional Cleaning Services (CMBE) \$63,458	
04-62	Auditing Services - 2nd CPI Renewal Strothman	\$45,035
05-02	Cement - 2nd PPI Renewal Cemex / Kosmos Cement	\$69,954
05-07	Lawn Maintenance for LWC Grounds - 2nd CPI Renewal Commonwealth Land Management \$41,823 Valley Crest Lawn Care \$62,720	
05-101	Detector Check Valves - 1st PPI Renewal Hersey Meter Company	\$124,881
05-106	Forklifts (Additional 5,000 lb. capacity forklift) Cardinal Carryor	\$24,920
05-43	South Huber Station Road - Railroad Bore & Water Main Reconnection - Assignment from Bid 05-43 Distribution System Repairs 11624 Southern Pipeline Construction Co. (CWBE)	\$37,000
06-115	Polyvinyl Chloride (PVC) Pipe - 1st PPI Renewal Water Works Supplies	\$397,054
06-26	Huber Station Road CSX Relocation - Assignment from 06-26 Plumbing Services 11624 Springfield Plumbing, Inc. (MBE)	\$35,880
06-31	16 oz. Water Bottles - 1st PPI Renewal Turn Key Concepts	\$83,540
06-99	Worksite Security CSI Security Services Louisville Patrol and Detection	CANCELLATION OF CONTRACT \$135,800
07-03	Water Bill Forms Simply Graphics (MBE)	\$48,558
07-04	Safety Barricades, Lights, Cones and Caution Tape Consolidated Barricades	\$43,852
07-06	Waste Disposal (3-Year Contract) Rumpke	\$27,652
07-09	Employee Assistance Program Services (5-year Contract) Steucker & Associates	\$57,222
07-12	Horizontal Directional Drilling Southern Pipeline Construction (CWBE)	\$98,795

07-13	Steel Casing Boring & Jacking Southern Pipeline & Construction (CWBE)	\$97,495
07-15	Brass Valves and Fittings A. Y. McDonald Cambridge Brass Hayes Pipe Supply Mueller Co. Plumbers Supply Water Works Supplies	\$44,235 \$83,889 \$28,666 \$244,602 \$33,455 \$3,466
07-16	Ductile Iron Fittings Hayes Pipe Supply Water Works Supply Co.	\$74,571 \$412,808
07-17	Tapping Saddles for Distribution Pipe Hayes Pipe Supply Co. Smith-Blair Co.	\$26,993 \$112,373
Contract Renewal	Employee Group Dental Insurance - Final Contract Renewal Delta Dental of Kentucky	\$259,000
Contract Renewal	Employee Life and AD & D - Final Contract Renewal Monumental Life Insurance	\$142,000
Contract Renewal	Employee Long Term & Short Term Disability Insurance - 3rd of 4 Contract Renewals CIGNA	\$88,500
Contract Renewal	Retiree Group Medicare Insurance - Contract Renewal Anthem BCBS	\$95,400
GS-35F -4194D	Intrusion Prevention System Appliance and Security Information and Event Management Appliance - GSA Purchase World Wide Technology (MBE)	\$27,285
GS-35F -4543G	Oracle Licenses - GSA Purchase DLT Solutions, Inc.	\$138,188

Procurement Of Professional Services

Professional Service	Landscape Architect of Record Gresham Smith & Partners	Unit Price Contract
* 02-70	Plant / Facility Engineering Services - 4th and Final CPI Renewal Camp, Dresser and McKee, Inc. CH2M Hill Engineers Jordan Jones & Goulding O'Brien & Gere, Inc.	One Year Estimate: \$1,800,000
04-42	KY 61 12-inch Water Main Extension - Assignment from Bid #04-42 - Engineering Services for Distribution System Design & Construction Pipeline, Pump Stations, and Tanks	
11595	QK4	\$35,200
06-94	Transmission System Design for Pipelines, Pump Stations and Tanks for Design Work over \$50,000 - RFP Camp, Dresser, & McKee, Inc. (CDM) CH2M, Hill, Inc. GRW Engineers	Various
KY State Contract C- 06172378	Business Impact Analysis EMC	\$129,642

Professional Service	Multi-objective Optimization in Water Treatment and Supply Systems University of Louisville Research Foundation (ULRF)	\$40,233
Professional Service 11258	Preston Hwy. Cardinal Avenue to KY 44 - Consultant Design QK4	\$175,107
Professional Service	RBF Phase II: Transylvania Beach Road Sewer Extension Strand Associates, Inc.	\$106,948

* Original 5-year contract previously approved at BOWW. Any assignment over \$1,500,000 will be presented to BOWW for approval.

Procurement Of Sole Source Materials And Services

Sole Source	Dispatch Services for Locating Underground Utilities Kentucky Underground Protection, Inc.	\$125,000
Sole Source	Dues - U of L Center for Infrastructure Research University of Louisville Center for Infrastructure Research	\$25,000
Sole Source	LOJIC Operation and Capital Cost Payment - 2007 Jefferson County Metropolitan Sewer District (MSD)	\$311,968
Sole Source Purchase	American Water Works Association Research Foundation Subscription AWWA Research Foundation	\$81,748
Sole Source Purchase	ECIS Consulting and Programming Services - 2007 Alliance Data Systems (formerly Orcom)	Estimate \$55,000
Sole Source Purchase	ECIS Consulting and Programming Services for Cross-Connection and Backflow Prevention Screens and Files Alliance Data Systems	\$37,625
Sole Source Purchase	ECIS Extended Support 2007 Alliance Data Systems (formerly Orcom)	\$206,057
Sole Source Purchase	ESRI (ArcGIS) Software License & Maintenance Agreement ESRI	\$34,029
Sole Source Purchase	Fire Hydrant Housings - B62B (20) American Flow Control	\$41,000
Sole Source Purchase	Oracle Maintenance Support (HR PeopleSoft) Oracle Corporation	\$39,903
Sole Source Purchase	Purchase of IBM Service Elite for maintenance and support of ECIS applications Alliance Data Systems	\$37,873
Sole Source Purchase	Viryanet Annual Software Maintenance Fees (Contract Renewal) Viryanet	\$71,100

Authorization Provided for Chief Engineer to sign Kentucky Infrastructure Authority Grant Documents.

Ms. Barbara Dickens advised several projects that have been funded by the Kentucky Infrastructure Authority (KIA) remain open and still have grant documents that need to be submitted to the KIA. The current authorization provided for signing those documents rests with Karla Teasley, who is no longer with the Company. Therefore, it is necessary for the Board to authorize the Chief Engineer to execute all KIA grant documents. Ms. Marita Willis moved to adopt the following resolution to authorize the Chief Engineer to execute KIA grant documents:

WHEREAS, Bullitt County Fiscal Court, Kentucky and the Louisville Water Company entered into a Cooperation Agreement on or about January 21, 2003, whereby the Louisville Water Company will act as an agent for Bullitt County Fiscal Court in administering and implementing the water main extension projects implemented as part of the Kentucky Infrastructure Authority (KIA) for Economic Development Fund for Tobacco/Coal Producing Counties, and WHEREAS, in said agreement, Karla Olson Teasley, was designated as the official representative of Louisville Water Company and authorized to sign all documents necessary in connection with the program, and WHEREAS, as of January 15, 2007, Karla Olson Teasley, was no longer employed by Louisville Water Company, and NOW, THEREFORE, BE IT RESOLVED by the Board of Water Works of the Louisville Water Company that the Chief Engineer for the Louisville Water Company is hereby authorized, directed and empowered to sign all other necessary documents or agreements, and to otherwise act on behalf of the Louisville Water Company to implement the Project.

WX Number	LWC Project No.	Project Name	BOWW Approval Date
WX21029049	11392	East Hwy 480 Tank	5/11/04
WX21029099	03307	Knob Creek Road	5/11/04
WX21029101	10274	Lake Elmo Road Lebanon	5/11/04
WX21029104	11595	Junction	5/11/04
WX21029076	11198	Hilltop Road	10/18/05

Dr. Joseph Wise seconded, and the motion carried.

Closed Session Held

Ms. Welsh moved to go into closed session to discuss proposed and pending litigation and personnel matters pursuant to KRS 61.810(1)(c) and(f), respectively, at 1:15 p.m. Dr. Wise seconded, and the motion carried.

Open Session Resumed

On the motion of Ms. Welsh, seconded by Ms. Willis and unanimously carried, the Board resumed open session at 2:05 p.m. No action was taken in closed session.

Ms. Willis moved to approve the salaries of company officers as follows:

Senior Vice President, Operations	Greg Heitzman	\$165,826
Vice President, Treasurer	Bob Miller	\$144,777
Vice President, Chief Engineer	James Brammell	\$126,165
Vice President, General Counsel and Corporate Secretary	Barbara Dickens	\$137,482
Vice President, Human Resources and Organizational Effectiveness	Susan Lehmann	\$144,047
President/CEO	John Huber	\$216,540

Ms. Margaret Harris seconded, and the motion carried.

There being no further business, the meeting was adjourned at 2:07 p.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Barbara K. Dickens", written over a horizontal line.

Barbara K. Dickens

Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
SPECIAL-CALLED MEETING MINUTES
APRIL 25, 2007**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. Rick Johnstone, Deputy Mayor, Louisville Metro Government

The special-called meeting of the Board of Water Works was held on Wednesday, April 25, 2007 at The Jefferson Club, 500 West Jefferson Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 2:00 p.m.

Closed Session Held

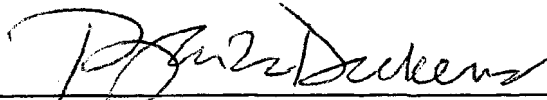
Marita Willis moved to go into closed session to discuss personnel matters pursuant to KRS 61.810(1) (f), at 2:00 p.m. Mr. Martin seconded, and the motion carried.

Open Session Resumed

On the motion of Wendy Welsh, seconded by Margaret Harris and unanimously carried, the Board resumed open session at 3:15 p.m. No action was taken in closed session.

There being no further business, the meeting was adjourned at 3:15 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
SPECIAL-CALLED MEETING MINUTES
APRIL 26, 2007**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis

Not Present:

Mayor Jerry Abramson
Dr. Joseph Wise

Others Present:

Mr. Rick Johnstone, Deputy Mayor, Louisville Metro Government

The special-called meeting of the Board of Water Works was held on Thursday, April 26, 2007 at The Jefferson Club, 500 West Jefferson Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 9:30 a.m.

Closed Session Held

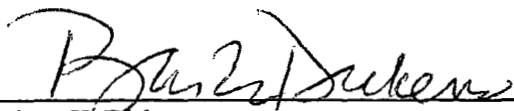
Wendy Welsh moved to go into closed session to discuss personnel matters pursuant to KRS 61.810(1) (f), at 9:30 a.m. Mr. Martin seconded, and the motion carried.

Open Session Resumed

On the motion of Marita Willis seconded by Mr. Martin and unanimously carried, the Board resumed open session at 11:00 a.m. No action was taken in closed session.

There being no further business, the meeting was adjourned at 11:00 a.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
MAY 8, 2007**

Board Members Present:

Mr. Stewart Conner, Chair
Ms. Wendy Welsh, Vice-Chair (via Conference Call)
Mr. Gerald Martin
Ms. Margaret Harris
Ms. Marita Willis
Dr. Joseph Wise

Not Present:

Mayor Jerry Abramson

Others Present:

Mr. John Huber, President/CEO
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government
Mr. Greg Heitzman, Senior Vice President, Operations
Mr. James Brammell, Vice President, Chief Engineer
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer
Mr. Tony Gregory, Business System Owner, Supplying Information Technology
Ms. Amber Halloran, Business System Owner, Supplying Financial Resources and Controller
Ms. Barbara Crow, Process Owner, Providing Strategic Communications
Mr. Vince Monks, Program Manager, Managing Distribution Water Quality
Mr. John Ralston, Managing Cross Connection Control

Visitors: Michael McClain, Battaglia Winston

The regular meeting of the Board of Water Works was held on Tuesday, May 8, 2007 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:30 p.m.

Minutes from the Previous Meeting Reviewed and Approved

Mr. Gerald Martin moved to approve the minutes from the Regular Meeting held April 10, 2007, the Annual Meeting held April 10, 2007, the Special-Called Meeting held April 25, 2007 and the Special-Called meeting held April 26, 2007, seconded by Ms. Margaret Harris, and the motion carried.

Closed Executive Session

Ms. Marita Willis moved to go into closed session at 12:33 p.m. to discuss personnel matters pursuant to KRS 61.810(1)(f), seconded by Dr. Joseph Wise, and the motion carried.

Open Session Resumed

Ms. Willis moved to return to open session at 1:27 p.m., seconded by Mr. Martin and the motion carried.

New President Named Effective Upon the Retirement of President John Huber

Dr. Wise moved to select Mr. Gregory C. Heitzman as President of the Louisville Water Company upon the retirement of current President John Huber and to authorize the Board Chair, in consultation with the Board Compensation Committee, to negotiate with Mr. Heitzman regarding employment terms, which will be reported at the next regular meeting of the Board. Mr. Martin seconded, and the motion carried. Mr. Heitzman made a brief statement thanking the Directors for their confidence in him and the opportunity to serve the Company in this capacity.

Chief Executive Officer Report Provided

Mr. Huber advised schedule changes have made it very difficult to hold a June BOWW meeting. He advised staff considered this issue and adjusted reporting of items and seeking approval of the dividend declaration to this meeting. Directors were in consensus to cancel the June meeting of the BOWW. Mr. Huber also reported the PSC approved the wholesale water rate increases.

Financial Report Provided

Mr. Robert Miller provided the report of financial results through April 2007. YTD Operating Revenues of \$37,512,828 are \$779,683 or 2.0% less than budgeted. Budgeted contingency funds of \$800,000 were moved forward from December to April to offset the winter emergency expenses in the first quarter of 2007. YTD Operation and Maintenance Expenses of \$16,783,433 are \$967,435 less than budgeted. The YTD variance is related to vacant positions, lower materials and contractual services expenses, lower bad debt attributed to delays in turn-offs during the winter emergency, and reduced insurance reserves for claims. YTD Total Operating Expenses of \$27,662,108 is \$1,082,019 or 3.8% less than budgeted and \$2,025,736. YTD Net Operating Income of \$9,850,720 is \$302,336 or 3.2% more than budgeted. YTD Total Net Non-Operating Expense of \$779,586 is \$413,150 or 34.6% less than budgeted and \$580,758. YTD Net Income of \$9,071,134 is \$715,486 or 8.6% more than budgeted and \$577,095 or 6.8% more than 2006. Mr. Miller advised recent movement in the interest rate market has made it feasible to consider refinancing the outstanding Series 2000 bonds. In response to Dr. Wise, Mr. Miller stated we could capture about a 5% present value savings, equating to approximately \$3 Million.

Mr. Miller advised we are well into pandemic planning and the Board will receive a more detailed report at a later meeting.

Operations Report Provided

Mr. Huber presented the Operations report for April 2007. The average production during March was 114.7 MGD, similar to March 2006 and slightly below the 5 year average production. Rainfall for the year of 15.25 inches is below the 5 year average of 18.04 inches. The Oldham County Advisory Board held their bi-annual meeting and each member agreed to continue to serve for an additional three year term. Updates were provided regarding subdivisions in the area, the status of the new North Oldham water tank on Highway 42 in Goshen, a historical perspective of water service applications, and a brief update of the meeting between LWC staff and the Oldham County Water District. Extensive activities were conducted to ensure smooth water service operations for the Kentucky Derby and associated events.

Chief Engineer Report Provided

Mr. James Brammell provided the Engineering report for April 2007. April Capital Program Expenditures through April totaled \$17.05 million, which is \$326.6 thousand higher than the same period in 2006. These expenditures equate to 18.78 percent of the revised 2007 capital program of \$90.76

million. Major repairs were initiated in April and completed by the morning of the Kentucky Oaks on the 60-inch transmission main in Palatka Road. A joint leak was originally suspected; however, investigations revealed that a circumferential crack had formed immediately adjacent to a beveled joint. A Facility Condition Assessment of the buildings, facilities, and infrastructure from the Zorn Intake and Pumping Station to the Crescent Hill Water Treatment Plant has been initiated. Over 30 buildings, structures, and conduits are included in the study - most of which are at or near 100 years old. The purpose of the project is to determine the existing condition and remaining life, including estimated life-extending maintenance costs of the facilities, to assist LWC in its decisions regarding Advanced Treatment Technology. The current phase of LWC's Main Replacement and Rehabilitation Program (MRRP) for unlined cast iron mains is in the final year of design and construction. LWC staff is assembling the business plan for the next generation of MRRP. Mr. Brammell also advised that the plant capacity study has been completed and estimations of capacity at each plant have been confirmed.

Closed Session Held

Ms. Willis moved to go into closed session to discuss proposed and pending litigation and a specific business proposal pursuant to KRS 61.810(1)(c) and(g), respectively, at 2:14 p.m. Ms. Harris seconded, and the motion carried.

Open Session Resumed

On the motion of Dr. Wise, seconded by Mr. Martin, and unanimously carried, the Board resumed open session at 2:28 p.m. No action was taken in closed session.

Information Technology Strategic Plan Development Progress Report Provided

Mr. Miller and Mr. Tony Gregory advised the Information Technology Steering Committee is developing the next draft of the Information Technology Strategic Plan. This plan will provide direction and prioritization for investments to support the corporate strategic plan. The committee intends to complete its work in time for internal review prior to the development of the Preliminary 2008 Annual Budget. The new Information Technology Strategic Plan will cover a planning horizon of ten years and will be reviewed and updated annually to incorporate changing business needs and priorities.

As between the ERP approach, where a single software company provides an integrated product to handle all business information applications, and a "best of breed" approach, where multiple vendor products are integrated through interfaces developed by LWC staff and implementation contractors, the Company will pursue a "best of breed" approach while including strategies and tactics to build up our internal knowledge of full ERP solutions and their application to our business. Mr. Huber commented other utilities have gone with a "best of breed" approach, too. Mr. Conner inquired when the Board will get a high level view of the Company's direction with IT. Mr. Miller responded this process will provide that and he will be bringing a draft IT policy in the near future. Status updates will be provided periodically.

Phase I of the Cross Connection Control Program Approved

Mr. Vince Monks updated the Board regarding the current Cross-connection Control Program (CCP) and staff's desire to enhance it. The Company's current CCP has been successful in identifying potential cross-connections from high risk customers (chemical manufacturers, funeral homes, and hospitals) and installing backflow prevention devices on the customer's plumbing. After an extensive evaluation and pilot program to enhance the current CCP, staff recommends implementation of this program for approximately 24,000 commercial and industrial customers.

Mr. John Ralston explained the new components of the program will be enhanced administration, including a master cross-connection database, annual inspections, customer notification, annual contractor testing, and the resources of 7 full time equivalent employees (2 existing full time and 7 part time staff); a quality assurance and quality control (QA/QC) program, including monitoring and reporting for future regulatory compliance; education, communications, and reporting for key constituencies; and finally, a cross connection administration fee assessed to all commercial and industrial customers to cover the revenue requirements to fully fund the program. The fee is proposed at \$36.00 annually, or \$3.00 per month for all commercial and industrial accounts, but would not be initiated until Board approval is sought and obtained later in the year. This proposed fee will generate an approximately \$864,000 in annual revenue, when fully implemented in 2008. Mr. Conner asked if the program is voluntary, and Mr. Ralston stated it will not be voluntary for these customers. Mr. Martin moved to approve the enhanced Cross-connection Control Program, with the exception of setting the fee proposed for commercial and industrial customers. Ms. Harris seconded, and the motion carried. Staff plans several focus group sessions with impacted customers and leaders of industry groups representing impacted customers to test reaction to the program and proposed fees, and to refine our communication plan. .

Second Quarter Dividend Declared

Ms. Willis moved to adopt the following resolution:

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 1992 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 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 \$14,842,114 was declared in 2006 based on estimated annual net income of \$31,788,900, and
WHEREAS, the annual audit for 2006 has now been completed which establishes the full dividend for 2006 as \$14,058,863 based on actual annual net income of \$30,689,957, it would be in order at this time to amend the Board resolution of December 12, 2006 to decrease the 2007 annual dividend by \$783,251, from \$14,842,114 to \$14,058,863, and
WHEREAS, it is practical that the difference is deducted from the second quarterly 2007 dividend payment, and
WHEREAS, the 1992 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 2007 Louisville Water Company Annual Budget contemplates the 2007 annual dividend to be \$15,673,500, it would be in order at this time to declare a regular second quarter dividend of \$3,918,375; therefore, be it
RESOLVED, the 2006 annual dividend is decreased from \$14,842,114 to \$14,058,863 and the difference of \$783,251 will be deducted from the second quarterly 2007 dividend payment, and
RESOLVED, the regular second quarter 2007 dividend of \$3,918,375 is hereby declared, and further
RESOLVED, that the President of the Company be and hereby is authorized and directed to pay \$3,135,098 to the Louisville / Jefferson County Revenue Commission on

June 29, 2007, this being the second quarterly dividend for 2007 less the dividend adjustment for 2006, payable pursuant to Section 508 of the Series 1992 Water System Revenue Bond Resolution.

Mr. Martin seconded and the motion carried.

Contract Awarded for Facilities Plan Consulting Engineer

Mr. Brammell advised the bond covenants mandate an inspection of company facilities annually by "an independent engineer or engineering firm or corporation having a nationwide and favorable reputation for skill and experience in such work." Over the past several months, a cross-functional evaluation team consisting of key members from across the company has been engaged in a rigorous and objective process to select a Consulting Engineer for the Company. Five firms responded to the RFP, and three of those firms were subsequently invited to participate in an interview by the LWC team. Upon completion of final scoring, the firm of Camp, Dresser and McKee was the highest overall rated firm. Dr. Wise inquired about the decision to eliminate two of the five firms, and Mr. Brammell provided the basis for the decision. Mr. Martin inquired about the cost for the services, and Mr. Brammell advised the cost figure was actually for a hypothetical project, and therefore was used for evaluation purposes only. Costs for this work were provided by the firms as hourly rates. Ms. Harris moved to approve the selection of the firm of Camp Dresser, and McKee (CDM) as our Consulting Engineer for a one-year term, renewal for four additional one-year terms at the Company's discretion, seconded by Ms. Willis, and the motion carried. The first assignment on this professional services contract will be the 2007 Annual Inspection. Development of the company's twenty-year Facilities Plan is expected to be assigned in early 2008.

Grant Accepted and Agreement Approved for Bullitt County Water Improvement Program - Ridge Road Extension

Mr. Brammell advised the Company has been granted funds from Kentucky Infrastructure Authority to support the Bullitt County Water Improvement Program in the amount of \$15,000 for the Ridge Road Extension project in Bullitt County. Dr. Wise moved to adopt the following Resolution and authorize the Chief Engineer to enter into the attached Cooperation Agreement with Bullitt County Fiscal Court to act as LWC's official representative to coordinate grant requirements, seconded by Ms. Willis, and the motion carried:

WHEREAS, the Kentucky General Assembly passed the 2006-2008 Budget of the Commonwealth where the Ridge Road Extension water main infrastructure project was named for grant funding through the Kentucky Infrastructure Authority, and;

WHEREAS, Bullitt County Fiscal Court has received a conditional grant commitment letter from the Kentucky Infrastructure Authority for a water main project on Ridge Road Extension, and;

WHEREAS, the Louisville Water Company has been approved to implement and carry out the Kentucky Infrastructure Authority Ridge Road Extension grant project by Bullitt County Fiscal Court; and,

NOW, THEREFORE, BE IT RESOLVED by the Board of Water Works that:

1. All policy decisions relating to types of activities to be included in this project will be submitted for approval to the Bullitt County Fiscal Court, Kentucky;
2. The Louisville Water Company agrees to represent the Bullitt County Fiscal Court in implementing and carrying out this Kentucky Infrastructure Authority grant project; and,
3. That the Louisville Water Company will review and give preliminary approval to all reports, expenditures and other correspondence or data necessary to implement the

project; and reports on said implementation will be made to the Bullitt County Fiscal Court periodically; and,

4. Members of the Bullitt County Fiscal Court shall be kept fully informed of all activities relating to the Kentucky Infrastructure Authority Grant Program.

Budget Established and Design and Bid Authorized for Project 10608: Crescent Hill Filter Plan On-Site Chlorine Generation

Mr. Brammell provided an update of the \$12.2 Million project to construct an on-site chlorine generation system that meets the disinfection needs of the Crescent Hill Water Treatment Plant (CHWTP) to allow LWC to eliminate storing pressurized liquid chlorine on site. Currently, the project scope includes a second phase to upgrade the coagulant feed system. A Preliminary Engineering Report has been completed by our consultant, Jordan, Jones, & Goulding Inc. (JJG), for this project. Their work provides the conceptual designs and cost estimates for both phases of the project. The total project estimate has increased substantially. The updated project cost components are: 1) On-site chlorine generation (Phase 1) - \$13.7 million; and 2) Coagulant storage and feed system upgrade (Phase 2) - \$5.3 million for a total revised project cost estimate of \$19 million.

An array of cost reduction options was considered for this project in an effort to more align the scope with available budgeted funds. The measures considered for the chlorine generation portion of the project were ultimately discounted because it was concluded that they would diminish the functionality and reliability of the project. Further discussion of the project focused on the fact that Phases 1 and 2 are operationally independent; however, construction of Phase 2 cannot begin until Phase 1 is complete. There is no compelling reason to begin design on Phase 2 until late 2008 as construction could not begin until 2010 when the chlorine containment building could be vacated. Dr. Wise moved to establish a project budget in the amount of \$13,732,000 for the on-site chlorine generation component (Phase 1) and to proceed with final design and solicitation of bids for the Phase 1 project, seconded by Ms. Harris, and the motion carried. Phase 2 will be re-prioritized. Mr. Huber noted we will be paying approximately \$2 Million more due to moving this to the south side of Frankfort. Mr. Brammell committed to provide additional information on this at the upcoming meeting.

Executive Session

The Board went into Executive Session without management present at 3:29 p.m.

There being no further business, the meeting was adjourned at 3:42 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

**BOARD OF WATER WORKS
REGULAR MEETING MINUTES
JULY 10, 2007**

Board Members Present:

Mr. Stewart Conner, Chair
Mr. Ed Crooks
Mr. Gerald Martin
Ms. Marita Willis

Not Present:

Mayor Jerry Abramson
Ms. Wendy Welsh, Vice-Chair
Ms. Margaret Harris
Mr. Rick Johnstone, Louisville/Jefferson County Metro Government

Others Present:

Mr. John Huber, President/CEO
Mr. Greg Heitzman, Senior Vice President, Operations
Mr. James Brammell, Vice President, Chief Engineer
Ms. Barbara Dickens, Vice President, General Counsel and Secretary
Ms. Susan Lehmann, Vice President, Human Resources and Organizational Effectiveness
Mr. Robert Miller, Vice President, Treasurer

The regular meeting of the Board of Water Works was held on Tuesday, July 10, 2007 at the Louisville Water Company, 550 South Third Street, Louisville, Kentucky. Chairperson Stewart Conner called the meeting to order at 12:32 p.m.

Dr. Joseph Wise Recognized for His Service to the BOWW

Mr. Conner recognized Dr. Joe Wise for his service as a Director of the Board of Water Works. Mr. Huber presented Dr. Wise with an engraved Julep Cup and everyone thanked Dr. Wise for the significant contributions he has made through his service. Dr. Wise stated he has enjoyed his tenure on the Board. He feels he has taken actions to benefit the community and feels confident his replacement, Mr. Ed Crooks, will do the same.

Mr. Ed Crooks Sworn in as a Director of the BOWW

Ms. Barbara Dickens administered the Oath of Office to Mr. Ed Crooks, recently appointed to the BOWW. Mr. Crooks' term continues through March 31, 2011. Mr. Crooks stated he is eager to serve on the Board and commented he is following in the path of someone who has made a significant difference in the building trades and construction industry.

Minutes from the Previous Meeting Reviewed and Approved

Mr. Gerald Martin moved to approve the minutes from the previous Regular Meeting held May 8, 2007, seconded by Ms. Marita Willis, and the motion carried.

Closed Session Held

Mr. Martin moved to go into closed session to discuss proposed and pending litigation and a specific proposal pursuant to KRS 61.810(1)(c) and(g), respectively, at 12:40 p.m. Ms. Willis seconded, and the motion carried.

Open Session Resumed

On the motion of Ms. Willis seconded by Mr. Martin and unanimously carried, the Board resumed open session at 1:11 p.m. No action was taken in closed session.

Chief Executive Officer Report Provided

Mr. John Huber advised the Senior Games held in Louisville from June 22, 2007 through July 7, 2007 were very successful, and the Louisville Water Company provided approximately 260,000 filled water bottles for volunteers and participants. The Executive Director of the Senior Games personally thanked the Company for its support. Mr. Huber also reported a coalition of Mayors across the country have taken a stand against bottled water due to the bottles being a burden on the environment, since only 25% are recycled usually.

Mr. Huber expressed his appreciation to the Board for allowing him to serve as the Company's President for the past 16 years. He thanked them for providing guidance and direction to him, which has helped him be successful in his role. Mr. Conner, speaking for the full Board, thanked Mr. Huber for his dedication to the Company. Mr. Conner advised, of all the many boards with which he has been affiliated over the years, there is no other executive leadership as focused and dedicated to achieving the company's strategic objectives as the Louisville Water Company's leadership team, and this is directly attributable to the quiet confidence Mr. Huber has in leading the Company.

Financial Report Provided

Mr. Robert Miller provided the report of financial results through June 2007. Operating Revenues for June of \$10,772,527 are \$296,034 or 2.8% more than budgeted and \$855,009 or 8.6% more than June 2006. YTD Operating Revenues of \$58,432,272 are \$135,482 or 0.2% less than budgeted and \$3,796,281 or 6.9% more than 2006. Operation and Maintenance Expenses for June of \$4,328,904 are \$91,713 or 2.1% less than budgeted and \$170,508 or 4.1% more than June 2006. YTD Operation and Maintenance Expenses of \$25,548,508 are \$877,343 or 3.3% less than budgeted and \$1,748,455 or 7.3% more than 2006. Net Income Before Distributions and Contributions for June of \$3,360,591 is \$447,645 or 15.4% more than budgeted and \$617,920 or 22.5% more than June 2006. YTD Net Income of \$14,997,809 is \$1,391,771 or 10.2% more than budgeted and \$1,762,889 or 13.3% more than 2006.

Mr. Miller noted \$800,000 of the \$1.39 Million in higher Net Income is attributable to moving the contingency and the interest income forward in the budget. Mr. Miller also advised we have decided to postpone refinancing of the 2000 Series Bonds due to the rise in interest rates. Mr. Martin inquired about the additional revenue in Industrial Water Sales. Mr. Miller responded this is due to a billing correction for one major industrial customer. We have worked out payment terms with the customer to collect the under billing over a two year period.

Operations Report Provided

Mr. James Brammell presented the Operations report for June. Due to dry weather conditions, the production rate in June was the highest recorded in the past twenty years. The average daily production

last month was 161.4 MGD. The system demand was consistently over 180 MGD during first half of the month. Because of high system demand, the Water Quality and Production system had to adjust its day time pumping to assure continuous water supply and operate 4 pumps at the Crescent Hill Pump Station during the day, resulting in the setting of a peak electrical demand. The total budget impact of the extra demand charge is \$140,000 for the next 12 months, of which \$81,000 will be expensed in 2007 and \$59,000 in 2008. The dry weather conditions also created low levels of taste & odor (T&O) compounds, MIB and Geosmin, in the river, which required additional treatment using powdered activated carbon (PAC) to eliminate those compounds in the finished water. Additional impacts from the high water production were higher than usual number of main breaks and a higher call volume than usual. Staffing shortages in the Call Center during this high volume have resulted in a higher than normal abandonment rate of approximately 10 percent. Staff is addressing this issue.

Chief Engineer Report Provided

Mr. Brammell provided the Engineering report for June. 2007 capital program expenditures through June totaled \$28.04 million, which is \$415.9 thousand higher than the same period in 2006. These expenditures equate to 31.53 percent of the revised 2007 capital program of \$88.93 million.

The regular quarterly meeting of the Shepherdsville Advisory Board was held on June 21, 2007 at the Company's Bullitt County office. Board members were presented with financial information on the Shepherdsville water reserve and rate differential. Board members were updated on the plan to implement monthly billing in mid-July for Shepherdsville customers. Finally, in consideration of the recent prolonged period of dry weather, the Board was provided an update on LWC's experience from a production and operations perspective. Mr. Brammell advised new members have been appointed by the Mayor of Shepherdsville and those terms began July 1, 2007. Mr. Miller commented the use of the Advisory Boards has been an excellent avenue to gain their perspective on Company initiatives affecting those constituents.

Mr. Brammell advised the Company rejected the only bid received for the project to coat and rehabilitate LWC's historic water tower because it was nearly \$400,000 higher than the established budget of \$593,240. The project will be reevaluated.

Compensation Committee Report

Mr. Conner advised, according to the authorization provided him by the Board in May, he consulted with the Compensation Committee during the May meeting's Executive Session and Mr. Heitzman's salary has been established at \$185,000. Mr. Conner reviewed the additional terms of the offer accepted by Mr. Heitzman.

Second Quarter 2007 Certification Provided for Projects Authorized and Change Actions Approved

Mr. Huber certified that the following projects and change actions were authorized in the Second Quarter of 2007 pursuant to the Capital Projects Authorization Policy and Procedures:

Project Approvals

12027 Highway 1020 CSX water main replacement, cost center 342 – Project Proposal for non-budgeted project.
CPAC-06/08/07, President-06/08/07

Approved project budget estimate =	\$ 550,911
Contribution =	<u>\$(348,016)</u>
LWC Net Cost =	\$ 202,895

BOWW approval received.

xxxxx Ridge Rd main replacement, cost center 342 – Project Proposal for non-budgeted project.
CPAC-05/11/07, President-05/11/07
Requested project budget estimate = \$ 320,000
BOWW approval required.

12022 Providence Point – Herr Ln main relocation, cost center 342 – Project Proposal for a child project funded in
the 2007 Capital Program. CPAC-05/25/07, President-05/25/07
Approved project budget estimate = \$ 123,500

11653 Shakes Run Section 1, cost center 366 – Project Proposal for project funded in the 2007 Capital Program.
CPAC-04/27/07, President-04/27/07
Approved project budget estimate = \$ 107,000
Contribution = \$ (70,000)
LWC Net Cost = \$ 37,000

10237 Access Control Upgrade, cost center 466 – Project Proposal to initiate project funded in capital program.
CPAC-04/13/07, President-04/16/07
Approved project budget estimate = \$ 139,000

Project Change Actions Approved

10608 CHFP On-Site Chlorine Generation and Coagulant Storage & Feed Upgrade, cost center 222 – Project
Change Action #5 to increase estimate. CPAC-05/04/07, President-05/07/07
Previously approved budget estimate = \$ 12,200,000
Change in project budget estimate = \$ 1,532,000
Approved project budget estimate = \$ 13,732,000
BOWW approval received.

12000 Palatka at Southview – 60” WEKO Seals, cost center 342 – Project Change Action #2 to increase estimate.
CPAC-05/11/07, President-05/11/07
Previously approved budget estimate = \$ 201,451
Change in project budget estimate = \$ 87,965
Requested project budget estimate = \$ 289,416
BOWW approval required.

00407 Aiken Elevated Storage Tank, cost center 222 – Project Change Action #4 to revise cash
flow. CPAC-05/04/07, President-05/07/07
Approved project budget estimate = \$2,965,000

10233 BEPWTP Clarification and Mixing Basin Complex Renovation, cost center 222 – Project
Change Action #8 to revise cash flow. CPAC-05/04/07, President-05/07/07
Approved project budget estimate = \$14,529,806

11551 690 Pressure Zone Booster Pump Station (two 690 PZ BPS), cost center 222 – Project
Change Action #2 to revise cash flow. CPAC-05/04/07, President-05/07/07
Approved project budget estimate = \$3,000,000

11554 Cross Country Header Booster Pump Station, cost center 222 – Project Change Action #1 to revise cash
flow. CPAC-05/04/07, President-05/07/07
Approved project budget estimate = \$1,200,000

99402 Phase II Riverbank Filtration, cost center 268 – Project Change Action #14 to revise cash flow. CPAC-
06/01/07, President-06/04/07
Approved project budget estimate = \$47,168,300

98665 Westport Rd – Herr Ln to Hurstbourne Pkwy, cost center 342 – Project Change Action #3 to increase
estimate (cumulative increase \$104,000). CPAC-06/01/07, President-06/04/07
Previously approved budget estimate = \$ 680,000
Change in project budget estimate = \$ 19,000
Approved project budget estimate = \$ 699,000

10127 Raymond Rd main replacement, cost center 342 – Project Change Action #1 to increase estimate. CPAC-
05/25/07, President-05/25/07
Previously approved budget estimate = \$ 775,000
Change in project budget estimate = \$ 233,900
Approved project budget estimate = \$ 1,008,900

10415 Westport Rd – Chenoweth Ln to Ambridge Circle, cost center 342 – Project Change Action #6 to revise
cash flow. CPAC-06/15/07, President-06/15/07
Approved project budget estimate = \$ 4,904,504

10585 Pitts Point main replacement, cost center 342 – Project Change Action #6 to decrease estimate. CPAC-05/25/07, President-05/25/07

Previously approved budget estimate = \$ 1,120,509
Change in project budget estimate = \$ (137,100)
Approved project budget estimate = \$ 983,409

11618 Harrods Creek Bridge, cost center 342 – Project Change Action #1 to decrease estimate. CPAC-04/05/07, President-04/05/07

Previously approved budget estimate = \$ 257,000
Change in project budget estimate = \$ (102,800)
Approved project budget estimate = \$ 154,200

11300-07 Middletown New Service Installations Program, cost center 364 – Project Change Action #4 to increase overall program estimate and revise cash flow. CPAC-05/25/07, President-05/25/07

Previously approved program budget estimate = \$ 4,137,175
Change in project 11300 : Small Services LWC installed budget estimate = 141,121
Change in project 11301 : Small Services Contractor installed budget est = 948
Change in project 11302 : Large Services 1.5" and 2" budget estimate = 109,993
Change in project 11303 : Large Services 4" and Larger budget estimate = 37,205
Change in project 11304 : Fire Hydrant Installs budget estimate = 11,851
Change in project 11305 : Fire Service Installs budget estimate = 202,627
Change in project 11307 : Irrigation Service Retrofits budget estimate = (6,682)
Approved program budget estimate = \$ 4,634,238

10237 Security Program – Access Control Upgrade Phase A, cost center 466 – Project Change Action #1 to decrease estimate and transfer funds to project 11566. CPAC-05/25/07, President-05/25/07

Previously approved budget estimate = \$ 200,000
Change in project budget estimate = \$ (139,000)
Approved project budget estimate = \$ 61,000

11566 Security Engineering Access Upgrade Phase B and C, cost center 466 – Project Change Action #1 to increase estimate due to transferred funds from project 10237. CPAC-05/25/07, President-05/25/07

Previously approved budget estimate = \$ 271,620
Change in project budget estimate = \$ 139,000
Approved project budget estimate = \$ 410,620

Project Proposals For Nonbudgeted Projects

12021 Corporate Office HVAC Improvements, cost center 224 – Project Proposal for non-budgeted project. CPAC-05/25/07, President-05/25/07

Approved project budget estimate = \$ 200,000

12000 Palatka at Southview – 60" WEKO Seals, cost center 342 – Project Proposal for non-budgeted project. CPAC-04/05/07, President-04/05/07

Approved project budget estimate = \$ 113,135

Project Change Actions for Cancelled Projects

10257 900 Pressure Zone Expansion, cost center 322 – Project Change #1 to cancel project (duplicate project). CPAC-03/30/07, President-04/05/07

Approved project budget estimate = \$ 2,150,000

11534 Shepherdsville 580 PZ modifications, cost center 342 – Project Change #2 to cancel project. CPAC-06/22/07, President-06/22/07

Approved project budget estimate = \$ 110,000

Second Quarter 2007 Certification Provided for Contracts and Bids Awarded

Mr. Huber certified that the following contracts and bids were awarded in the Second Quarter of 2007 pursuant to the Purchasing Policy and Procedures:

Capital Program

Middletown Sanitary Sewers (Payment to 211)
11531 211 Limited, LLC \$270,000

07-55	Frankfort Avenue Lead Service Renewal Project 11647 C Squared, Inc.	\$53,600
07-60	Salt River Transmission Improvements - Assignment from Transmission System Repairs & Capital Improvements 11594 Southern Pipeline Construction Co., Inc. (CWBE)	\$498,757
07-60	Transmission System Repairs & Capital Improvements MAC Construction & Excavating, Inc. Southern Pipeline Construction Co. (CWBE)	Estimated \$200,000
07-67	Zorn Pump Station Structural Improvements 10662 Schnell Contractors, Inc.	\$268,966
07-78	Haldeman - Bellaire Area Lead Service Renewal Project 11659 Tom Brown Construction Co.	\$138,050
Memorandum of Understanding	Technology Park - LWC Contribution 11217 Louisville / Jefferson Co. Redevelopment	\$370,000
<u>Operations And Maintenance</u>		
06-122	B. E. Payne Landscape 11262 Class A Lawn & Landscape, Inc.	\$60,530
<u>Procurement Of Materials And Services</u>		
03-44	Property & Casualty Brokerage Services - 4th & Final CPI Renewal Neace Lukens	\$41,488
03-57	Inspection, Maintenance & Repair of Elevators - 4th & Final CPI Renewal 02-ELEV01-B Schindler Elevator Corporation	\$28,299
04-33	Inspection, Maintenance & Repair of HVAC Systems - 3rd & Final CPI Renewal ACCO, Inc.	\$25,839
04-34	Locating Services - 3rd CPI Renewal Central Locating Service	\$499,714
04-57	Real Estate Appraisal Services - 2nd CPI Renewal Baumgardner Tamplin Wiggington	\$18,603 \$29,764 \$17,858
05-106	Worker's Compensation Management Services - 1st CPI Renewal Corvel	\$35,892
05-66	Construction Inspection and Technician Services - 2nd CPI Renewal HDR Engineering, Inc. (formerly Quest Engineers)	\$162,580
06-118	Backhoe Loader (Supplemental Equipment) Standard Equipment Co.	\$65,507
06-21	Water Meters - 1st PPI Renewal Neptune Technology Group	\$1,300,160
06-26	Plumbing Services - Part B Southern Plumbing	\$494,434

06-29	Notifications & Collections of Delinquent Accounts - 1st CPI Renewal Aargon	\$26,950
06-40	Temporary Personnel Services Aerotek CBS Employment Plus (MBE) Kelly Services Power Staffing (MBE) Pridestaff (MBE) TEK Systems	Estimated \$45,700
06-44	Branding, Marketing, Public Relations & Product Launch Services Paul Schultz	Estimated \$50,000
07-10	Telecommunications E & H Integrated Systems	\$254,089
07-21	Heavy Equipment Rentals (2-Year Contract) Whayne Supply Co.	\$319,192
07-27	Small Hand Tools Allied Tools Southern Tools	\$85,726 \$26,833
07-28	Mail Service - 2-year Contract United Mail Service	\$1,474,502
07-40	Spoils Recycling Dan Christiani	\$279,750
07-46	Utility Air Compressors Brandeis Machinery Co.	\$35,718
07-50	Restraint Joint Adapters C. I. Thornburg	\$53,477
07-51	Plastic Water Meter Vaults & Elevator Rings Carson Industries, LLC	\$158,838
07-53	Valve Boxes HD Supply Waterworks, LTD	\$40,395
07-56	Pipe Repair Couplings HD Supply Waterworks, LTD	\$59,922
07-64	Small and Large Meter Vault Frames & Covers Bingham & Taylor	\$243,837
07-65	Swing Check Valves Plumber's Supply Co.	\$30,031
07-66	Expendable Office Supplies Corporate Express	\$33,357
07-77	Micro Focus Server Software House International	\$57,449
07-89	Copper Tubing Master's Supply, Inc.	\$329,621
KY State Contract C-04042154	FINS Production Server Upgrade Pomeroy	\$36,463

Procurement Of Professional Services

02-70	CHFP Advanced Treatment Technology - Evaluation for RBF and Ozone - Facility Condition Assessment - Assignment from Plant and Facilities Engineering Services 06800 CH2M Hill	\$134,223
04-42	Chapeze Rd. 16-inch Water Main Extension between I-65 and KY 245 - Assignment from Bid #04-42 - Engineering Services for Distribution System Design & Construction Pipeline, Pump Stations, and Tanks 11597 Qk4	\$46,600
04-42	KY 245 Water Main Extension between Chapeze Rd. and Happy Hollow Rd. - Assignment from Bid #04-42 - Engineering Services for Distribution System Design & Construction Pipeline, Pump Stations, and Tanks 11598 Qk4	\$24,600
04-42	RFP 04-42 Engineering Services - Project # 10127 - Raymond Road Main Replacement - CONTRACT INCREASE 10127 HDR Engineering, Inc.	\$96,249
07-11	2007 Annual Inspection - Assignment from Facilities Plan Camp, Dresser and McKee	\$34,073
Professional	CHFP On-Site Chlorine Generation - Assignment from Plant and Facilities Engineering Services 10608 Jordon, Jones, Goulding	\$1,230,658
Professional	ZPS Power Systems Rehabilitation - Assignment from Plant and Facilities Engineering Services 11312 Camp, Dresser, McKee, Inc.	\$50,728

Procurement Of Sole Source Materials And Services

Sole Source Purchase	Ammonia Handling Services NH3 Team, Inc.	\$31,000
Sole Source Purchase	Fire Hydrant Parts AM Flow B62B American Flow Control	\$72,645
Sole Source Purchase	Neptune AMR Repair Parts & Equipment (small & large meters) - Two-year contract Neptune Technology Group	\$40,000
Sole Source Purchase	Portable Automatic Hydrant Flushing Device Riehl Systems, Co.	\$24,540

Report Provided Regarding Increased Costs Due to the Relocation of the On-Site Chlorine Generation Building.

Mr. Brammell provided additional information regarding the increased cost for locating the On-Site Chlorine Generation Building on the South side of Frankfort Avenue, which will result in their being two buildings, one new building and one renovated building. Two separate projects will now be executed to complete the intent of the original project, extending the construction schedule by nine months more. This additional time is required because construction on the coagulant system will not be possible until after the new on-site chlorine generation system is functional. The estimated additional costs are: \$300,000 for scope additions including additional fencing, sidewalk replacement, and a contingency for crossing Reservoir Avenue with a new chemical trench, and improvements to the new coagulant

unloading area; \$200,000 for additional piping; \$600, 000 for contractor mobilization on two contracts rather than one; \$400,000 for engineering design, bidding and construction administration for two separate projects; \$300,000 for a longer period of resident observation; and \$300,000 additional for contingency and LWC project management. Mr. Conner stated he had was unaware the premium for moving the building to the South Side of Frankfort, as a compromise with the neighborhood group, was going to be as high as \$2 Million. While it may be the best solution, it is a substantial cost to bear.

Johnsontown Road Main relocation project Authorized

Mr. Brammell advised a project to replace the water mains in Johnsontown Road between Mahoney Drive and Terry Road was included in the 2002-2003 Main Replacement and Rehabilitation Program presented to the Board as a 2004 Alternate project, but was not constructed until Metro Government elected to widen Johnsontown Road in the area covering this main replacement project. Once Metro's project was known, LWC's Capital Projects Authorization Committee and President Huber approved the project in October 2005 with a total project cost estimated to be \$831,000 but only a net cost to LWC of \$327,000. The approval document noted that "BOWW approval is not required". Subsequent review of the project approval process as required by the Capital Projects Authorization Procedure in place at the time indicates that this project should have been approved by the Board. This project includes the relocation of 5,045 feet of 16, 8, and 6-inch ductile iron water main and the removal of 2,270 feet of 6-inch asbestos cement water main. A large part of the 16-inch main installation is upsizing of the existing 6 and 8-inch water mains in order to complete a 16-inch grid-tie. Two fire hydrants were added on adjacent streets to comply with spacing requirements as stipulated by ordinance. The budget has been adjusted because the original Project Proposal included non-cash contributed capital costs. The total project costs are currently estimated to be \$478,120 with an anticipated net cost to LWC of \$284,820. An agreement is currently being negotiated. Mr. Martin moved to proceed to completion with the Johnsontown Road Water Main Relocation Project in the amount of \$478,120, seconded by Ms. Willis, and the motion carried.

Apportionment Warrants Issued Pursuant to KRS 96.265: Holsclaw Hill, End of Existing Water Main to South 1,000 Feet

Mr. Brammell reported the water main extension project for Holsclaw Hill Road: End of Existing Water Main to South 1,000 feet has been completed as approved on October 8, 2002 by the BOWW and on November 12, 2002 by Fiscal Court in Ordinance No. 30, Series 2002. Company employees constructed the main extension. Per KRS 96.265, the BOWW must issue Apportionment Warrants against the three benefiting properties in accordance with the equal assessment method in an amount not to exceed \$5,450.00 for each lot or tract abutting the main that are not currently served.

Ms. Willis moved to adopt the following resolution for the issuance of Apportionment Warrants and liens against 3 benefited properties along Holsclaw Hill: End of Existing Water Main to South 1,000 feet in accordance with KRS. 96.265. Mr. Martin seconded, and the motion carried.

RESOLVED, the Board of Water Works, pursuant to Section 96.265 of the Kentucky Revised Statutes, by these presents directs issuance of apportionment warrants to provide indemnity to the Louisville Water Company for a portion of the cost of Holsclaw Hill: End of Existing Water Main to South 1,000 feet main extension project authorized by Ordinance No. 30, Series 2002 of the Jefferson Fiscal Court, adopted on November 12, 2002 such warrants to be against three (3) benefited properties identified by present ownership and official records set forth on Exhibit A, attached, each apportionment warrant to be in the principal sum of \$5,450.00 and to permit monthly installment payments thereon bearing interest at the rate of 8% per annum on the unpaid balance payable on a timely basis over a period of 240 months, the President and/or the Secretary of the

Board of Water Works being authorized to execute each apportionment warrant with the Secretary being directed to file in the office of the Jefferson County Clerk a Notice of Lien with respect thereto.

Authorizations Amended to Reflect Change in Presidency Effective August 1, 2007

Ms. Dickens advised many situations requiring approval by the Company President simply require the "President" to sign the official documentation related to the particular transaction. However, in some cases, such as with bank accounts, the authorization is held not by the position of President, but specifically by John L. Huber. In those cases, the Board must specifically withdraw authority from Mr. Huber and grant authority to Gregory C. Heitzman to sign official documentation once he assumes the role of President on August 1, 2007. Ms. Willis moved to withdraw authority from John L. Huber and grant authority to Gregory C. Heitzman to provide any and all required authorizations as President of the Louisville Water Company, including bank account transactions, effective August 1, 2007. Mr. Martin seconded, and the motion carried.

Executive Session

The Board went into Executive Session without staff present at 2:08 p.m. The Board returned to open session at 2:13 p.m. No action was taken during Executive Session.

There being no further business, the meeting was adjourned at 2:13 p.m.

Respectfully submitted,



Barbara K. Dickens
Vice President, General Counsel and Corporate Secretary

ELT Meeting Agenda

MINUTES

1/2/01
9:00 AM to 12:00 PM
Board Room

Leader: Greg Heitzman
Facilitator: None
Recorder: Laura Douglas
Timekeeper: Bob Miller
Attendees: Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bob Miller, Kathy Getsinger, Eric Ayers, Scott Potter
Please bring: Agenda

Agenda Topics

9:00-9:10 AM Review Minutes and Agenda O/C Approve Minutes and Agenda Greg Heitzman

Discussion:

Conclusions:

Action items:

Person responsible:

Deadline:

9:10-9:40 AM

Partnership Council Update O/C: Shared Information

Partnership Council

Discussion: This item was deleted from the agenda.

Conclusions:

Action items:

Person responsible:

Deadline:

9:10 – 9:40 AM

Update on Local Weather and Main Breaks

Scott Potter and Eric Ayers

Discussion: Eric and Scott reviewed the status of main breaks from December 20, 2000 forward. A summary of the main break activity is attached to these minutes. There were 218 main breaks in December, 2000. One hundred and fifty four (154) of the breaks occurred on or after December 20th. Crews have worked without accidents or injury during this period. Crews will remain on the escalated break schedule until further notice.

Mr. Huber cautioned that we should review holiday schedules in the future to make sure that large numbers of individuals are not scheduled off in the future. In order to respond to the break situation during the December Holiday period, given the vacation schedule, the company was required to pay significant overtime. Mr. Huber also asked Eric and Scott to forward overtime cost figures and other costs for the December main breaks to ELT for its information

Conclusions:

Action items:

Person responsible:

Deadline:

9:40-10:10 AM

HR Problem Solving - Salaried Employee Turnover O/C:
Shared Information and feedback to HR Team

Bob Miller

Discussion: Bob Miller lead ELT in a continued discussion regarding turnover among salaried employees. Bob's handout is attached to the minutes. The proposed best solutions are identified at step 5.

The group determined that it supported extension of incentive pay to BSO's. ELT agreed to look at designing a BSO incentive pay program for review by the Board Compensation Committee. In addition, the group agreed to consider a redesign of the corporate incentive award. ELT also asked the BSO of HR to define the pay equity issues which may be the basis of a counter offer at resignation. When approved, this will be an additional item added to the BSO of HR's empowerment list.

The group also stated its support of mentoring programs as outlined in the Affirmative Action Plan. ELT will work with Beverly Irons in order to review employee attitude and perception survey data with a view towards addressing the quality of work life issues it raises.

Conclusions:

Action items:

Person responsible:

Deadline:

<p>10:10-10:40 AM</p> <p>Discussion: Kathy Getsinger continued the NLPII status review. All updates and team notes will be done by Kathy and included on the NLPII 2001 expectation charts</p> <p>Conclusions:</p> <p>Action items:</p>	<p>NLPII Matrix template O/C: Update Matrix Template</p>	<p>Kathy Getsinger</p> <p>Person responsible:</p> <p>Deadline:</p>
<p>Discussion:</p> <p>Conclusions:</p> <p>Action items:</p>	<p>Break</p>	<p>Person responsible:</p> <p>Deadline:</p>
<p>Discussion:</p> <p>Conclusions:</p> <p>Action items:</p>	<p>NLPII Matrix Template Continued Discussion</p>	<p>Kathy Getsinger</p> <p>Person responsible:</p> <p>Deadline:</p>

11:45-12:00 PM

TKO and Agenda Preparation

Discussion: Effective use of open time for operating area status

Effective use of Scott Potter as substitute for Karla

Open to role of Auditor

Effective discussion led by Greg

Good acceptance of problem solving model

Effective use of JLH participation

Interesting insights from Laura on public sector employment

Did not postpone NLPII discussion. Positive step toward ownership of monitoring at Quarterly Reports

Recommendations: Obtain last week's minutes – GH

Follow up with Partnership Council scheduled – GH

Update Karla and Billy about meeting – Scott

Use pre-decisional involvement on contractor crews

Consider NLPII as a priority

Flexibility on HR response:

ELT Meeting Agenda

MINUTES

1/8/01
9:00 AM to 12:00 PM
Board Room

Leader: Greg Heitzman
Facilitator: None
Recorder: Laura Douglas
Timekeeper: Bob Miller

Attendees: Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Richard Royce, Kathy Getsinger

Please bring: Agenda

Agenda Topics

9:00-9:10 AM Review Minutes and Agenda O/C Approve Minutes and Agenda Greg Heitzman

Discussion: Minuted from the 12-18-2000 meeting were approved as submitted. The minuted from the 01-02-2001 meeting were discussed. It was noted that the item on the HR problem solving team had no action items included. This topic will be scheduled for the January 22, 2001 meeting, for closure. Communication of ELT deliberations to the team was also discussed.

Conclusions:

Minutes from both meeting were approved.

Action items:

HR issues will be addressed at the Jan 22 2001 meeting.

Person responsible:

Deadline:

9:10-10:30 AM NLP II Update and Partnership Council reflections on NLP II Kathy Getsinger
O/C: Shared Information

Discussion: Kathy provided a summary of outcomes for the Partnership with Employees originating from the existing documents. The plan will include an item for the PC to review and provide feedback to ELT on the HREI, the Attitude and Perception Survey, and Qualserve. The PC also noted that there needs to be more effective communication on our company health benefits (and other benefits) to help shape realistic perceptions of what LWC benefits are. The PC also suggested that ELT set realistic goals for corporate achievement. The WQ goals are seldom achieved and appear unachievable.

The team discussed the Partnership with Local 1683. Kathy will work with Katie Farrow with Karla and Bille cross-checking for items under this topic.

The topic of company facilitators was discussed. The 2001 topic will focus on reviewing the facilitator program.

Conclusions:

Action items:

Person responsible:

Deadline:

<p>10:45-11:00 AM</p> <p>Discussion: Greg will discuss cold weather data and cost implications. Leaks on the 60 inch main will also be discussed. Steve (Jim Smith) will provide justification for the emergency contract for rebuilding the flocculator equipment in the South Coag basins.</p> <p>Cost of health insurance costs will be increase by 17%, and we will be switching back to Humana. Anthem's increase would have been 40%.</p> <p>Conclusions:</p> <p>Action items: none</p>	<p>Board Issues</p>	<p>John Huber</p> <p>Person responsible:</p> <p>Deadline:</p>
<p>11:00-11:30 AM</p> <p>Discussion:</p> <p>Sue presented available data on sales for 2000. Estimated sales are 39.8 billion gallons, with wholesale water sales continuing to grow (good year!).</p> <p>Conclusions:</p> <p>Action items:</p>	<p>Greenbacks Report</p>	<p>Richard Royce</p> <p>Person responsible:</p> <p>Deadline:</p>
<p>11:30-11:45 AM</p> <p>Discussion: Bo distributed a summary of the existing and proposed regulations. ELT advised Bo to compile a list of comments focusing 1. Emphasizing the need to focus on monitoring that best suits the needs of public health; 2) On restricting our responsibility in the distribution system to those areas where we have ownership and control, and 3) .</p> <p>Conclusions:</p> <p>Action items:</p> <p>Bo will draft and distribute comments to ELT</p>	<p>KDOW Regulatory Update O/C: Shared Information</p>	<p>Bo Williams</p> <p>Person responsible:</p> <p>Deadline:</p> <p>Bo Williams</p> <p>mid-Jan.</p>

11:45-12:00 PM

Wrap Up (TBO Report and Agenda Preparation)

Greg Heitzman

Discussion: Bob noted that ELT needs to plan for communication of items regarding the HR problem solving team. Strong and healthy discussions were held regarding employee perceptions of benefits. The NLP discussions wandered at times with regards to the who was leading the discussion...we need to be clearer on these types of discussions when we have staff participating in working-level activities. We did not meet our goal of finishing our NLP update for 2001. We had meaningful discussion on product quality and regulatory issues.

AGENDA JANUARY 16, 2001

9:00 Agenda review and meeting approval

9:15 NLP update. OC: complete review

10:30 Break

10:45 Marie Combs will do the Team Effectiveness Assessment OC: complete assessment, share info.

11:15 Open time

11:45 Meeting Housekeeping

Conclusions:

Action items:

Person responsible:

Deadline:

ELT Meeting Agenda

Minutes

1/16/01
9:00 AM to 12:00 PM
Board Room

Leader: Greg Heitzman
Facilitator: None
Recorder: Laura Douglas
Timekeeper: Bob Miller

Attendees: Laura Douglas, Greg Heitzman, Bob Miller, Marie Combs, Kathy Getsinger, Beverly Irons, Karla Teasley

Please bring: Agenda

Agenda Topics

9:00-9:15 AM Review Minutes and Agenda O/C Approve Minutes and Agenda Greg Heitzman

Discussion: The team started the meeting by reviewing and accepting the agenda and the rolls for the meeting.

Minutes from the January 8, 2001 meeting were approved with the following corrections:

1. The January 8, 2001 minutes were taken by Steve Hubbs rather than Laura Douglas
2. Laura Douglas, Bill Meeks, and Richard Royce did not attend the January 8, 2001 meeting. Sue Purdy, Nancy Jenkins, Dwayne Clark and Bo Williams should be added as attendees.
3. Under the KDOW Regulatory update add "The impact of the proposed regulations on consecutive systems." as item 3. Also add: "Greg indicated that Infrastructure will work with Legal to do a comprehensive review of all former KTWD contracts."

Conclusions:

Action items:	Person responsible:	Deadline:

9:15-10:30 AM NLPII Update O/C: Complete Review Kathy Getsinger

Discussion: The first agenda item was a review of the NLPII led by Kathy Getsinger. As a result of the team's review of the section in the NLP regarding Partnership with Employees, ELT decided to ask the Decisions Partners Team to review the goal for Union participation on teams with the intention of establishing a long term goal (ie: 2004 goal for Union participation on teams).

Conclusions: The notes and modifications taken will be captured by Kathy and recorded on the NLPII update form

Action items:	Person responsible:	Deadline:
create the NLPII update form	Kathy Getsinger	

10:30-10:45 AM Break

10:45-11:15 AM Discussion: Following the correction of the minutes, the team returned to a review of the NLPPII. Conclusions:	Team Effectiveness Survey Assessment O/C: Complete Assessment, Share Information	Marie Combs
11:15-11:45 AM Discussion: Marie Combs did the Team Effectiveness Assessment Review. Her report, including recommendations, is attached to these minutes. Marie suggested that ELT do a review of ELT's charter after the new VP joins the team. It was also suggested that Greg discuss the Charter with John prior to the time ELT discusses this item. ELT's discussion will include updating the list of team members and leadership. Marie also reviewed quality tools which could help the team resolve negative conflict. One tool was the "Force Field Diagram". The other tool was the "Criteria Rating Form." The team agreed to integrate the use of quality conflict resolution and problem solving tools more effectively at future meetings. The leader's role will be to remind the team of this affirmation and focus the team on use of the two tools introduced by Marie as conflict arises. Each team member was also encouraged to remind the team to use these tools when that team member believes use of the tools would be helpful. Conclusions:	Team Effectiveness Assessment Review	Marie Combs Action items: _____ Person responsible: _____ Deadline: _____
11:45-12:00 PM Discussion: Bob did the TKO report. His comments were as follows: Timekeeper/Observer Notes 1/16/2001-01-16 +* Greg (Leader) used observation from last week (regarding role of discussion leader during work at table) to modify handling of update of Next Level Plan Expectations. Quite effective discussion, appears to be complete. *Marie Combs brought data, analysis, and recommendations. *Team was self-regulated on time Conclusions: Recommendations for Consideration : 1. Should we move to more direct communication regarding ELT performance? 2. How can we understand goals when there are no written goals?	Wrap Up (TKO Report and Agenda Preparation)	Greg Heitzman Action items: Greg prepared the Agenda for the team for Jan 22 meeting Person responsible: Greg Heitzman Deadline:

ELT Meeting Agenda

Minutes

1/22/01
9:00 AM to 12:00 PM
Board Room

Leader: Greg Heitzman
Facilitator: None
Recorder: Laura Douglas
Timekeeper: Bob Miller
Attendees: Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Mike Sturgeon
Please bring: Agenda

Agenda Topics

9:00-9:15 AM Review Minutes and Agenda O/C Approve Minutes and Agenda Greg Heitzman

Discussion: ELT offered additional corrections to the January 8, 2001 minutes. The corrections are: Add under KDOW regulations: Infrastructure will work with legal to review all wholesale contracts. The intent is to determine how LWC might protect itself under the contemplated revisions to the State Water Quality Regulating. Also, Bo will work with the state in order to limit to notice requirements to customers actually impacted rather than providing notice to all LWC customers

9:15-9:45 AM HR Problem solving model on Drafter/Surveyor/Engineer Bob Miller and Mike Sturgeon
O/C Complete step 5 of PSM

Discussion: **Drafter** – Mike Sturgeon lead ELT with a discussion of this item. Movement of the Drafter 1 position from grade 4 – grade 5 would not involve a change in pay for the current employees in the drafter 1 positions. Mike also talked about a partnership between LWC and KY Tech to identify candidates for a proposed Drafter Apprentice long term contract. At the end of year 1 of the contract, a review will be done to determine if the contract would be renewed for 1 year. A 1 year renewal would involve tuition reimbursement. They would be considered for Drafter 1 vacancies as they come open. This would not preclude consideration of other candidates not associated with the apprentice program.

Land Surveyor – Mike asked that the Land Surveyor job be moved from a grade 8 to a grade 9. While job evaluation data shows that the Surveyor job is appropriate at grade 9, LWC has had difficulty filling the job. Mike requested that we raise the grade of the job to lessen the degree requirement (degree or comparable experience; a degree is “preferred”) and require licensing.

Engineer: Salary offers for engineers are going up regionally. Mike suggested that HR should look at a control point adjustment in order to attract engineers. Perhaps HR should collect data on salaries for coop and entry level engineers locally to determine how competitive LWC is. Additional information will be provided to ELT in the future

Action items: Bob Miller asked that we amend the employment status policy to include the Drafter 1 from : grade 4 – 5 and develop a partnership with JCC, KY Tech and other public institutions to identify candidates. (One of the features of the internship would involve tuition reimbursement during the 2nd year of the contract.

ELT adopted Mike’s proposal. If HR is unsuccessful at filling the job, then the job will be discussed by ELT before any control point change is made.

9:45-10:15 AM	HR Problem solving model on Grade 3 Clerical Employees O/C Complete step 5 of PSM	Bob Miller and Mike Sturgeon
<p>Discussion: Mike lead ELT in a discussion of the status of Customer Service clerks. Mike suggested that the following activities, currently underway, be continued: Redesign job through job enrichment; allow use short term contract employees and advance hire; consider variable work week. The team adopted these steps then discussed future actions regarding customer service Clerks. Karla suggested the development of a specific career path for customer service clerk. Could there be several levels for customer service clerks: traing of others; dealing with difficult customers and those wanting additional information</p> <p>Action items: The team asked Karla to work with HR on the development of a career path for customer service positions. This would involve automatic career promotions with the personal development of certain competencies. Karla and HR in consultation with John will develop the career path description and advise ELT at subsequent meeting regarding compensation. Karla believes that there is still an issue regarding compensation for customer service clerks. There is, according to Karla, a compensation issue beyond the retention bonus. Karla was asked to come back with a recommendation regarding salary for customer service clerks after working with HR. The team also cautioned that the above described process must be done consistent with the job upgrade process.</p>		
10:15-10:25 AM	Break	
10:30-11:00 AM	HR Problem solving model on Salaried Employees O/C Complete step 5 of PSM	Bob Miller and Mike Sturgeon
<p>Discussion: Turnover of Salaries Employees: ELT agreed to re-consider the issue of changes in salary employee compensation during the budget cycle for 2002 (in summer 2001).</p> <p>Conclusions: Consider this issue during 2002 budget deliberations</p>		
11:00-11:30 AM	2001 Metro United Way/Funds for the Arts Campaign O/C Select loaned Executive and Leadership Chair	John Huber
<p>Discussion: Barbara presented a schedule for volunteers to fill positions for 2001 through 2004. She discussed the Water-For-People campaign for 2001.</p> <p>Action items: Bob will determine if payroll deduction for Water-For-People can be handled by the Cendan pay system, and if so, the option will be provided to employees in 2001.</p>		
11:40-12:00 PM	TKO Report/Agenda Prep	Greg Heitzman
<p>Discussion: Agenda for Jan 29, 2001-01-2</p> <ol style="list-style-type: none"> 1. Salaried Uniform Team – 30 min O/C act on recommendation of team 2. Call Center Compensation – 30 min O/C Act on recommendation 3. Discussion on Cardinal Hill 60” – 30 min O/C Act on recommendations 4. Open time – balance of time <p>Timekeeper/Observor Comments</p> <ol style="list-style-type: none"> 1. Level of discussion went into significantly more detail today, taking additional time 2. Reminder that problem solving model is a cycle that works through step 8 then back to step1 Example: if Land Surveyor job remains nonfilled, as determined through step 8, then consider control point changes 3. Reminder to call for consensus when a recommendation is made 		

**MINUTES
SPECIAL ELT MEEING
January 23, 2001**

Attendance: Karla Teasley, Greg Heitzman, Laura Douglas, Beverly Irons, John Huber

Diversity Goals(Beverly's Presentation regarding AA Goals)

The outcome of the discussion was understanding of the proposal and acceptance of the Computations proposal. ELT indicated that it was concerned about the following issues:

- WPPM scale (0-5); weighting and average of scores
- how does the content of the applicant pool impact the hiring activity
- how are mentoring efforts recognized; should we have equal weighting for all categories
- what impact does the absence of a hiring opportunity have on goal achievement
- should we look at different weighting for MBE, WBE, and HBE performance
- On the culture composite score, now will the President's Office and the new HR core be measured
- Why is AA hiring goal a company wide rather than a core goal
- Should we use a few target questions from the HREI, Team Based Assessment and System Self Assessment rather than using the entire survey

Discussion of concerns

1. WPPM scale will be 1-5, not 0-5
2. Rather than averaging the women and minority hire rate together to get the score for each EEO category hire, we will show a separate score for the eight categories. We will weigh each one equally and average all eight scores to get the WPPM rating.
3. ELT decided to keep the AA hiring goals as company wide goals rather than core goals.
4. HR will now collect data regarding the make-up of each applicant pool. ELT decided that HR will be instructed to develop a process aimed at expanding recruitment efforts to make sure we have a diverse applicant pool. The process will be documented.

Due to time constraints, ELT stopped its discussion and then focussed on the establishment of President and Vice President shared goals for 2001. The team looked at the 2000 goals and determined which ones should be carried forward as 2001 goals.

President and Vice President shared goals for 2001

<u>Goal A</u>	Not needed as a goal for 2001
<u>Goal B</u>	The team voted to keep this goal for 2001. The 1-5 levels of achievement will be modified based on 2001 performance
<u>Goal C – Increased Water Sales</u>	The team decided that it would continue with this goal including the percentages listed
<u>Goal D – Reduce overtime</u>	This goal will be retained in some form. The company goal for 2001 should be 8%. Greg and Karla will provide the team with additional information regarding the score for each level. In addition, Karla and Greg will also come back to the team with recommendations on whether this should remain a <i>shared</i> or individual goal
<u>Goal E - Program for Advanced Treatment</u>	This goal will be retained. Steve will return to the team with specific wording and descriptions for levels of achievement
<u>Goal F – Process Improvements</u>	The team decided to retain this goal. Measurement of goal attainment could include certification progress, process improvement and risk management
<u>Goal G – Cost of Risk</u>	We should retain this goal. However, the team is anticipating feedback from Don McKay regarding the measures. Based on Don’s input, Bob will recommend a team goal. (A history of costs will be provided. Affirmative Action will also count for 8% of the President’s and Vice President’s shared goals.

Observer’s Report

ELT might later consider role of working on a process vs. in a process

Vigorous attention to each other’s concerns by logging and reviewing issues raised. (An improvement by responding to concerns raised in a previous meeting

ELT might later consider review of consequence of deferred agenda items

ELT Meeting Minutes

1/29/01
9:00 AM to 12:00 PM
Board Room

Leader: Greg Heitzman

Facilitator: None

Recorder: Laura Douglas

Timekeeper: Bob Miller

Attendees: Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Beverly Irons, Nancy Jenkins, Eric Ayers and Greg Armenta

Please bring: Agenda

Agenda Topics

9:00 – 9:15 AM Review Minutes and Agenda O/C Approve Minutes and Agenda Greg Heitzman

Discussion: The minutes were amended modifying the last sentence in the 9:45 – 10:15 a.m. discussions to state: “The team also cautioned that the above described process, including the Team recommendations concerning the Drafter, Land Surveyor positions and the career path descriptions for Serving Customers must be done consistent with the job upgrade process. Previously, reference to Serving Customers was not included in the last sentence.

Action items:	Person responsible:	Deadline:
9:15 – 10:15 AM*	Continue Diversity Goal Review O/C Complete Goal and Accept	Beverly Irons/ Greg Heitzman

Discussion: *The team modified the agenda to add an update on the Cardinal Hill matter and a discussion regarding refinancing the Series 2000 Bond issue.

Cardinal Hill: LWC has experienced three significant leaks in the Cardinal Hill line. There is also a problem with a valve. It is estimated that the cost to repair the line is \$150,000.00. One hundred thousand dollars of the cost is capital expense. The team has been in touch with MSD in order to plan the release of water associated with the repair.

Discussion:
(cont.)

Bond Refinancing: Interest rates have now started to go down. It is now an attractive option to refinance the Series 2000 bonds. There is a significant scarcity of municipal bonds of the type that LWC issues. Therefore, the market is very interested in such bonds. It is anticipated that LWC will make a gross interest savings of 5M and a net present value savings of 3M if LWC proceeds with the refinancing. It is anticipated that the refinancing will take place around April 4.

Hiring: The team discussed whether diversity performance for the company should include mentoring efforts. Beverly cautioned that the company's performance should be measured in terms of hiring. Should hiring in areas that are more underutilized than others be weighted more heavily when determining the company's performance. ELT agreed that weighting would be equal across the board. MBE/WBE/HBE
Spending: The team discussed whether it should apportion the spending goal differently among M's, W's and H's. The team decided that 50% of the goal would focus on M's, 40% would focus on W's, and 10% would focus on minorities.

Culture:

For purposes of determining the company's culture goal, the average scores of the five scores would be used. The scores from the President's office would not be used. For purposes of determining diversity performance for those in the President's office, it may be necessary to use the HREI score only. In any event, those in the President's office will need to review this item. A scale of 1-5 will be used. A five will be the top score ever achieved for the item measured. However, if the survey score is less than three, you cannot receive higher than a three on the WPPM rating.

The WPPM purposes:

Meeting the goal will be a 3. Five % above the goal will be a 4. Ten % above the goal will be a 5. The same would be true on a descending scale. For purposes of measuring the accomplishment of spending goals, the goals will be reported as the five scores and administration. Administration will include the President's office, Audit and Legal.

10:15 - 10:30 AM

Break 10 Minutes

10:30 - 11:00 AM

Review/Update BIN List O/C Revised/prioritized
BIN List

Greg Heitzman

Discussion:

This item was dropped from the agenda in order to add the Cardinal Hill update and the bond refinancing

Conclusions:

Action items:	Person responsible	Deadline:
11:00 - 11:40 AM	Salaried Uniform Team O/C Accept Recommendations of Team: Partnership Council	Nancy Jenkins
Discussion:	<p>The cross functional team which reviewed the possibility of uniforms for salaried employees reported: A copy of the team's proposal is attached. Karla suggested on behalf of the sub team that the partnership council be asked to assess the reaction of those who would and would not be required to wear uniforms. In addition, bench marking information will be obtained from LG&E and MSD regarding the operation of their uniform policy. Karla noted that the budget does not currently cover the year cost of the uniforms. The impact cores would cover their share of the \$20K cost. (The team also understands that Eric Ayers area would be responsible for the process.) The subteam will return later to wrap up this item.</p>	
11:40 - 12:00 PM	TKO Report/Agenda Prep	Greg Heitzman
Discussion:	<p>Bill and Bob <u>both</u> had input on the TKO report.</p> <p>Timekeeper/Observer Notes</p> <ol style="list-style-type: none"> 1) Status report needed for 2) JLH would communicate the importance of Job Evaluation team meeting to team participants 3) Copy of flowchart and process information team will be sent from Mike Sturgeon to ELT. 4) Further review by ELT of job evaluation process is anticipated. 	

**Executive Leadership Team Meeting Minutes
February 5, 2001**

Attendees: Greg Heitzman (Leader), Bob Miller (Recorder), Bill Meeks (Timekeeper/Observer), Jim Wehrle, Steve Hubbs, Scott Potter (for Karla Teasley), J.P. Davis, Laura Douglas, Beverly Irons, Mike Sturgeon

Absent: John Huber, Karla Teasley

Minority Business Development Team Report

J.P. Davis distributed a handout for:

- * 2000 Spending Goal Review
2001 MBD Team Makeup (Beverly Irons will cover new core, Bob Miller will appoint a BSO representative, Scott Potter will verify Barbara Crow's availability, and Steve Hubbs will appoint a BSO and another representative).
- * Summarization of 2000 Action Plan (appreciation noted to Rose Lewis for significant improvement to spending reports; follow-up needed for evaluated bids based on project managers input).
- * 2001 Spending Goals (there was extensive discussion of the methodology for establishing the 2001 Spending Goals and the amount of resources assigned to support the team. The ELT agreed to approve additional spending of \$3,000 for a half page ad for the KMSDC Awards Dinner).
- * The Recommended Action Plan for 2001 was approved as submitted.
- * Development of the 2001 MBD Spending Goals need additional data work to break out:
 - Human Resources and Quality Core from SBR CBS.
 - Corporate Administration from SBR CBS.
 - Production & Delivery Engineering from Infrastructure Core.The MBD Team will perform this work. The ELT agreed to accept the recommended Corporate Goal for M/W/H spending for 2001. The MBD Team will adjust the spread among Cores as appropriate. The ELT will review the 5/4/3/2/1 goal at a later meeting.

Review Minutes

The minutes for 1-23-01 were reviewed and approved. The minutes for 1-29-01 were reviewed, with corrections noted on page in the Culture section. Laura Douglas will update the minutes before distributing.

Job Evaluation Team Charter

Greg Heitzman distributed a copy of the charter provided by Ellen Mackin. The ELT focussed on the boundaries. Mike Sturgeon distributed a copy of the flowchart of Evaluating Initial Grade Placement on Re-Evaluating Job Grades. The ELT discussed the flowchart extensively, especially how to review cases where "market data" is inconsistent with "CBSO needs". The ELT agreed to request that Jim Wehrle and Mike Sturgeon will review the process described on the charter and flowchart to return with recommendations to ELT.

The ELT consensus on moving forward with the Drafter and Surveyor jobs was withdrawn. Those jobs will be discussed with Mike Sturgeon, Jim Wehrle and John Huber. Also, the review works by Karla Teasley may need to be delayed pending outcome of the previously identified discussion.

The ELT acknowledged that there will be adverse consequences in expected progress in the Capital Program and KT2 mapping.

Next Meeting Agenda 2/12/01

- | | |
|---------------|---|
| 9:00 – 9:10 | Review Minutes
O/C: Approved Minutes |
| 9:10 – 9:40 | Partnership Council
O/C: Shared Information |
| 9:40 – 10:00 | Board Issues
O/C: Complete Plan |
| 10:00 – 10:30 | NLP II Final Review
O/C: Complete Plan |
| Break | |
| 10:45 – 11:30 | Greenbacks Report
O/C: Shared Information |
| 11:30 – 12:00 | Wrap-up
O/C: Agenda Preparation and TKO Report |

Executive Leadership Team Special Meeting
Minutes February 6, 2001

Attendees: Greg Heitzman (Leader), Bob Miller (Recorder), Jim Wehrle (Timekeeper/Observer),
Laura Douglas, Steve Hubbs, Beverly Irons, Mike Sturgeon, Nora Freeman, Bill Meeks

Absent: John Huber, Karla Teasley

Review Diversity Goal Elements

Beverly Irons distributed a folder of handouts. ELT reviewed "ELT Consensus Decisions Re: Diversity Goals for WPPM":

- Definition of "managers" in item #1 will be discussed later in the meeting.
- Under item #2 bullet #1, change recruitment to hiring.
- Under item #2 bullet #2, add reference to handicapped-owned businesses.
- Under item #2 bullet #3, add reference "as measured by elements of Team Based Ammenment. HRE1 Survey, and System Self Accessment"
- Under item #4, add reference "if no opportunity exists for placement in a category then omit when averaging."
- Under item #10, five areas will be tracked, combining Human Resources/Organization Effectiveness and Corporate Administration.
- Under item #11, add reference "on a monthly basis."
- Under "outreach triggers", the definition of occasions for recruitment and hiring outside the service area will be developed by Jim Wehrle and Mike Sturgeon.
- Also, third bullet will be deleted and replaced with "will track data history where applicant pool does not meet availability."

Weighting of WPP Diversity Goal

The ELT agreed to apply the 20% weighting equally across AA, MBD, and Culture.

Application of Goals

The ELT considered if the Diversity should be split between WPPM and Executive Incentive. Greg Heitzman recommended that for VP's and BSO's.

If BSO Incentive Plan is adopted:

Portions of 40% WPPM at 13% for MBD and Culture components and 2% of Incentive Award.

If a BSO Incentive Plan is not adopted:

Portion of 40% WPPM at 13% for MBD and Culture components and 7% of VP shared goals.

Also, he recommended that if the BSO incentive is adopted, then the Process Owner portion should be changed from hiring results to mentoring efforts.

The ELT agreed with these two options.

The ELT noted that these discussions are quite complex but these actions are needed to move forward on a timely basis.

Definitation of Management. The ELT agreed to a definition of management to be:

- VP's
- CBSO's
- BSO's
- PO's
- Director of Divesity
- Manager of Corporate Measures
- Program Managers

The ELT requested that John Huber determine the "management" status of Internal Audit.

Appreciation: The ELT noted with appreciation the work and contributions of Beverly Irons on the Diversity Goal.

Reviw of President/Vice President Shared Goals for 2001.

Item B – Change computations to use the Revised Capital Budget amount as the denominator (as shown in columns I and J on the 1990-2000 Capital Improvement Program Status.)

Item D – The overtime goals for 2001 as shown on the 2000 overtime goals were adopted.

ELT Meeting Minutes
2/12/01

Attendees: Greg Heitzman (Leader), Billy Meeks, Laura Douglas, Jim Wehrle, Steve Hubbs, Karla Teasley (TKO), Tony Gregory for Bob Miller (Recorder), Nora Freeman (Facilitator).

Agenda Topics

1. Review minutes and agenda: Previous minutes were not available for review. Green backs report was moved to February 19th when full compliment of financials will be available for review. An agenda topic to review Board agenda for the Feb 13 meeting was added and discussed following the break.

2. Partnership Council Update:

Partnership Council provided an update of several issues the group is dealing with. The following two key issues were discussed:

- Emergency Loan Program for Employees – several issues were brought up regarding level of Company involvement, liability, and risk assumed by the Company for an emergency loan program for employees. The Council will be developing a proposal to bring to the ELT and will take into account the following:
 - Boundary Conditions need to be well defined
 - Company constituents provide guidance. The key constituents will include Human Resources, Payroll, and Legal.
 - Benchmarking on what other companies provide similar to this program
 - Who will own the process and be accountable for managing the process.
- ATM located in Third Street Lobby – The Council is reviewing the feasibility of providing an ATM for employee and public use in the Third Street main lobby. The following guidelines were provided to the Council:
 - Work with Facility Design, Construction and Maintenance System on physical location of the machine – inside/outside, and electrical needs.
 - Check with local banks, especially 5/3rd and Republic who provide current LWC banking services, on whether they would be willing to locate a machine in our facilities and what would be the costs associated with installation and maintaining.
 - No significant investment on behalf of the Company for the installation and ongoing maintenance of the machine.
- The Council regarding the team looking into uniforms for Company field personnel provided a brief update. The Council has received informal feedback

from several employees regarding uniforms. The Council was asked and has agreed to collect information from key groups and provide update to ELT at the March 5th meeting.

- The Partnership Council provided a copy and brief overview of their 2001 action plan. The Council requested ELT provide overview of Corporate incentive awards to the Council at an upcoming Partnership Council meeting to gain better understanding of the components and drivers for the awards. Karla Teasley and Billy Meeks volunteered to attend a future PC meeting to present and discuss the incentive awards with the group.

3. Next Level Plan II Update:

An updated NLP II Plan action plan was provided for the teams' review. The team consented to adopt the document with proposed minor changes to be made. Any additional minor changes and comments are to be sent to Kathy Getsinger by Friday, February 16th. Upon completion of the document, the information will be provided to Internal Communications for the development of a Company-wide communication regarding the plan.

4. Board Agenda for Feb. 13, 2001:

The team reviewed the Board agenda for the upcoming Feb. 13th meeting. The primary topic will focus on the Series 1992 Bond Refinancing. No significant items were brought forward for discussion.

5. 2001 VP Shared Goals & Executive Incentive Goals:

The team discussed and finalized a preliminary set of VP Shared Goals. The team deferred the Executive Incentive Goals for discussion at the February 19th and 20th meetings.

The following VP Shared Goals were adopted:

- Goal A: Implement Customer Information System

This goal will be removed. The team discussed substituting a goal for the implementation of other re-engineering projects such as AM/FM/GIS, Financials, or Work Order Management. It was determined that these projects will be more applicable to be included in 2002-2003 goals and objectives.

- Goal E: Program Plan for Advanced Treatment through Bidding of Phase II

Advanced treatment will basically stay the same as 2000 goal with the focus being on contracting for Phase II of the program. Specific measurement criteria

for 2001 will be developed and will focus on August bid timeframe and budget for Phase II of the program.

- Goal F: Enhance Effectiveness

The team agreed to keep the goal with update of the measurement criteria. System Certification measurement criteria will need to be developed. The System Certification process will need to be presented and adopted by ELT prior to finalizing measurement criteria for this goal.

- Goal G: Control Cost of Risk Management

The goal will be adopted as is with update of the measurement criteria for 2001. Team requested that trend data be used to develop the cost measurement criteria for the goal and ensure it is realistic and achievable. The team discussed whether to include implementation of risk management plans developed by the Business Systems. It was determined that implementation of these plans should be included in system operating plans and accountability for implementation will be at the operating levels.

- Diversity Component

A diversity component will be either included in the Executive Incentive goals or added as a VP Shared Goal. This item will be discussed at the special meeting scheduled for Feb 20th, 2001.

6. The meeting concluded and the following agenda was developed for the February 19th meeting.

February 19th, 2001 ELT Meeting Agenda

- 9:00 – 9:10 Review Minutes of previous meetings
Outcome: Approve minutes
- 9:10 – 10:15 System Certification Schedule and Process – Don Whitehouse
Outcome: Review and accept timeline and audit plan
- 10:15 – 10:30 Break
- 10:30 – 11:30 Green Backs Report
Outcome: Shared financial information for 2000 Year end and 2001 January
- 11:30 – 11:45 Executive Incentive Goals
Outcome: Accepted Goals
- 11:45 – 12:00 TKO/Facilitator Reports, Agenda Prep

TKO Report: 5 minute late start. Good shared information between ELT and Partnership Council. Facilitator provided clarification on outcome of NLP II update. Balanced discussion on VP shared goals and agreement on early finish.

Facilitator Report: Team doing better job with time management. Good interaction with Partnership Council to provide leadership and direction to the Council. Opportunity for improvement exists for agenda management to reduce backlog of topics.

ELT Meeting Agenda

Minutes

2/20/01
9:00 AM to 12:00 PM
Rough River Room

Leader: Greg Heitzman

Facilitator: Nora Freeman

Recorder: Steve Hubbs

Timekeeper: Karla Teasley

Attendees: Laura Douglas (9:33), Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Bob Miller (9:15), Karla Teasley, Jim Wehrle, Nora Freeman

Please bring: Goals Binder

Agenda Topics

9:00-9:10 AM **Review Agenda: O/C Approve Minutes and Agenda** Greg Heitzman

Discussion: Agenda set as follows.

9:15-10:25 AM **Review of 2000 Final Results O/C: Accept Results** **Nora Freeman**

Discussion: Nora distributed the data for fourth quarter and year's final results. For the **Incentive Award**, the "lightswitch" goal was met for net income at Level 2; Level 1 CSI was met; neither WQ goals were met; minimum productivity goals were not met; and the minimum culture goal was not met. For the **Shared Goals**, the CIS goal met a level 4.0; the 2000 Capital Program goal was a 2.1; the Increase Revenue goal was 4.0; the Overtime goal was 4.3; the ATT goal was 5.0; the Increase Operational Performance goal was __; and the Control Cost of Risk goal was 2.7. This yields an overall rating of __. (3.6, 3.7 or 3.9 depending on missing goal being a 3.0, 4.0, or 5.0). The **Corporate Performance Award** was met for one of three WQ goals; the CSI goal was met at level 2; the cost control goal was not met; and one half of the Safety goal was met.

The goal for Increase Operational Performance rating will be provided by Don McKay to Nora for final compilation.

Greg and Karla will follow up to determine the amount of outsourced work for goal "D" on overtime (less than \$100,000?).

Conclusions: The **Executive Incentive Award** will be 3% based on 2000 data.

The **Shared VP Goals WPPM** rating for 2000 is computed at 3.8.

The **Corporate Performance Award** was met at the **50% award level**, resulting in a payout **\$247 per 471 employees**, or approximately \$116,000.

Action items:	Person responsible:	Deadline:
Don McKay will provide final WPPM numbers to Nora on risk plans .	Don McKay	Feb 23
Nora will finalize WPPM rating.	Nora	Feb 27
Determine amount of outsourced work (\$) in overtime goal.	Greg and Karla	Feb 23

10:25-10:40 AM **Break**

Discussion: None

10:40-11:30 AM **Review 2000 Executive Incentive Awards** **ELT**

Discussion: The Net Income goal was retained as-is. The CSI goal was raised to 815 for level 1 and 825 for level 2. The Water Quality goal was modified to reflect 5 sub-goals, each representing 0.4% of the total incentive. (Steve will provide modified wording for the goals for plant effluent water quality. The Productivity goals will be retained as is, with level 1 set at 1% below budgetted levels and level 2 set at 2% below budgetted levels. The Quality of Work Life goal was discussed regarding a Diversity element. John requested the HREI data for the past several years (Karla will provide). The discussion focused on whether the hiring element of the Diversity goal be placed in the shared VP goals, the individual VP WPPM goal, or in the Executive Incentive award.

Conclusions: Goals for all elements were finalized with the exception of the Culture/Diversity Goal.

Action items:	Person responsible:	Deadline:
Provide revised wording for Water Quality Goal	Steve	Feb 23
Provide review the historical HREI goal	Jim	Feb 26
Finalize goals and percentage weightings for VP shared goals and incentive	ELT	Feb 26

11:45-12:00 PM **Housekeeping O/C TKO observations/requests** **Greg Heitzman**

Discussion: Karla indicated that we kept on time through the break, then got behind in formulating 2001 goals. We need to allocate more time to the Monday ELT meeting for completing goals.

Conclusions: Get information to Nora by Thursday or Friday for compilation.

Action items:	Person responsible:	Deadline:
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**Executive Leadership Team
Meeting Minutes
February 26, 2001**

Attendees: Greg Heitzman (Leader), Bob Miller (Recorder), Karla Teasley (Timekeeper/Observer), John Huber, Bill Meeks, Laura Douglas, Jim Wehrle, Ralph McCord, Bret Russell, Kathy Getsinger, Nora Freeman

Minutes Reviewed: The minutes from February 19th were reviewed and approved. The minutes from February 20th were reviewed. The ELT noted that a portion of the discussion regarding the Diversity goal was not documented in the minutes. The approval of the minutes was withheld pending further review at a later time. The agenda was reviewed and revised.

Annual Inspection 2000 Followup: Bret Russell reviewed the Annual Inspection Process, noting that the consultant will be identified following the March 2001 Board Meeting. He then discussed the follow-up process for the 2000 Annual Inspection recommendations, with reference to a handout of the – “2000 Annual Inspection - RECOMMENDATIONS TRACKER” as well as accompanying statistical graphs.

Heitzman noted that there will be two occasions of follow-up at 4th quarter of each year and 2nd quarter for the following year to measure the progress.

Miller noted that ELT needs to review the integration of the monitoring activities for the Annual Inspection, as compared to the monitoring activities for Operating Plan items and WPPM items.

Huber recommended that major items in the Annual Inspection should be separated and noted as apart from the minor items (example of develop long-range plan for Zorn Pump Station versus repair overhead door at facility).

Next Level Plan II Timeline: Kathy Getsinger distributed the final copy of the Next Level Plan II timeline, with copies attached for distribution to Business System Owners.

Future Agenda Items: Greg Heitzman distributed a list for “Future Agenda Items” that was developed with Steve Hubbs from the previous “Bin List”. The ELT reviewed the list and added:

- Cost control review was added to Item #7 “Review Greenbacks Report”
- AMR Report from Kevin Grant.
- Salaried Uniform Team Report.
- Compensation and career pathing for Serving Customers.
- Team effectiveness and facilitation and review and adopt ELT Charter and Groundrules.
- System Certification follow-up alternative recommendations from Don Whitehouse.
- Quarterly review of Shared VP Goals and Executive Incentive Goals.
- EMA stage – Management Audit.

Miller noted that there was not a method in place to screen items to determine if these items were within the scope of ELT work.

Heitzman distributed a draft copy of the ELT Team Charter to be considered at a later meeting.

2001 Goals: Jim Wehrle distributed a copy of the seven-year history of the HREI.

John Huber recommended that the Objective V, on the 2001 Executive Incentive Plan Goals should be composed of two parts:

1% Employee Perceptions Survey

1% Vehicular accidents and lost time injuries (one half percent each).

The ELT extensively discussed setting the amount of the Employee Perceptions Survey result. The 2001 goal was agreed to be set at 585.

The safety goal was set identical to the employee.

Nora Freeman distributed a copy of the draft 2001 President and Vice President Shared Goals. The ELT agreed that Item A. be weighted at 8% with Items B-G weighted at 7% each for a total of 50%. The remaining Diversity Goal component will be weighted at 6% each.

Objective B. agreed "as is" pending filling-in blank. (May revise approach & change to carryover approach in the future).

C&D approved (Bill Meeks noted that a tracking method does not exist on Item D. for work performed outside of emergencies).

E. on hold for Steve Hubbs.

F. The measurements were modified as follows:

Rating Level	Certifications
5	6
4	5
3	4
2	3
1	2

G. The ELT deferred action on this item pending further discussion of the handling of claims reserves and significant claims.

John Huber noted the amount of time to further discuss the goals has drawn to a close and that he will be scheduling a meeting with the Compensation Committee of the BOWW.

Agenda for March 5, 2001

- 9:00 – 9:15 Review minutes for February 20th & 27th and agenda for March 5th.
Outcome: Accept minutes/agenda
- 9:15 – 10:00 Partnership Council Issues
Outcome: Shared information
- 10:00 – 10:30 Vehicle Use Policy
Outcome: Approve policy
- 10:30 – 10:45 Break
- 10:45 – 11:30 Budget Review of 2000 Performance
Outcome: Actions to control 2001 budget
- 11:30 – 11:45 Team Effectiveness Results
- 11:45 – 12:00 TKO/Agenda Preparation

**Executive Leadership Team
Special Meeting Minutes
February 27, 2001**

Attendees: Greg Heitzman (Leader), Bob Miller (Recorder), Karla Teasley (TKO), Bill Meeks, Laura Douglas, John Huber, Nora Freeman

2001 Corporate Performance Award

* CSI Serviced Customers		25%
Level I: 752		8.33%
Level II: 761		8.33%
Level III: 770		8.33%
* Safety		25%
Lost Time Injuries	<= 20	12.5%
Motor Vehicle Accidents	<= 30	12.5%
* Cost Control		25%
Level I: \$155.40		12.5%
Level II: \$153.85		12.5%
* Distribution Water Quality		25%
Turbidity: 99% < .5ntu		8.33%
Chlorine: 99% < .5ntu		8.33%
Bacteria: < 1% positive		8.33%

2001 Executive Incentive Plan Goals

- I. Net Income from Operating Earnings (2%)
 - Accepted as recommended for Level I & II
- II. Customer Satisfaction Index (2%)
 - Accepted as recommended for Level I & II
- III. Reduce Microbial Risks (2%)
 - A. Plant effluent turbidity for period February 1 – December 31 at both plants less than 0.1 ntu (based on on-line turbidity measurements)
 - B. Compile individual filter data for Phase IV requirements of the Partnership for SDW goal of daily max filter effluent less than 0.1 ntu 95% of time for the last quarter of 2001
 - C, D, and E accepted as recommended
- IV. O&M Cost per Customer (2%)
 - Accepted as recommended for Level I & II
- V. Replacement of HREI Goal (2%)
 - A. Safety Goals from Corporate (1%)
Performance Award
 - Vehicular accidents <= 30
 - Lost time inquiries <= 20
 - B. Employee Perceptions >= 585 (1%)

2001 President and Vice Presidents Shared Goals

- A. Build a diverse workforce that mirrors the community
 - Weighting 8%
 - Information source – Beverly Irons

(Note that the two remaining diversity goals will be on individual VP goals at 6% each)

- B. Implement 2001 Capital Improvement Program
 - Weighting 7%
 - Remove “at 100% of budget” from each rating level
 - Use alternative calculation method for denominator
- C. Increase 2001 revenue through increased water sales
 - Weighting 7%
 - No other changes
- D. Continue to reduce overtime
 - Weighting 7%
 - Karla Teasley will provide a quarterly report on work performed by contractors outside declared company emergency work
- E. Execute the Program Plan for Advanced Treatment
 - Weighting 7%
 - Steve Hubbs will provide wording
 - There will be 2 components:
 - Bidding of Phase II
 - Budget component
- F. Increase operational performance
 - Weighting 7%
 - System certification counts as follows:

Level 5	6
Level 4	5
Level 3	4
Level 2	3
Level 1	2
- G. Control the Cost of Risk
 - Weighting 7%
 - No other changes

**EXECUTIVE
LEADERSHIP
TEAM**

Meeting Minutes

3/5/01
9:00 AM to 12:00 PM
Rough River Conference Room

Leader: Steve Hubbs
Facilitator: Nora Freeman
Recorder: Greg Heitzman
Timekeeper: Karla Teasley

Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, Bill Meeks, Tony Gregory (for Bob Miller), Karla Teasley, Jim Wehrle, Nancy Jenkins, Glen Zelch, Dwayne Clark, Scott Potter (10:00 am), Don McKay (10:00 am), John Huber (10:20 am), Kathy Getsinger (11:00 am), Richard Royse (11:00 am) Nora Freeman (at 11:30 am)

Please bring: Agenda

Agenda Topics

9:05-9:15 AM	Minutes and agenda for 2/20/01, 2/26/01 and 2/27/01 were reviewed O/C: Approve minutes and agenda	Steve Hubbs
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Discussion:
The meeting minutes of 2/20/01 were reviewed. Items related to the 2001 diversity goals were deferred to the meeting of 2/27/01 to finalize the 2001 VP shared goals and executive incentive goals. Discussion issues were resolved at the meeting of 2/27/01, therefore, the 2/20/01 minutes were accepted as written. The 2/26/01 and 2/27/01 minutes are still outstanding.
Steve Hubbs would like to discuss evaluated bids for plant work if time allows. The meeting agenda was approved.

Conclusions:
Minutes of 2/20/01 approved, agenda approved.

Action items: Minutes from 2/26/01 and 2/27/01 outstanding.	Person responsible: Bob Miller (Recorder)	Deadline: 3/12/01
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9:15-10:00 AM	Partnership Council O/C: Shared Information	Nancy Jenkins Glen Zelch	
<p>Discussion:</p> <p>A. Emergency Loans for Employees – The Partnership Council (PC) handed out a Decision Letter to ELT for Emergency Loans for Employees. ELT members had concerns over the limitations of the loan size and the payment of the loan upon termination of employment. ELT feels the loan accountability will be with Park Federal. Therefore, the modified process will include the following steps: 1) Orientation for employees of this service and EAP services. 2) Refer to Employee Assistance Program. 3) Refer to Park Federal. 4) Review credit history. 5) LWC sets up for payroll deduction. ELT agreed that a decision letter is not necessary, as this is a minor operational change. Human Resources will coordinate the process and communication to employees.</p> <p>B. Executive Incentive Communication – The PC requested a communication regarding the Executive Incentive Goals and Corporate Performance Award. ELT agreed to attend the PC in April and communicate the status, once the BOWW approves the Executive Incentive Plan and Corporate Performance Award goals.</p> <p>C. Annual Customer Satisfaction Survey – The 2000 annual survey results were distributed. Sixty-two percent of employees responded. The average score was 4.2/6.0., up 10 percent over 1999. Comments on the survey are sorted by core.</p> <p>D. Miscellaneous – The ELT and the PC briefly discussed status on the ATM machine and partnership.</p>			
<p>Conclusions: See above</p>			
<p>Action Items: Jim Wehrle will follow up communication to BSO's on emergency loans (see above). Karla Teasley will work to get a Newsleaks communication and Bill Meeks will work on a Union communication.</p>		<p>Person responsible: Jim Wehrle, Karla Teasley, Bill Meeks</p>	<p>Deadline: 3/19/01</p>

10:00-10:45 AM	Vehicle Use Policy O/C Approve Policy		Scott Potter
<p>Discussion:</p> <p>Scott Potter distributed a proposed revision to the Vehicle Use Policy. The PC and Legal have reviewed the proposed policy changes. The changes include:</p> <p>1.1 Purpose – change from “pool” to “passenger” vehicle.</p> <p>3.2 Vehicle classifications – cleanup of Class A and B definitions to be consistent with Section 3.3.</p> <p>3.3.3 Changed to include CBSO and BSO authorization for operation of vehicles.</p> <p>3.3.6 Class A vehicles may not be used by LWC employees for travel to lunch, unless the travel is in conjunction with a business activity.</p> <p>3.3.7 Class B and C vehicles will allow reasonable personal business during course of the day. Also amend Class B definition to be consistent with Section 3.3.7.</p> <p>3.3.8 Remove Class A and Class B and C vehicles cannot be used on weekends for personal use, only use for compnay business.</p> <p>3.3.9 Class B and C vehicles, employees must leave vehicle if odd for more than three consecutive days.</p> <p>3.6.1 Driver is responsible paying any fines associated with traffic violation.</p> <p>Other miscellaneous provisions are also proposed. Scott will have changes made and the policy updated.</p>			
<p>Conclusions:</p> <p>Scott Potter will make the changes referenced above in the policy and return the policy to ELT for approval.</p>			
<p>Action items:</p> <p>Make changes and update policy.</p>		<p>Person responsible:</p> <p>Scott Potter</p>	<p>Deadline:</p> <p>3/19/01</p>
10:45-11:00 AM	Break		

11:00-11:30 AM	Budget Review of 2000 Performance O/C: Actions to Control 2001 Budget	Kathy Getsigner and Richard Royse	
<p>Discussion:</p> <p>Richard and Kathy provided a five-year summary of expenses, ROE,, O&M cost/customer. Special discussion related to materials and contract services, which were \$1.02 million over budget in 2000. In December, material and services accounts were up a total of \$647,000 over budget. These expenses related to contract support service for the high main break activity and facility locations (C2), the painting of the Crescent Hill Filter Gallery (I2), and permit payments to the City (I5), processing of legal bills in December (L0), and claims adjustments with MSD (R5). John has concerns with the continual high level of expenses during December that cause us to be over budgets. Greg suggested we review the November 2000 budget status and the final 2000 results to determine where we went over budget from Dec to mid January. John suggested we look specifically at the Materials and Supplies and Contract Services for the year to determine where we need added controls in 2001. Richard will further drill down the materials, supplies and contract services to assist in evaluating this overage. John requests a synopsis of the minutes from 2000 where we took specific action on budget controls to operate within budget. Tony suggested that BSO's provide quarterly forecasts for budgets.</p>			
<p>Conclusions:</p> <p>See above</p>			
<p>Action items:</p> <p>At the 3/19 ELTmeeting, ELT will evaluate 2000 material, supplies, and contract services, review the cost control measures that were to take place in 2000, and review the Nov. 2000 YTD results to determine where the over budget expenses were. Steve will get the information from 2000 ELT minutes as relates to cost cutting measures.</p>		<p>Person responsible:</p> <p>ELT, Ricahrd Royse, Steve Hubbs</p>	<p>Deadline:</p> <p>3/19/01</p>

12:00-12:05 AM	Evaluated Bids		Steve Hubbs
<p>Discussion:</p> <p>Steve Hubbs advised the group that the RBI tunnel project will be bid in late March, and would like to use an evaluated bid process. Greg Heitzman will advise the BOWW in his March Chief Engineer's report of the plan to use evaluated bid on RBI; Kay Ball will work with Ted Niemann on the evaluated bid process format. The evaluated bid pilot will be reported to the BOWW in April for integration into standard procurement practice.</p>			
<p>Conclusions:</p> <p>See above</p>			
<p>Action items: See above</p>		<p>Person responsible:</p> <p>Greg Heitzman, Steve Hubbs, Kay Ball, Ted Niemann</p>	<p>Deadline:</p> <p>3/12/01</p>

12:10-12:20 AM	Team Effectiveness Results	Nora Freeman																											
<p>Discussion: Nora Freeman provided a summary of the team effectiveness survey. Areas of improvement include no one dominates, not placing blame, problem solving tools, process to make decisions, fear of reprisal. Areas of decline include: understanding goals, support outside meetings, commitment to contact. Nora suggested a team contract exercise.</p>																													
<p>Conclusions: Followup with special meeting to focus on team charter and team contract.</p>																													
<p>Action items: SteveHubbs will schedule a special three-hour ELT meeting in April to review charter and team contract. John Huber, Nora Freeman, and Jim Werhle will develop an agenda for a special meeting.</p>	<p>Person responsible: Steve Hubbs, Jim Werhle, Nora Freeman, John Huber</p>	<p>Deadline: Mid April, 2001</p>																											
11:45-12:00 PM	Timekeeper/Facilitator Reports and Agenda Prep O/C: Reports and agenda for 3/12/01	Steve Hubbs																											
<p>Discussion: TKO report: The meeting started late, on time with PC, over on Vehicle Policy (extensive detailed discussion), added agenda item on evaluated bids for RBI project. The meeting ended 30 minutes over the specified time.</p> <p>ELT Agenda for March 12, 2001:</p> <table border="0" data-bbox="122 1251 1262 1640"> <tr> <td>9:00 am</td> <td>Review Minutes/Agenda</td> <td>O/C: Accept Minutes, Agenda</td> </tr> <tr> <td>9:10 am</td> <td>Salaried Uniform Policy</td> <td>O/C: Approval of Policy</td> </tr> <tr> <td>9:40 am</td> <td>Board Issues Review</td> <td>O/C: Shared Info</td> </tr> <tr> <td>9:55 am</td> <td>Diversity Goal Summary</td> <td>O/C: Shared Info on Diversity Goal Beverly Irons</td> </tr> <tr> <td>10:30 am</td> <td>Break</td> <td></td> </tr> <tr> <td>10:45 am</td> <td>Operating Plan</td> <td></td> </tr> <tr> <td></td> <td>Gap Assesment/Open Time</td> <td>O/C: Action on Gap Assessment Kathy Getsinger</td> </tr> <tr> <td>11:45 am</td> <td>TKO and Agenda Prep</td> <td>O/C: TKO Report and Agenda</td> </tr> <tr> <td>Noon</td> <td>Adjourn</td> <td></td> </tr> </table> <p>Note: Greg will not be present at 3/12/01 meeting, will send BSO. Next Meeting will be in the Board Room.</p>			9:00 am	Review Minutes/Agenda	O/C: Accept Minutes, Agenda	9:10 am	Salaried Uniform Policy	O/C: Approval of Policy	9:40 am	Board Issues Review	O/C: Shared Info	9:55 am	Diversity Goal Summary	O/C: Shared Info on Diversity Goal Beverly Irons	10:30 am	Break		10:45 am	Operating Plan			Gap Assesment/Open Time	O/C: Action on Gap Assessment Kathy Getsinger	11:45 am	TKO and Agenda Prep	O/C: TKO Report and Agenda	Noon	Adjourn	
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Noon	Adjourn																												

**EXECUTIVE
LEADERSHIP
TEAM**

Meeting Minutes

3/12/01
9:00 AM to 12:00 PM
Board Room

Leader:	Steve Hubbs	
Facilitator:	Nora Freeman	
Recorder:	Susan Camp for Greg Heitzman	
Timekeeper:	Karla Teasley	
Attendees:	Laura Douglas, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, John Huber, Susan Camp for Greg Heitzman, Eric Ayers, Nancy Jenkins, Roger LeMaster, Don Whitehouse, Beverly Irons	
Please bring:	Agenda	
	Agenda Topics	
9:05-9:15 AM	Minutes and agenda for 3/5/01 were reviewed O/C: Approve minutes and agenda	Steve Hubbs
Discussion: The meeting minutes of 3/5/01 were reviewed and accepted as written. The 2/26/01 and 2/27/01 minutes are still outstanding. Changes to the agenda were as follows: Gap Assessment deferred to future agenda; Jim Wehrle would like to discuss computer software training if time allows; and Don Whitehouse added to agenda to discuss COSO. The meeting agenda was approved.		
Conclusions: Minutes of 3/5/01 approved, agenda approved.		
Action items:	Person responsible:	Deadline:
Minutes from 2/26/01 and 2/27/01 outstanding.	Bob Miller (Recorder)	3/19/01

9:15-9:30 AM	Board Items O/C: Shared Information	John Huber Laura Douglas	
<p>Discussion:</p> <p>A. Topics discussed with Compensation Committee:Executive Incentive Shared Goals for 2001; Committee agreed to include BSOs in the Executive Incentive Shared Goals – 7 ½% of BSO base salary, effective May 1,2001 if Board approved. Goals to remain basically the same ; with O&M cost per customer change to 2 levels: at budget and 1 % less than budget. Any board approved action correspondence to come from the Corporate Secretary.</p> <p>B. Status on Bond Issue – Gross Savings – 4.7 to 5 million; Net Savings 3.7 to 4 million</p> <p>C. Consultant for Facilities Plan – Black and Veatch</p> <p>D. Consultant for Base Mapping for Bullitt County – Analytical Services Inc.</p> <p>E. RBI in closed session</p>			
<p>Conclusions: See above</p>			
Action Items:		Person responsible:	Deadline:
9:30-10:30 AM	Salaried Uniform Policy O/C Shared Information	Eric Ayers Nancy Jenkins	
<p>Discussion:</p> <p>Nancy presented the feedback she solicited from 3rd Street Administrative employees regarding the proposed salaried uniform policy. Overall, comments were favorable and in support of the proposed policy.</p> <p>Eric presented the benchmarked information from LG&E and MSD as follows:do not have significant uniform policies for administrative employees, generally extend only to union employees. MSD allows administrative employees to opt in for receipt of 5 uniform shirts per year.</p> <p>ELT members discussed the proposal and provided the following perspectives:important for field personnel to be recognized, open to how the recognition of field personnel is accomplished; if the policy is adopted it must be enforced;discussed budgetary concerns; administer the policy with discipline; clear on which employees are included and which employees are not;supportive of team recommendation – meets the needs of what team was asked to do.</p>			
<p>Conclusions: ELT reached consensus that the policy would be administered on a pilot basis(with specific measures identified)</p>			
<p>Action items: Develop the pilot policy of the salaried uniform policy, including specific measures which validate the success of the pilot. The team which will develop the pilot is: Eric Ayers,Nancy Jenkins,Karla Teasley,Jim Wehrle with input from Laura Douglas. The team will present final pilot policy at future ELT meeting.</p>		<p>Person responsible: Eric Ayers,Nancy Jenkins,Jim Wehrle,Karla Teasley Input by Laura Douglas</p>	<p>Deadline:</p>

10:30-10:40 AM	Break		
10:40-11:10 AM	Diversity Goal Summary O/C: Confirmation of Diversity Goals and Goal Measurements and Next Steps for Implementation	Beverly Irons	
<p>Discussion:</p> <p>Beverly provided final Corporate Diversity Goal document. She recommended that the Corporate Administration area be included in the HROE core under the Fostering a work environment goal for tracking purposes. ELT consented to this change. The document she provided included examples of the three sections of the goal (AA, increase utilization of M,W,HBE, and foster a work environment that values diversity) that each CBSO, BSO, PO will have in their 2001 WPPMs.</p>			
<p>Conclusions:</p> <p>ELT adopted the 2001 Corporate Diversity Goals as presented. Beverly will compile the results of the goals quarterly.</p>			
<p>Action items:</p> <p>Beverly will hold individual meetings with each Core, with CBSO, BSO and POs in attendance within the next two weeks. She will develop a uniform document to be handed out at those meetings with the Diversity Plans as an attachment. Each CBSO should contact Beverly to schedule their respective core meeting.</p>		<p>Person responsible:</p> <p>Beverly Irons, CBSOs</p>	<p>Deadline:</p> <p>Within Next Two Weeks</p>

11:10-12:00 AM	Internal Audit Approach O/C: Shared Information	Don Whitehouse and Roger LeMaster	
<p>Discussion:</p> <p>Don Whitehouse provided an overview of the COSO report – Committee for Sponsoring Organizations, an Internal Control Framework recommended to be utilized by LWC. The report provides a process where Internal Controls are designed to provide reasonable assurance regarding the achievements of objectives in: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations. The components outlined in the report are as follows:</p> <p>Control Environment Components: Integrity and Ethical Values; Commitment to Excellence; Board of Directors or Audit Committee; Management's Philosophy and Operating Style; Organization Structure; Assignment of Authority and Responsibility; and Human Resource Policies and Practices.</p> <p>Risk Components: Entity Wide and Activity-Level Objectives; Risks; and Managing Change.</p> <p>Control Activities: Types of Control Activities; Integration with Risk Assessment; and Controls over information systems.</p> <p>Information and Communication Components: Information – Strategic and Integrated Systems and Information Quality; and Communication – Internal and External.</p> <p>Monitoring Components: Ongoing Monitoring; Separate Internal Control Evaluations; and Reporting Deficiencies.</p>			

<p>Don currently sees gaps in the following areas of internal controls at LWC: linking risks to objectives, formalizing how we measure our controls, and are they accurate and how are they working?</p> <p>Don also provided a final schedule for the Next Level Plan II 2001- 2002 System Certification Audits.</p>		
<p>Conclusions: This will be a followup agenda topic at future ELT meetings.</p>		
<p>Action items: ELT will spend many hours reviewing the COSO report to create an effective work environment for LWC using the COSO process</p>	<p>Person responsible: ELT</p>	<p>Deadline:</p>

<p>12:00-12:10 AM</p>	<p>Computer Training Needs O/C:Shared Information</p>	<p>Jim Wehrle</p>
<p>Discussion: Jim stated the current in-house computer training contract had expired. The training department had provided information that some managers were reluctant for employees to utilize the training due to the cost charged to their individual budgets. The person who had provided the training last year is now on her own and will charge \$20 per hour, compared to the \$45 hourly cost last year. Question was posed, could we have trainer to conduct classes one or two days each week(estimated cost of \$10,000 to \$12,000) and funds to come from Company budget opposed to individual system budgets? Laura stated that whatever is decided that we must follow Corporate procurement procedures.</p>		
<p>Conclusions: Jim and Bob to pursue options, make decision how to implement and provide information back to ELT.</p>		
<p>Action items: See Above</p>	<p>Person responsible: Jim Wehrle, Bob Miller</p>	<p>Deadline:</p>

12:10-12:20 PM	Timekeeper/Facilitator Reports and Agenda Prep O/C: Reports and agenda for 3/19/01	Steve Hubbs
<p>Discussion:</p> <p>TKO report:</p> <p>The meeting started late(5 minutes), approved one set of minutes(3/5/01),moved to Board Issues,then Salaried Uniform Policy, after break Diversity Goal Topic discussed,with consensus reached; Discussed Special Item – Internal Controls; meeting ended 20 minutes over the specified time. Did not have as much balanced participation as usual.</p> <p>ELT Agenda for March 19, 2001:</p> <p>9:00 am Review Minutes/Agenda O/C: Accept Minutes, Agenda</p> <p>9:10 am Cost Control/Greenbacks Report O/C: Shared Information Richard Royse</p> <p>10:40 am Break</p> <p>10:50 am ELT Followup to Strategic Planning O/C: Planned Work on Topics Laura Douglas Issues</p> <p>11:20 am ELT Team Effectiveness Charter O/C: Update Charter/Roles Steve Hubbs Update</p> <p>11:50 am TKO and Agenda Prep O/C: TKO Report and Agenda</p> <p>Noon Adjourn</p> <p>Note: Bob will not be present at 3/19/01 meeting, will send BSO. Next Meeting will be in the Board Room.</p>		

ELT Meeting Minutes

3/19/01
9:00 AM to 12:00 PM
Board Room

Team Leader:	Steve Hubbs
Facilitator:	Nora Freeman
Recorder:	Greg Heitzman
Timekeeper:	Karla Teasley

Attendees:	Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Amber Halloran for Bob Miller, Karla Teasley, Jim Wehrle, Richard Royse, Kathy Gethsinger, Sue Purdy
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Please bring:	Agenda
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Agenda Topics

9:05-9:14 AM	Review Minutes and Agenda O/C Approve Minutes and Agenda	Steve Hubbs
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Discussion:

Minutes were approved for February 26, 27 and March 12, 2001. Note the Executive Incentive Goals were adopted by the Board with the plant turbidity measured for January-December 2001, and the O&M Cost Per Customer Goals have a Level I at atbudget and Level II at 1% below budget. Laura noted the high quality of the minutes for 3/12/01 by Susan Camp.

Conclusions:

Minutes approved as written.

Action items: None	Person responsible: N/A	Deadline: N/A
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9:15-11:35 AM	Cost Control/Greenbacks Report O/C Shared Information	Richard Royse
<p>Discussion:</p> <p>2000 Expenses - Steve Hubbs reviewed the cost reduction measures targeted in July 2000. These included labor cost savings from not filling positions, proposed reductions from travel, and savings from Cost of Quality pilots. Richard provided a handout summary of 2000 Materials and Contract expenses, which account for \$1.01 million over budget. Largest areas over budget for materials and contract services include C1, C2, C3, P1, P2, R5. Some significant areas over budget include: main break repairs, Ky Underground (BUD) Services, STS utility locates, Y2K emergency generator rental, emergency repair for floculators at Crescent Hill and B.E.Payne Plant, capping of filters at B.E.Payne Plant, and USGS services for RBI. After review of 2000 expenses, ELT feels we are appropriately budgeted in 2001.</p> <p>2001 Income and Expenses – John Huber noted his concerns over net income less than budget through February, 2001 by \$69,000 and \$760,000 less than same period in 2000. Water revenue is up \$134,000 YTD, O&M expenses are \$567,000 over budget, and \$750,000 over last year. Industrial and wholesale water sales were reviewed.</p> <p>2001 Rate Increase - John Huber discussed the pro-rating of the 2001 rate increase. Typically, the rate increase is applied to the first bill in January. The new CIS has prorated the 3.5% rate increase over the first billing period for consumption only used in 2001. This equates to an estimated \$250,000 lost revenue over the first two months of the year. Management must evaluate the alternatives of adjusting the bill for the first two months for this billing error, or absorbing the lost revenues and lost profit for the owner into operations. A business case will be developed by Karla Teasley and presented to John Huber for delivery to the Board, with input from ELT in an advisory capacity to John. Laura Douglas will assist in evaluating the legal alternatives for bill adjustments, considering the Board resolution to apply the 3.5 percent rate increase effective with all bills issued after January 1, 2001. Tony Gregory, Amber Halloran, Bob Miller and John Huber will look into controls for water rate changes and also evaluate appropriate controls for the new financial information system being implemented.</p> <p>Break at 10:45 to 11:00 am</p> <p>Resume Greenbacks Report Review after Break:</p>		
<p>2001 YTD Expenses – Labor, materials, and contract services are over budget by about \$400,000 due to additional main breaks in January, Stoll paving services, police services, and baracade services for 60" repairs. Chemicals are over by \$70,000 due to a change in treatment strategy (treating to 0.05 NTU with enhanced coagulation using ferric chloride). This change could lead to approximately \$300,000 additional chemical costs in 2001, if we keep this treatment strategy.</p> <p>2001 Capital Budget – the 2000 carryover is \$35.8 million yielding a \$113 million gross budget. Karla Teasley suggested ELT review the five-year strategy to resource the Capital Program and achieve the 2004 goal to achieve 90% commitment of the program.</p>		
<p>Conclusions: See above</p>		
<p>Action items: Major O&M cost impacts to budget in 2001:</p> <p>Need to quantify the expenses and revenue associated with:</p> <ol style="list-style-type: none"> 1. 60" main repairs (Karla) 2. Temporary Employees in Customer Service (Karla) 3. January main breaks (Karla) 4. 2001 rate adjustments (Karla) 5. Bad debt expenses higher than budget (Karla) 6. Higher revenue from fees and penalties (Karla) 7. Higher depreciation than budget (Richard) 8. Treatment chemical costs above budget (Steve) 9. Savings from debt refinancing (Bob) 10. Higher than expected material and contract expenses (Richard). <p>Action Items:</p> <p>Each assigned person will quantify the above costs/revenues and forward to Richard by Friday 3/23/01 to input into the monthly report in Greenbacks for March YTD budget analysis.</p>	<p>Person responsible:</p> <p>See Action Item for assignments</p>	<p>Deadline:</p> <p>3/23/01 or asap</p>

11:000-12:20 AM	ELT Follow-up to Strategic Planning Issues O/C: Planned Work on Topics	Laura Douglas
<p>Discussion:</p> <p>Kathy Getsinger prepared handouts for the strategic topics of "Economies of Scale" and "Product Line Diversification".</p> <p>Economies of Scale –</p> <p>Opportunities to leverage expertise:</p> <ul style="list-style-type: none"> - billing services, investment in CIS - GIS investment - Financial System investment - Work Order System investment - Engineering services (pipeline expertise, MRRP, JCEP, BCEP) - Service/meter installations (Middletown) - E-commerce and purchasing co-ops <p>Opportunities to outsource:</p> <ul style="list-style-type: none"> - Plant engineering outsourcing - HR services outsourcing (in or out) - Treatment Plant Operations (in or out) - Lab Services (in or out) <p>Reasons for Strategic Interest – Competition, customer expectation, owner expectations</p> <p>Consequences – market will fill the gap if we do not pursue, do not achieve customer/owner expectations</p>		
<p>Conclusions:</p> <p>ELT needs a special meeting to further discuss these two strategic issues. Greg agrees to head up the "Economies of Scale" topics beginning in July of this year (due to time commitments to KIA and Bullit County Extension Program startup.) The second item of "Product Line Diversification" will be deferred to next year's strategic plan as a strategic topic.</p>		
<p>Action items:</p> <p>Steve Hubbs will set up the special meeting, tentative May 15.</p>	<p>Person responsible:</p> <p>Steve Hubbs</p>	<p>Deadline:</p> <p>Set meeting after 5/1/01</p>

12:20-12:30 PM	TKO and Agenda Prep O/C TKO and Agenda	Steve Hubbs
<p>Discussion:</p> <p>TKO report</p> <p>Meeting started late, Greenbacks report took two hours to complete. ELT Team Effectiveness and Charter deferred to next meeting and did not complete Strategic Plan agenda items. The meeting went over 30 minutes, with balanced participation. Jim Wehrle suggested reading minutes ahead of time to save 15 minutes.</p> <p>Agenda for 3/26/01 :</p> <p>9:00 am Review Minutes and Agenda OC: Approve minutes and agenda – Steve Hubbs</p> <p>9:15 am AMR Presentation OC: Shared information and ELT endorsement for Board recommendation – Kevin Grant</p> <p>10:15 am Break</p> <p>10:30 am Team Effectiveness, Groundrules, and Team Charter OC: Accept Team Charter – Steve Hubbs/John Huber</p> <p>11:00 am Review BIN List OC: Update BIN list – Steve Hubbs</p> <p>11:30 am Water Treatment Strategy OC: Shared information – Steve Hubbs</p> <p>Noon - Adjourn</p>		

Minutes	ELT Meeting Minutes	
	3/26/01 9:00 AM to 12:00 PM Board Room	
Leader:	Steve Hubbs	
Facilitator:	None	
Recorder:	Greg Heitzman	
Timekeeper:	Karla Teasley	
Attendees:	Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Kevin Grant	
Please bring:	Agenda	
	Agenda Topics	
9:00 AM	Review Minutes and Agenda O/C Approve Minutes and Agenda	Steve Hubbs
Discussion:		
Changes to minutes: The O&M cost per customer goal Level I is set at budget (\$155.40/customer excluding hydrant counts) and Level II is 1% below budget (\$153.85/customer excluding hydrant counts). Also, the new CIS billing system prorated the 3.5% rate increase for consumption used in 2001 and used 2000 rates for consumption in 2000.		
Agenda: Jim asked for an additional five minutes on the agenda to discuss the Corporate Performance Award. ELT agreed to add before discussion of the BIN list at 11:00 am.		
Conclusions: N/A		
Action items: N/A	Person responsible:	Deadline:
	N/A	N/A

9:15 AM	AMR Presentation		Kevin Grant
<p>Discussion:</p> <p>Kevin Grant provided a handout on Project 01-625, Automated Meter Reading for Kentucky Turnpike Water District #2 customers. Kevin provided a brief overview of the evolution of meter technology from mechanical meters to touch pad technology to inbound/outbound systems to the latest technology of using Radio Frequency (RF) to read the meters. Itron and Schlumberger provide the RF technology solutions for AMR. Mobile RF AMR can be read with a mobile van receiving unit riding through neighborhoods, with the ability to read 5,000 to 12,0000 meters per day, depending on meter density. RF meters can also be read with handheld units. The next evolution of RF AMR will be read through a fixed based network using RF or GPS satellite technology.</p> <p>Kevin then presented the AMR Pilot for the KT District # 2. The analysis demonstrates a break even point in year 2008, using a discount rate of 5%. The KT pilot is advantageous due to the higher average cost per read in the KT area (\$4.92/read average), the higher average revenue per customers (averages \$34/month), the lower density of meters in KT#2, and the number of meters within the flood plane in KT#2 (access to submerged meters).</p> <p>Kevin also reviewed information on AMR programs in Houston, Texas and Rockaway Township, New Jersey. The Houston AMR project also recovers investment within an estimated 5 years.</p>			
<p>Conclusions:</p> <p>ELT agrees to endorse the RF AMR system in KT #2 and proceed to the Board for approval of the pilot project.</p>			
<p>Action items:</p> <p>Kevin to present this topic to DPT in April and proceed to Board in May for approval of AMR Project.</p>		<p>Person responsible:</p> <p>Kevin Grant</p>	<p>Deadline:</p> <p>April for DPT; May for BOWW</p>
10:30 AM	Break		
10:40 AM	Team Effectiveness, Groundrules, and Team Charter		
<p>Discussion:</p> <p>John Huber handed out the draft charter for ELT. ELT agreed to the following changes: Jim Wehrle's title to Vice President-Core Business System Owner of Human Resources and Organizational Effectiveness; move regulations and laws to the high-level boundary statement; capitalize Vision, Mission, and Values and redate the charter to March 23, 2001.</p> <p>Groundrules and team effectiveness will be deferred to a special meeting of ELT on April 24, 1:00 to 5:00 pm. Jim, John, and Nora will develop an agenda for the special meeting. Greg will circulate the draft groundrules and Steve will summarize accomplishments of 2000 from the minutes.</p>			
<p>Conclusions:</p> <p>Team Charter accepted by ELT</p>			
<p>Action items:</p> <p>John will update the team charter and distribute. John, Jim, and Nora will develop an agenda for the special ELT meeting on April 24.</p>		<p>Person responsible:</p> <p>John Huber, Jim Wehrle, Nora Freeman</p>	<p>Deadline:</p> <p>April 2, 2001 for Charter</p>

11:10 AM	Corporate Performance Award	Jim Wehrle							
<p>Discussion: ELT must determine the boundary conditions for application of the Corporate Performance Award (CPA). For 1999, the CPA was awarded to all employees as of June 1, 1999 and the employee must be employed as of the date of the award, typically in April of each year. For the 2000 CPA, ELT has agreed to apply the award to all employees (excluding VP's) employed as of December 31, 2000, including employees on approved leave of absence. The employee must be present at the time of the CPA disbursement, typically in April. The Board of Water Works has the final say on the CPA amount and eligibility.</p>									
<p>Conclusions: See above</p>									
<table border="0"> <tr> <td data-bbox="109 480 963 523">Action items:</td> <td data-bbox="963 480 1290 523">Person responsible:</td> <td data-bbox="1290 480 1442 523">Deadline:</td> </tr> <tr> <td data-bbox="109 523 963 602">Jim will circulate the details of the 2000 CPA and document the boundary conditions for employee eligibility.</td> <td data-bbox="963 523 1290 602">Jim Wehrle</td> <td data-bbox="1290 523 1442 602">April 2, 2001</td> </tr> </table>				Action items:	Person responsible:	Deadline:	Jim will circulate the details of the 2000 CPA and document the boundary conditions for employee eligibility.	Jim Wehrle	April 2, 2001
Action items:	Person responsible:	Deadline:							
Jim will circulate the details of the 2000 CPA and document the boundary conditions for employee eligibility.	Jim Wehrle	April 2, 2001							
11:25 AM	Water Treatment Strategy	Steve Hubbs							
<p>Discussion: Steve Hubbs reviewed his briefing paper on water treatment strategy to achieve a turbidity of less than 0.1 NTU for each filter, 95% of the time, finished water (Phase IV partnership goal). An estimated additional \$500,000 is needed to assure we achieve this target level. Previously, the turbidity goal was set for all finished water from each plant at 0.1 NTU, 95% of the time. In 2000, the result was approximately 0.11 NTU, 95% of the time. Achieving a 0.1 NTU target for each filter will allow credit for one log removal for optimized treatment.</p> <p>ELT agreed to allow Steve to continue with the revised treatment strategy to achieve 0.1 NTU for each filter, through April 2001, and then return to ELT with revised cost estimates and alternatives of O&M cost offsets to operate within budget. This includes review of our ferric chloride bid prices. John also requested review of the impact of lime costs for pH adjustments.</p>									
<p>Conclusions: See above.</p>									
<table border="0"> <tr> <td data-bbox="109 1083 963 1125">Action items:</td> <td data-bbox="963 1083 1290 1125">Person responsible:</td> <td data-bbox="1290 1083 1442 1125">Deadline:</td> </tr> <tr> <td data-bbox="109 1125 963 1174">Steve will report back to ELT in May on year-to-date treatment costs.</td> <td data-bbox="963 1125 1290 1174">Steve Hubbs</td> <td data-bbox="1290 1125 1442 1174">Ongoing</td> </tr> </table>				Action items:	Person responsible:	Deadline:	Steve will report back to ELT in May on year-to-date treatment costs.	Steve Hubbs	Ongoing
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TKO/Agenda Preparation

TKO Report:

The Agenda Prep started a few minutes late, less time on minutes review. AMR went 20 minutes long. Adjusted agenda well to accommodate CPA. Did not complete BIN list review. Good discussion and understanding of AMR.

Agenda Prep:

April 2, 2001 **Timekeeper/Observer: Greg Heitzman**
Recorder: Bill Meeks

9:00 AM - Agenda and Minutes Review

9:15 AM - GAP Analysis on Operating Plans by Kathy Getsinger

10:15 AM - Break

10:30 AM - Evaluated Bids Presentation by Cindy Kowalski

11:00 AM - Facilitator Program Presentation by Nora Freeman

11:30 AM - Open Time

11:45 AM - TKO/Agenda Prep

12:00 Adjourn

ELT Meeting Minutes

4/2/01

9:00 AM to 12:00 PM

Rough River Conference Room

Leader: Steve Hubbs
Facilitator: Nora Freeman
Recorder: Bill Meeks
Timekeeper: Greg Heitzman

Attendees: Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Nora Freeman, Kathy Getsinger, Cindy Kowalski

Please bring: Agenda

Agenda Topics

9:00-9:15 AM Review Minutes and Agenda O/C Approve Minutes and Agenda Steve Hubbs

Discussion: Minutes were approved as written

9:15-10:15 AM GAP Analysis on Operating Plans Kathy Getsinger

Discussion: Kathy Getsinger began presentation speaking about how this assessment is the integration of 16 LWC plans. She reviewed these plans in alphabetical order. Kathy then explained the process for developing Gap Assessment. The team agrees that this is a huge undertaking. Kudos to Kathy and her system. Thank You! Bob Miller explains that this is now an accessible data base to ELT an updated very easily. Discussion then ensued concerning Annual Inspection Report

MYAP Matrix

Annual Inspection Business Planning Database

Kathy explains how this Gap assessment cross references to not only plans but strategic groups who are responsible for implementation.

Kathy expresses concerns that some operating plan drafts have broad objectives whose outcomes or results are not specific and difficult to measure. These objectives have weak linkages to other plans and as so, identified gaps are the result.

Kathy ask the team for some direction as to the outcome expected from this report.

What's next? How do we address these gaps?

Comments begin.

Bob Miller states that now a tool has been created to identify gaps. He thinks SAC teams should be used to rectify or tie-in gaps.

Steve Hubbs believes that this great work-in-progress for planning and needs improving.

John says this is a great amount of work and thanks Kathy for her effort. What do we do with this?

Operating plans should be in more detail to be able to track implementation and get them done.

Karla believes a process should be developed to close gaps. The following was the result of a brainstorming activity to determine next steps.

1st Priority:

- Process for ELT to follow in GAP analysis (Assessment)
- Cycle through 2001 to improve planning and plan elements to achieve plan specificity and measueability.
- Intentionally address gaps (2001 or later)
- Address NLPPII gaps first, especially where system work output will be used as input for other systems to prevent gaps in future.
- Determine what gaps are oversights and what gaps are due to lack of supporting plans and resources.

2nd Priority:

- Improve process for developing 2002 operating plans.
- Address plan changes needed to reflect changes in organizational design.

The following action steps were agreed upon to address these gaps.

1. CBSO's will address gaps with BSO's.
2. SAC teams will be involved as appropriate in addressing gaps and revising the operating plan.
3. All BSO's will receive a copy of the GAP assessment, planning database, and operating plan

Deliverable expected:

The April 23rd ELT meeting (this will be the only agenda item) will be dedicated to discussion of gaps and response to action items to address gaps without changing operating plans. There will also be a discussion about items that can not be included in plans because of resourcing gaps.

Kathy will work on 2nd priority items that involve process improvements.

10:15-10:30 AM

Break

10:30-11:00 AM

Evaluated Bids Presentation

Cindy Kowalski

Discussion: Evaluated bids presentation by Cindy Kowalski and Steve Cooper

Cindy presented Evaluated bid program draft. Presentation was very organized. (Handout Included)

Team discussion followed presentation

Laura Douglas had questions on first recommendation. Does this plan develop local minority and women owned business ?

Greg believes this program s/b expanded throughout the company (all cores). He wants to see progress tracked. This will take resources and currently there is a gap within all cores who have not budgeted these additional resources to monitor this program.

Consensus was reached. See Below

CBSO's within their respected cores will be responsible for monitoring and tracking any expansion of evaluated bids within with in 2001 budgets.

Recommendations:

- I. Expand to other cores
- II. Resource for 2001 within current budgets
- III. There should be recognition for participants
- IV. Largest issue is a control mechanism.

11:00-11:30 AM

Facilitator Program Presentation

Nora Freeman

Discussion: Recommendations for improved facilitation development: Accompanied with handout.

Nora made presentation to ELT.

Karla believes that percentage of evaluation to WPPM should include BSO's evaluation of whether NWT is effective. Nora agreed to incorporate this.

Test for consensus called on concept. Recommendations accepted. Consensus taken with budget gaps as a major concern. Where will these funds come from?

11:45-12:00 PM TKO and Agenda Prep O/C: Agenda

Steve Hubbs

Discussion: **Agenda for April 9th ELT Meeting**

9:00-9:15	Review minutes	O/C	Accepted minutes.
9:15-9:30	Review Board Agenda	O/C	Information Sharing
9:30-10:30	ELT Team Effectiveness Approval (Ground Rules, Charter)	O/C	Finalize Draft
10:30-10:45	Break		
10:45-11:45	Greenbacks report	O/C	Information Sharing
11:45-12:00	Housekeeping		

Agenda

ELT Meeting Agenda

4/9/01
9:00 AM to 12:00 PM
Board Room

Type of meeting:

Facilitator:

Note taker:

Timekeeper:

Attendees:

Please bring:

Agenda topics

9:00-9:15 AM	Review Minutes and Agenda O/C Approve Minutes and Agenda	Steve Hubbs
9:15-10:15 AM	BWW Issues Update	John Huber
10:15-10:45 AM	ELT Team Effectiveness Approval (Ground Rules, Charter) O/C Finalize Draft	Jim Wehrle
10:45-11:00 AM	Bread	
11:00-11:45 AM	Greenbacks Report O/C: Information Sharing	Richard Royse
11:45-12:00 PM	TKO and Agenda Prep O/C: Agenda	Steve Hubbs

ELT Meeting Minutes

4/9/01
9:00 AM to 12:00 PM
Board Room

Leader: Bill Meeks
Facilitator: Nora Freeman
Recorder: Laura Douglas
Timekeeper: Greg Heitzman

Attendees:
Please bring:

Agenda Topics

9:00-9:15 AM Review Minutes and Agenda O/C Approve Minutes and Agenda Steve Hubbs

Discussion:

Conclusions:

Action items:

Person responsible:

Deadline:

9:15-10:15 AM BWB Issues Update John Huber

Discussion:

Conclusions:

Action items:

Person responsible:

Deadline:

<p>10:15-10:45 AM</p> <p>Discussion:</p> <p>Conclusions:</p> <p>Action items:</p>	<p>ELT Team Effectiveness Approval (Ground Rules, Charter) O/C Finalize Draft</p>	<p>Jim Wehrle</p> <p>Person responsible:</p> <p>Deadline:</p>
<p>10:45-11:00 AM</p> <p>Discussion:</p> <p>Conclusions:</p> <p>Action items:</p>	<p>Bread</p>	<p>Person responsible:</p> <p>Deadline:</p>
<p>11:00-11:45 AM</p> <p>Discussion:</p> <p>Conclusions:</p> <p>Action items:</p>	<p>Greenbacks Report O/C: Information Sharing</p>	<p>Richard Royse</p> <p>Person responsible:</p> <p>Deadline:</p>
<p>11:45-12:00 PM</p> <p>Discussion:</p> <p>Conclusions:</p> <p>Action items:</p>	<p>TKO and Agenda Prep O/C: Agenda</p>	<p>Steve Hubbs</p> <p>Person responsible:</p> <p>Deadline:</p>

ELT Meeting Minutes

Minutes

4/16/01
9:00 AM to 12:00 PM
Board Room

Leader: Steve Hubbs
Facilitator: Nora Freeman
Recorder: Bill Meeks
Timekeeper: Greg Heitzman

Attendees: Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Nora Freeman, Scott Potter

Please bring: Agenda

Agenda Topics

9:00-9:15 AM Review Minutes and Agenda O/C Approve Minutes and Agenda Steve Hubbs

Discussion: Minutes for April 9th, 2001 were approved as written.

Conclusions:

Action items:	Person responsible:	Deadline:

9:15-10:00 AM ELT Strategic Plan Assignments O/C: Update and shared information Steve Hubbs

Discussion: Our team discussed the remaining Strategic Issues that are left to be discussed of the 2002-2006 Strategic Plan. The team began brainstorming The Strategic issue Economies of Scale and Competiveness (Issue #6 and # 7). John stressed to the team to ask ourselves what the huge water/wastewater/utility companies can do that we can not? What can we do they can not do in this community as a regional water provider. Greg believes there is a gap in learning what they are really doing (actual practices) and what we hear they are doing. Jim intervened to say he believes there are actually two strategic issues here. 1.) What do the large privatizers do successfully throughout the world that we can't/don't do? 2.) What are the practices/opportunities that we can do in Louisville that large private firms can not or do not want to do? The group agreed that there are two separate issues here and began to brainstorm; creating a handout that was gathered, typed and distributed by Jim Wehrle and Barbara Moir.

Conclusions:

Action items: Team members are to review these issues and prepare for discussion at Strategic Planning Team meetings. Person responsible: Deadline:

10:00-10:15 AM	Break		
Discussion: Break was taken !			
10:15-11:30 AM	Review Financial Status O/C: Develop Plan to operate within budget		
Discussion: Each CBSO explained their buget items within their core. It was agreed that there was not enough time to properly prepare and put together quantified detail on budget items in question. There were some questions on line items that could not be answered at this meeting.			
Conclusions:			
Action items: Each CBSO would quantify and put in detail budget items in question; send information to Richard Royse for proper grouping and redistribution to ELT for future distribution at a future ELT meeting		Person responsible:	Deadline:
11:30-11:45 AM	Vehicle Use Policy O/C Approve Policy	Scott Potter	
Discussion: Scott Potter presented Vehicle Use Policy with proposed changes from prior meeting with ELT. There were changes to paragraphs 3.1,3.3, and 3.7. Discussion ensued concerning individuals on call and the use of companies vehicle in the B and C categories. The ELT agreed and consensed to all conceptual changes to the policy.			
Conclusions:			
Action items: Laura will redraft this policy and Mr Huber will approve.		Person responsible: Laura Douglas	Deadline:
11:45-12:00 PM	TKO and Agenda Prep O/C: Agenda	Steve Hubbs	
Discussion: Greg gave TKO report. Team set agenda for next meeting. Steve, our team leader has E-Mailed this agenda for April 23,2001.			

Executive Leadership Team
Meeting Minutes
April 23, 2001

Attendees:

Leader: Steve Hubbs
Recorder: Bob Miller
Timekeeper/Observer: Greg Heitzman
Members: John Huber, Karla Teasley, Jim Wehrle

E-Mail Communication Protocols.

ELT considered the appropriate use and restrictions of e-mail during an emergency event.

Gap Assessment – Supplying Business Resources.

Bob Miller presented the results of the gap assessment review for the Supply Business Resources Core. He noted three key themes:

- ISO implementation plans will require a more detailed scope of work to determine how much can be implemented in 2001.
- Several of the gaps were related to simple oversight and easily corrected.
- Several of the gaps were related to high level plans that need more discussions to establish adequate detail.

No action was needed by the ELT.

Gap Assessment – Human Resources/Organization Effectiveness.

Jim Wehrle presented the results of the gap assessment review for the Human Resources/Organization Effectiveness Core. He noted a key gap regarding the Internal Customer Satisfaction survey. ELT discussed this matter extensively and determined that this represented a critical gap that needs to be placed on the bin list for closure. Steve Hubbs noted the need for publication of an official “Quality Plan” to support the ISO initiative. Jim Wehrle discussed the Employee Recognition System and agreed to develop further recommendations on this matter. This may result in cancellation of the software development to support employee recognition.

Gap Assessment – CBSO’s, BSO’s, and ELT.

21.01

The ELT noted its’ responsibility for providing timely direction to systems, especially regarding Next Level Plan issues. The ELT requested modification to the control of Operation Plans, allowing more flexibility while maintaining appropriate control. John Huber noted that there should be differing approvals of plan changes:

- For plan items affecting only the originating systems, BSO’s can direct the change with their CBSO approval.
- For non-Strategic Plan items affecting more than one core, BSO’s can direct the change with their CBSO approval and consent of the other BSO’s and CBSO’s.
- For Strategic Plan items, BSO’s can direct the change with their CBSO approval and consent of the ELT.

Minutes

ELT Meeting Minutes

4/30/01
9:00 AM to 12:00 PM
Board Room

Leader: Steve Hubbs
Facilitator: Nora Freeman
Recorder: Bill Meeks
Timekeeper: Greg Heitzman

Attendees: Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle

Please bring: Agenda

Agenda Topics

9:00-9:05 AM Review Minutes and Agenda O/C Approve Minutes and Agenda Steve Hubbs

Discussion: Minutes were reviewed and approved as written.

Agenda was adjusted to include an item Bob Miller had for discussion in Closed session

Conclusions:

Action items:	Person responsible:	Deadline:

9:05-9:30 AM Communication Process For Boiled Water Advisory Bob Miller

Discussion: Main break activity took place on Barbour Lane causing a boiled water advisory. Confusion took place between Bo Williams and Jack Wang over the responsibility of communicating when to remove the advisory and speaking to state regulators.

Conclusions: Bob and Steve will work together to determine what the process is and who will be responsible in the future.

Action items: The conclusions will be communicated to ELT within a week Person responsible: Bob Miller and Steve Hubbs Deadline:

9:30 – 11:45

Review of Budget and Identify measures to control costs
O/C: Identify the budget forecast for end-of-year and identify specific strategies to operate within this budget. Need: Items for cost reductions from CBSO's

Discussion: Karla began meeting explaining her budget overruns. She began with C2 . After some lengthy discussion about the exact amounts of budget overruns the team agreed to:

Over Budget 3/31/01	\$ 754K
From Contingency	(400K)
C2 year end forecast	350K
C1&C3 year end forecast	100K
Chemical Costs Above Budget	300K
Total Required Budget Cuts	1,100K

This agenda item was nowhere near being complete so the team agreed to pick up this item at 3:00 PM til 5:00 PM today . The Strategic Plan items (Gap Assessment) would be rescheduled.

Conclusions: Pick back up at 3:00 PM with three outcomes of meeting in mind. 1.) Validate info for items that add up to 1,100,000 2.) Communicate strategy for recovering 3.) Across the board reductions

Action items:

Person responsible:

Deadline:

3:00 – 6:00 PM

Review of Budget and Identify measures to control costs
O/C: Identify the budget forecast for end-of-year and identify specific strategies to operate within this budget. Need: Items for cost reductions from CBSO's

Discussion: The team discussed at length this issue and determined that we are 824K over budget. We began discussing strategies to reduce this deficit. Items the group felt were off limits were Pay cuts, lay-offs, Co-ops, Summer-Help, Crediting future vacation, Tuition Reimbursement, Training, Existing clothing and safety shoes allotments.

Conclusions: Each core will identify 2% of cost within their perspective budgets that can be reduced as appropriate before end of year and delivers that information before end of day Thursday.

Communication Strategy

1. Where we are today?
2. How do we get there?
3. End of year goal and why?
4. What are we going to do? Top Down Approach

Action items:

Person responsible:

Deadline:

11:45-12:00 PM

Housekeeping

Discussion: Steve agreed to set the agenda for next meeting. Greg gave TKO report.

Conclusions:

Action items:

Person responsible:

Deadline:

Minutes

ELT Meeting Minutes

5/7/01
9:00 AM to 12:00 PM
Board Room

Leader: Steve Hubbs
Facilitator:
Recorder: Joan Malone
Timekeeper: Greg Heitzman

Attendees: Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bob Miller, Karla Teasley, Jim Wehrle, Ed Chestnut, Dwayne Clark, Kathy Getsinger, Amber Halloran, Joan Malone, Sue Purdy, Richard Royse, Mike Sturgeon,

Please bring: Agenda

Agenda Topics

9:00-9:05 AM Review Minutes and Agenda OC Approval of Minutes and Agenda Steve Hubbs

Discussion: The minutes were approved as written.

9:05-9:20 AM Partnership Council O/C: Shared Information Dwayne Clark

Discussion: Dwayne Clark presented a draft summary of companies offering discounts to LWC employees. The PC will work with Marianne Butler to communicate this to LWC workforce. When final list is ready, it will be put on the Intranet, posted on the PC communications boards, and possibly handed out with paychecks. The PC will be responsible for keeping the list updated.. Employee discounts will be owned by the PC. ELT decided discounts need to be consolidated and all of them put under the PC

Dwayne noted the PC is not receiving minutes on a regular basis. ELT advised him the minutes are posted on the Intranet.

<u>Action items:</u>	<u>Person responsible:</u>	<u>Deadline:</u>
The PC will contact Marianne Butler regarding communication of discounts to employees.	PC	When final list is ready
John Huber agreed to give a presentation to the PC on how the Corporate Performance Award and the Executive Incentive Awards work. Dwayne will contact Joan to schedule a time and provide information on what specific information the PC wants from John.	Dwayne Clark	Within one week.
	John Huber	As soon as meeting is schedule.

9:05-9:20 AM Gap Analysis O/C Address issues in gap analysis Steve Hubbs

Discussion: Steve Hubbs presented the results of the gap assessment review for P1and P2. There are no items in the gap analysis that Steve does not plan to address, with the exception of the item under Enhancing Customer Satisfaction related to our cultivating a relationship with our top 10 customers. This is an activity that we do upon request, but is not proactive. The core has not budgeted to expand current activities, but does plan on supporting any activities required by customers. Steve does not intend to increase activity beyond what it has been historically.

Action items: Steve will update operating plan to indicate areas he is addressing. Person responsible: Steve Hubbs Deadline:

<p>9:20-9:50 AM</p> <p>Discussion: Karla discussed C1 and C3 CSRs progression from Grades, 3, 5, to Grade 6. JET has recommended and HR has approved allowing for progression to Grade 6. Hopefully, this will help CSRs see there can be progression in the Call Center. This will be based on competency only—not on seniority.</p> <p>Ed Chestnut presented results of benchmarking he did with five utilities. Ed has not compared the data he got with our Mercer data. Mr. Huber says he wanted to see how CSRs in the water industry as a whole compared to CSRs in other local companies.</p> <p>Conclusions: ELT supports the decision of HR and JET.</p> <p>Action items: Customer Service will work with Jim Wehrle and HR on the JET recommendation to allow CSRs to progress to Grade 6.</p>	<p>CSR Issues O/C Shared Information - How we are dealing with compensation and career pathing issues for the CSRs in my Core</p>	<p>Karla Teasley</p> <p>Person responsible: Wehrle, Quality Office, HR</p> <p>Deadline:</p>
<p>10:20-10:35 AM</p>	<p>Break</p>	
<p>10:35-10:55 AM</p> <p>JLH discussed issues going to the BWW on Tuesday.</p> <p>Action items: No action required.</p>	<p>BWW issues</p>	<p>Person responsible:</p> <p>Deadline:</p>
<p>10:55-11:45 AM</p> <p>Discussion: Richard Royse, Amber Halloran, and Sue Purdy provided ELT with a synopsis of financial results for April, 2001. The review focused on budget variances in Operating Revenue, Operation & Maintenance Expense, Other Operating Expenses, and Non-operating Income & Expense. O&M Expenses YTD exceeds budget by \$282,000; however, Net Income exceeds YTD budget by \$467,000. It was noted that water consumption at the Waterfront Development Corp. has been estimated since Nov., 2000..</p> <p>Action items: Contact Waterfront Development Corp. to discuss their water useage and explore options to reduce the cost of providing this free water.</p>	<p>Greenbacks Report O/C: Shared Information</p>	<p>Person responsible: Karla Teasley Vince Guentner</p> <p>Deadline:</p>
<p>Cost Reductions</p> <p>Discussion: Bob discussed key elements of the cost reduction plan. The two most difficult issues are related to: balancing improved water quality and customer satisfaction goals against higher chemical and labor expenses; and balancing unexpected cost increases against the completion of the programs identified in the 2001 Strategic Plan while remaining within the expense budget. (This includes completion of the 2001 Capital Program.)</p> <p><u>Action items:</u></p> <p>ELT will compile and share their respective proposed budget cuts. Cost reductions will be discussed at the next ELT meeting.</p> <p>Within the next week ELT members who are suggesting personnel changes to cut their budgets should get with Jim Wehrle to discuss. (John pointed out we should first of all work withihn existing policies – example: A person whose position we plan to eliminate can go into the deployment pool.</p>	<p>Cost Reductions</p>	<p>Person responsible: Wehrle, ELT members</p> <p>Deadline: within 1 wk.</p>

11:45-12:00 PM

Housekeeping

Steve Hubbs

Discussion: Greg gave the TKO Report. Everyone participated today. The CSR issue took longer than allotted, but ELT did complete the topic. The Greenbacks report and cost cutting efforts both took longer than allotted.

The group struggled for 15 minutes juggling calendars but did come up with a plan of action which addresses meetings to discuss gap analysis and SPT issues.

AGENDA FOR MAY 14, 2001 MEETING

9:00-9:05 a.m.	Review minutes and agenda. OC: Approval of minutes/agenda	S. Hubbs
9:05-10:00 a.m.	Cost reduction report. OC: Sharing of information/understanding of how each system will fit from the budget.	B. Miller
10:00-10:10 a.m.	Break	
10:10-11:35 a.m.	SPT Issues. OC: sharing of information/strawman report.	L. Douglas
11:35-11:50 a.m.	Prepare agenda for next ELT meeting	S. Hubbs
11:50-12 Noon	TKO report	G. Heitzman

***NOTE: Special ELT meeting scheduled for 5/15/01 is cancelled.
Special ELT meeting has been scheduled for 5/10/01, 2-4 p.m. to discuss gap analysis.***

Special E.L.T. Minutes

Date: May 10, 2001

Board Room

Attendees:

Leader: Steve Hubbs

Recorder: Bob Miller

Timekeeper/Observer: Karla Teasley

Members: John Huber, Laura Douglas, Jim Wehrle, Greg Heitzman

The ELT met to review the Infrastructure 2001 Opportunity Plan Gap Assessment.

Greg Heitzman presented a high level summary of the assessment focusing on the remaining gaps. The key issues considered by ELT were:

Page 1

Bullet 1 The details of the Annual Inspection are contained in NWT plans and WPPM plans and do not represent a gap on the operating plans.

Bullet 3 GIS support for new Work Management, system will be limited to providing the data architectures.

Bullet 6 **Don McKay and Jim Brammell will work together to finalize the security policy and design parameters.**

Bullet 8 **Business Development gap needs further ELT attention.**

Page 2

Bullet 3 Steve Hubbs and Greg Heitzman will address CHPS 42" Header replacement.

Bullet 11 **Bardstown Tank needs further ELT attention.**

Bullet 12 Professional Service Procurement Policy needs to be addressed following alignment of Procurement Process.

Page 3

Bullet 4 "Errors in Assignment" items need to be corrected on MYAPs and gap assessment filters.

E.L.T. Meeting Minutes

Date: May 14, 2001

Attendees:

Leader: Karla Teasly

Recorder: Bob Miller

Timekeeper/Observer: Greg Heitzman

Members: John Huber, Jim Wehrle, Laura Douglas, Bill Meeks

Minutes and Agenda.

Approval of the minutes was deferred pending production of minutes reflecting recent changes. The agenda was approved as presented.

Cost Reduction Report.

The ELT agreed to review the proposed reduction measures and advise each CBSO regarding the impact. The concept considered was "consult with right appeal." The ELT agreed to maintain the 2% target for reduction.

Serving Customers: Karla Teasly intends to move forward with all reductions, noting that the labor reductions may change through the posting process.

Infrastructure: Greg Heitzman noted several items that will be removed from the reduction list, while still maintaining the 2% target. He will publish an updated list. Bill Meeks encouraged careful review of labor reductions by developing plans on how work units will be completed. He expressed strong concern about maintaining productivity gains and ensuring work being completed on time.

Legal: Laura Douglas will make the cost reductions as presented.

Producing and Developing Water: Bob Miller gave the cost reduction report for Producing and Developing Water in Steve Hubb's absence. The group stated that during the May Board Mtg., the Board expressed its strong desire to maintain current treatment levels. The savings categories are:

- 1.) Contractual services. \$100K for reservoir cleaning and 66K for ISO Compliance Services. Note that Jack Wang's area is \$30K over budget. Therefore the total savings in this category will be \$136K.
- 2.) Labor: A presented saving of \$94K. This cost saving includes a \$54K saving by not filling the flushing Crew and a \$28.6K savings by not filling a vacant labor position.

ELT the discussed PDW's suggestion that ISO consulting costs be delayed. However, ELT also acknowledges that ISO compliance in this area is important to the company. John stated that he would suggest this matter with Steve. ELT also acknowledged that there will be a \$233K overage in PDW due to chemical costs.

Business Resources: Bob then presented the cost savings proposal from his core.

- 1.) Bob indicated that the company planned not to use the contingency this year. The total contingency is \$565,000. Bob committed to provide additional information as soon as possible regarding compilation of the vacancy credit.

Bob also stated that it is his assumption that for the balance of the year, our claims experience will be consistent with budget.

Plans also call for the process realignment, which will save FTEs. Detailed plans will be presented for changes before any movement occurs.

The ELT extensively discussed how to establish accountability for reaching these cost reduction initiatives. Greg Heitzman noted that the quarterly review of ELT shared goals will be held soon and that the wording for the goal can be established then. The ELT agreed that the WPPM's for CBSO's and BSO's include a component for meeting the CORE BUSINESS SYSTEM BUDGET.

Note: The ELT agreed for CSBO's to assign timelines for cost reduction items, due to Bob Miller by end-of-week.

Minutes

ELT Meeting Minutes

5/21/01

9:00 AM to 12:00 PM

Board Room

Leader: Steve Hubbs
Facilitator: Nora Freeman (On Call)
Recorder: Joan Malone
Timekeeper: Bill Meeks
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, John Anderson, Sandra Beyerle, Joan Malone, Glen Mudd

Agenda Topics

9:00-9:10 AM Review Minutes and Agenda OC Approval of Minutes and Agenda Steve Hubbs

Discussion: Minutes from the May 7 ELT meeting were approved.
Minutes from the May 10 Special ELT meeting were approved.
Minutes from the May 14, ELT meeting were approved.

9:10-9:55 AM Gap Assessment in Serving Customers OC: Shared Information Karla Teasley

Discussion: Karla Teasley provided a copy and discussed her Gap Assessment Response for the Serving Customers Core. Under C1, a gap was cited under Diversity Plan under Communications Support. This is being addressed within the existing operating plan.

Under C2 and C3, Karla discussed responses to gaps identified. No plans to revise these systems' operating plans at this time.

Conclusions: No resources gaps and no cross-core issues to be addressed. All gaps cited are being addressed in the operating plans.

Action items: No further action required. **Person responsible:** Deadline:

9:55-10:30 AM Cost Reductions - Finalize Target Numbers by Core and System Bob Miller

Discussion: Bob Miller provided a copy and discussed the 2001 O&M Budget Actual V. Target. The column titled 2001 Target reflects budget cuts proposed. The column titled 2001 Budget are the figures the Board approved. The report does not take into account expenditures in May.

Conclusions: For some areas, we will continue to operate over budget even with the budget cuts.

Action items: Bob will add footnotes as discussed in the meeting and an explanation of "contingency." He will get an updated draft to ELT. **Person responsible:** Deadline:
Bob Miller

An explanation of "contingency" and "vacancy credits" will be discussed at the 6/4/01 ELT meeting.

Bob may add a column titled "Extra Labor" for KOT, SAH, and GCH.

Bob to update with Greg's numbers and develop an explanation for those allocated numbers and add a column for cost additions.

10:45-11:30 AM	Review 2001 Year End Income Statement Forecast	Steve Hubbs
<u>Discussion:</u> Bob provided a copy and discussed the Revised 2001 Forecast Vs. 2001 Budget.		
<u>Conclusions:</u> Leaving any variance for O&M and irrigation water sales out of the picture, the forecast is for a good year this year. Bob noted that the financial gains realized by the refinancing was our owner's to control. The company still has an obligation to operate within budget. ELT discussed the merits of presenting a business case for expanding our regionalization strategy leveraging the gains realized from the refinancing. This will be discussed at a later ELT meeting.		
<u>Action items:</u> Greg will work with Ralph McCord to prepare a proposed business case for expanding water sales and use funding from the refinancing savings to fund additional needed resources.	<u>Person responsible:</u> Greg Heitzman	Deadline: early July
11:30-11:45 AM	Review New Vehicle Accident Policy OC: Approve New Policy	Sandra Beyerle
<u>Discussion:</u> Sandy Beyerle, Glen Mudd, and John Anderson provided a copy and discussed the Draft Revised Vehicular Accident Policy.		
<u>Conclusions:</u> A subcommittee consisting of Bob Miller, Jim Wehrle, and Bill Meeks, in consultation with John Huber, was formed to analyze the policy.		
<u>Action items:</u> Analyze the policy, especially Items 4.3, 5.3, 5.4, and the Preventative Action Matrix. Bring final draft of policy to ELT for approval.	<u>Person responsible:</u> <i>Subcommittee:</i> Bob Miller, Jim Wehrle, Bill Meeks, in consultation with John Huber	Deadline:
Compare the policy to industry standards and determine if the policy is too lenient and how the policy will affect employees who are now "on the Matrix."	HR	
11:45-12:00 PM	Housekeeping	Steve Hubbs
<u>Discussion:</u> TKO Report. The meeting started a few minutes late. We finished early on every item with the exception of the Vehicular Accident Policy which ran over the time allotted. There was even distribution of comments.		

Agenda for Monday June 3, 2001

Leader: Billy Meeks

- 9:00 Approve minutes and agenda
- 9:10 2001 Budget Process, Kathy Getsinger. OC: shared information
- 9:45 Review of Vacancy Credit and Contingency, Bob Miller. OC: shared information
- 10:30 Break
- 10:45: Open time
- 11:45 Team evaluation, Nora Freeman. OC: completed evaluations to Nora
- 11:50 Housekeeping
- noon adjourn

Minutes

ELT Meeting Minutes

6/4/01
9:00 AM to 12:00 PM
Board Room

Leader: Bill Meeks
Facilitator: Nora Freeman (On Call)
Recorder: Joan Malone
Timekeeper: Bob Miller
Attendees: Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Dwayne Clark, Nora Freeman, Kathy Getsinger, Joan Malone, Jami Young

Agenda Topics

Review Minutes and Agenda, OC Approval of Minutes and Agenda Bill Meeks

Discussion: Minutes from the June 21, 2001 meeting were approved.

Flexibility in Changing Operating Plans, OC: Shared Bob Miller
Information

Discussion: Bob provided copies of and discussed a draft model, Flexibility in Changing Operating Plans. The model uses the Ginsberg Empowerment Model..

Conclusions: The group decided on revisions to the draft as follows: Item 1, CEO column, change C to D; Item 3, CEO column, change C to D; Item 4, letters across the matrix should read N, D, A, W, C. N; Item 4, the group chose Alternative 1.

Action items: Kathy will use the revised model to build a process to communicate to BSOs so they will have the mechanics of how this works. The process to communicate will be discussed at June 11 ELT meeting.

Person responsible:	Deadline:
Kathy	In time for 6/11/01 ELT meeting

Review of Vacancy Credit and Contingency, OC: Shared Bob Miller
Information

Discussion: Bob provided copies of and discussed Comments on Contingency and Vacancy Credit for ELT Meeting June 4, 2001 and LWC Forecast of 2001 Expenses following April Financial Statements. The LWC Forecast of 2001 Expenses had two versions of 2001 O&M Budget Actual Vs. Target attached—one which assumes no budget transfers due to Vacancy Credit and one which assumes budgeted Contingency is fully expended. Bob recommended using the version which assumes no budget transfers due to Vacancy Credit. Bob explained how he came up with the 2001 Target. The group discussed other changes to the document.

Conclusions: Hold BSOs accountable for reaching Colum E, "2001 Target."

Action items: Bob will simplify the example the group decided to use, add the footnote the group discussed regarding Vacancy Credits, and get it to ELT members so they can get to the BSOs this week. It will be in spreadsheet form showing the formulas used.

Person responsible:	Deadline:
Bob Miller	This week

Decide how we will deal with the \$315,000 budget issues (Vacancy Credit) ELT

Team Evaluation, OC: Completed evaluations to Nora		Nora Freeman
Discussion: Nora provided copies of evaluation forms: ELT Team Principles and Groundrules, Quarterly Team Assessment of Facilitator, ELT Team Effectiveness Review Retreat #2, May 31, 2001, Team Effectiveness Survey, ELT Effectiveness Survey-Team Principles.		
Action items: ELT members should complete the forms and return to Nora by Wednesday of this week. This will be discussed at the June 11 ELT meeting.	Person responsible: Each ELT Member	Deadline: Wed. A.M.
Closed Session, OC: Shared information		John Huber
Discussion: Mr. Huber discussed an item in closed session..		
Partnership Council		Dwayne Clark
Discussion: Dwayne gave the PC report, which advised ELT that both the perception and reality of budget cuts impacting those executive leadership roles was important for modeling impact and behavior to the organization. The PC also suggests ELT work to assure frontline employees have the opportunity to suggest budget cuts or alternative budget cuts to the Company.		
Conclusions: We need to involve NWTs/frontline employees in the budget cutting process. We should consider how we get frontline employees involved in cost control.		
Action items:	Person responsible:	Deadline:
Go to BSOs and use organization structure to notify/involve.	CBSOs	
RKM will use e-mail/NewsLeaks to notify and extend invitation for input re budget cuts.	Bob Miller	
Use 2001-2002 budget cycle to allow input from NWTs.	CBSOs	

Recorder Role, Assignment of Role/Shared Information John Huber

Discussion: Joan Malone will serve as Recorder at ELT meetings through the upcoming quarter. The role will be reviewed at the end of the quarter. Joan will prepare the minutes and forward to Barbara Moir for posting on the Intranet. Persons having handouts at the meetings should provide Barbara Moir an electronic copy to be posted with the minutes on the Intranet. Joan will keep a hard copy of handouts in her file.

Action items:	Person responsible:	Deadline:
Provide Barbara Moir e-copy of handouts.	ELT/various others	
Prepare minutes of ELT meetings.	Joan Malone	
Post minutes and handouts to Intranet.	Barbara Moir	

Agenda for 6/11/01 Meeting

9:00-9:10 A.M.	Review minutes/agenda	OC: Approval of minutes/agenda	S. Hubbs
9:10-9:40 A.M.	Budget Process	OC: Shared information	K. Getsinger
9:40-10:40 A.M.	Greenbacks	OC: Costs and performance update	R. Royse/S. Purdy
10:40-10:55 A.M.	Break		
10:55-11:10 A.M.	Board of Water Works Issues	OC: Update	J. Huber
11:10-11:30 A.M.	Facilitator Assessment Results	OC: Update	N. Freeman
10:30-11:45 A.M.	Open		
11:45 A.M.-12:00 Noon	Housekeeping		B. Meeks

Minutes

ELT Meeting Minutes

6/11/01
9:00 AM to 12:00 PM
Board Room

Leader: Bill Meeks

Facilitator: Nora Freeman

Recorder: Steve Hubbs

Timekeeper: Bob Miller

Attending: Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle

Please bring: Agenda

Agenda Topics

9:00-9:10 AM **Review Minutes and Agenda OC Approval of Minutes and Agenda** Bill Meeks

Discussion: Minutes approved from 6-3-01, and agenda accepted as presented above.

9:10-10:05 AM **2001 Budget Process OC: Shared Information** Kathy Getsinger

Discussion: Kathy presented a process for making changes to the current year operating plans (attachment 1). Kathy also presented the timeline for changing the 2001 operating plans reflecting the revised budget numbers and changes. ELT suggested changes to clarify the process.

Kathy distributed guidelines for operational planning for 2002 (attachment 2). The 3 page (or less) synoptic level operating plan is to highlight the change agenda at the system level affecting the budget from 2001 to 2002, allowing ELT to assess if all critical items are covered.

Conclusions: Current-year operations plan: flow chart to be modified to reflect clarified routine process. When changes are made, the BSO making the change will notify all other BSOs and CBSOs of changes by e-mail message, stating briefly the nature of the changes.

Operations Planning for 2001: ELT accepted the concepts presented.

Action items:	Person responsible:	Deadline:
Revise the flowchart to reflect changes from ELT.	Kathy Getsinger	6-18-01

10:20-11:10 AM	Greenbacks Report OC: Costs & Performance update	Richard Royse and Sue Purdy
<p>Discussion: Richard distributed a handout (attachments 3) for Critical Dates for 2002 budget and Financial Plans. ELT is to hold open August 23 and 24 (capital review), August 28/29/20 (O&M review), and September 6 and 7 (O&M follow-up). Richard also distributed starting assumptions for 2002 budgeting (attachment 4). The revenue stream from the rate increase for 2002 assumes an income stream reflecting what we saw this January and February 2001 (ramped in). Jim W. asked that the impact of WPPM be considered in setting labor cost assumptions. The baseline assumption for the 2002 rate increase will be set at 3.0%. Richard will re-work the 2002 forecasts and provide to ELT.</p> <p>Richard distributed the May 2001 Financial Highlights. Water consumption is down over last year by about 0.5%, with a significant increase in water usage in the "in lieu of taxes" account. Net water consumption very close to "at budget" for the year to date. Expenses are \$950,000 over budget, compared to \$282,000 last month. ELT needs to reconsider strategy for operating within budget.</p> <p>Conclusions: ELT needs to determine where the cost increases have come from, and how to adjust spending to compensate. ELT needs to determine common cause and special variances causing budget overruns.</p>		
Action items:	Person responsible:	Deadline:
ELT special meeting, 2001 budget overrun	Billy Meeks	6-13-01
11:10-11:25 AM	BWW Issues OC: Shared Information	John Huber
Discussion: Refer to Board books...topic cancelled.		
11:25-11:45 AM	Facilitation Assessment Results OC: Shared Information	Nora Freeman
Discussion: Defferred		
11:45-12:00 PM	Housekeeping	Bill Meeks
Discussion: Billy will set the agenda for the next regular ELT meeting 6-25-01.		

Minutes

ELT Meeting

6/25/01

9:00 AM to 11:45 AM

Board Room

Leader: Bill Meeks
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Bob Miller
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, Bill Meeks, Karla Teasley, Jim Wehrle, Nora Freeman; Amber Halloran, Joan Malone
Please bring: Agenda

Agenda Topics

9:00-9:10 AM Review Minutes and Agenda OC Approval of Minutes and Agenda Bill Meeks

Discussion: Minutes of the June 18, 2001 meeting were approved.

Quarterly Review of ELT Goals OC: Shared Information Nora Freeman

Discussion: Nora provided copies of and discussed second quarter 2001 "to date" results for President and VP shared goals.

Conclusions: All goals are Level 3 or above with the exception of Goal G, "Control Cost of Risk." This goal should be placed in the BIN list for followup.

Action items:	Person responsible:	Deadline:
Present 1st. quarter Incentive Plan results to BSOC at next BSOC meeting. Presentation should include Diversity results. ELT should also attend this BSOC meeting .	John Huber	
Revise the Executive Incentives and revise the colors in the Level Achieved column so it will be easier to see if the Level Achieved is "met" or "unmet."	Nora Freeman	
Work with HR on a 1-page summary of Diversity placement.	Nora Freeman	
Place Goal G in BIN list.	Bill Meeks	

Team Effectiveness Survey Review OC: Shared Information Nora Freeman

Discussion: Nora provided copies of and discussed the ELT Team Effectiveness Survey results and ELT Team Principles Survey results.

Conclusions: The Team Effectiveness Survey results averaged 3.7, and the Team Principles Survey results averaged 3.8.

Recycling

Karla Teasley

Discussion: Karla briefly discussed recycling efforts at LWC.

Conclusions: Recycling will be considered for the 2002 Budget.

Action items:

Advise Recycling Team that this will be considered for the 2002 Budget.

Determine cost of recycling /make recommendation to ELT.

Determine who will be responsible for recycling (which system).

Develop specific Recycling Policy.

Person responsible:

Karla Tasley

Recycling Team/KOT

ELT

Recycling TeamLMD

Deadline:

Closed Session

Steve Hubbs

Discussion: Steve updated ELT members on the INAAP purchase/due diligence and discussed coliform.

Agenda for July 2 ELT meeting:

9:00-9:10 a.m.	Review agenda/approve minutes	Bill Meeks
9:10-9:40 a.m.	Partnership Council OC: Shared information	PC Leader
9:40-10:00 a.m.	Financial Highlights (Budget Cut Proposals) OC: Shared information	Bob Miller/CBSOs
10:00-10:15 a.m.	Break	
10:15-11:15 a.m.	Financial Highlights OC: Shared information	Bob Miller/CBSOs
11:15-11:45 a.m.	Open Time	
11:45 a.m.-12:00 noon	Housekpeeing	Bill Meeks

Minutes

ELT Meeting Minutes

7/2/01
9:00 AM to 12:00 PM
Board Room

Leader: Bill Meeks
Facilitator: Nora Freeman (On call)
Recorder: Steve Hubbs
Timekeeper: Karla Teasley
Attendees: Laura Douglas, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Kathy Getsinger, Greg Heitzman (9:40)
Please bring: Agenda

Agenda Topics

9:00-9:10 AM Review Minutes and Agenda OC Approval of Minutes and Agenda Bill Meeks

Discussion: Minutes were reviewed and approved. Agenda was approved as presented.

9:10-10:10 AM New MYAPs for 2002 OC: Plan Consensus Kathy Getsinger

Discussion: The group discussed the current status of the planning process through Friday, June 30. Vince G. provided the MYAP update for 2002 for Enhancing Customer Satisfaction. Modifications to the MYAP update from last Friday were discussed and approved by ELT. Jim noted that he is working a policy regarding temporary positions, focusing on using temporary employees only for vacant budgetted positions, and requested feedback from BSOs on the concept.

Remaining activities for Strategic Planning includes July 11 meeting on new MYAPs. Remaining items to be discussed are the resources and goals for 2002 in the QWL strategy in the Strategic Plan.

Conclusions:

Action items:	Person responsible:	Deadline:
Provide details for QWL initiative, resources, 2002 goals/outcomes	Jim Wehrle	July 11
Provide summary of items needed to complete SP process (ASAP)	Kathy Getsinger	July 09

10:20-11:45 AM Bob Miller/CBSOs

Discussion: ELT discussed another round of costs reductions to meet current cost overruns.

Concern was expressed over the amount spent on contract and materials accounts. ELT agreed to review the contracts and materials accounts for cost reductions in this area.

The individual ELT members will bring the 2% cost reductions itemized (above the current 2% already identified) to the next ELT meeting for review for further cost reductions

Conclusions: We still need to work towards meeting budget in 2001.

Action items:	Person responsible:	Deadline:
Provide a summary of Contracts and Materials Accounts	Bob Miller	July 9
Provide an additional 2% cost reduction summary per area	VPs	July 9

11:45-12:00 PM

Housekeeping

Bill Meeks

Discussion: AGENDA: July 9, 2001

START AT 8:30

8:30 Minutes approval and Agenda

8:40 Partnership Council Update. OC: Shared Information

9:00 Review Financial Results/Cost Reduction Strategy OC: decision on cost reductions

10:15 Break

10:30 Continue Financial Discussions

11:45 Housekeeping

noon Adjourn

Conclusions:

Action items:

Person responsible:

Deadline:

Minutes

ELT Meeting Minutes

7/9/01
8:00 AM to 12:00 PM
Board Room

Leader: Bill Meeks
Facilitator: Nora Freeman (On call)
Recorder: Joan Malone
Timekeeper: Karla Teasley
Attendees: Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Bobbi Elmore, Nora Freeman, Kathy Getsinger, Amber Halloran, Joan Malone, Richard Royse, Sue Purdy
Please bring: Agenda

Agenda Topics

Review Minutes and Agenda OC Approval of Minutes and Bill Meeks
Agenda

Discussion: Minutes of 7/2/01 meeting were reviewed and approved. Agenda for 7/9/01 was approved.

Partnership Council OC: Shared information Bobbi Elmore/Nora Freeman

Discussion: Bobbi Elmore/Nora Freeman presented information and made suggestions regarding Ozone Action Days. They discussed a shortened workweek, extending the free TARC pass program to all LWC locations, and employee participation in ridesharing programs.

Bobbi/Nora also discussed the LWC Policies Manual. It is posted on the Intranet, but several LWC employees do not have access to the Intranet.

Conclusions: A 10-hour, 4-day workweek will not be considered at this time.

Action items:	Person responsible:	Deadline:
Check with TARC to see if bus service to Allmond Ave. can be improved.	John Huber	
Check into making TARC passes available to <u>all</u> LWC employees, then communicate to employees if the TARC passes are available to <u>all</u> employees.	Jim Wehrle/KOT/M. Butler	
Investigate/communicate to employees info. on ridesharing/carpooling--what it is; how it works.	PC/KOT/M. Butler	
Have Jim Brammell look into the lighting schedule to save electricity.	Greg Heitzman	
Evaluate if shutting computers down at night would save energy—than notify employecs via NewsLeaks.	RKM/IT/KOT/M. Butler	
Laura will distribute copies of LWC's Policies Manual to all BSOs. Greg will provide copies to Middletown and Buttit County. Steve will provide a copy to Payne Plant.	LMD/GCH/SAH	

June Financial Highlights

Richard Royse/Sue Purdy

Discussion: Richard Royse presented copies of and discussed the Financial Highlights for June 2001.

Conclusions: Unaccounted-for water has been rising over the past few months. Water consumption through June, 2001 was 538 million gallons lower than a year ago. O&M expense through June, 2001 was \$1.5 million higher than same period last year, and higher than budget by \$872 thousand.

<i>Action items:</i>	<i>Person responsible:</i>	<i>Deadline:</i>
Check to see if we are appropriately calibrating meters.	Steve Hubbs	
Followup on status of work in progress to change water meters/check consumption at Waterfront Development Corporation.	KOT/SAH	

Strategic Plan

Kathy Getsinger

Discussion: Kathy Getsinger provided copies of and discussed the following: Comparison of 2002 Draft with 2001 Strategic Plan, Louisville Water Company 2002-2006 Strategic Plan, and 2002 Objectives for Strategic Plan Initiatives.

Conclusions:

<i>Action items:</i>	<i>Person responsible:</i>	<i>Deadline:</i>

**Continued Financial Highlights—Forecast for 2001-2001
Budget Parameters**

Bob Miller

Discussion: Bob Miller provided copies of 2001 Operations and Maintenance Budget Actual Vs. Target—Assumes Budgeted Contingency is in Reserve and 2002 Estimated Changes in Sources and Uses of Revenue. Karla Teasley and Steve Hubbs presented additional budget cuts from their respective cores.

Conclusions: Fourth quarter CSI data will not be cut from Karla's budget.

Bob Miller will make a report to the Board at their 7/10/01 meeting as follows: "At this point, ELT's commitment is that our total spending for O&M will be equal to the total amount budgeted. We will be spending the contingency of \$250,000."

Regarding Bob's handout, 2002 Estimated Changes in Sources and Uses of Revenue, this is a work in progress—no conclusions.

<i>Action items:</i>	<i>Person responsible:</i>	<i>Deadline:</i>
At 7/16/01 ELT meeting, discuss, consider, and evaluate if we should take \$750,000 out of Infrastructure Reserve and place it in O&M Budget for 2002.	ELT/Bob Miller	7/16/01
At 7/16/01 ELT meeting, discuss BSOC project of budget funding needs for 2002.	ELT	7/16/01
At 7/16/01 ELT meeting, discuss Bob Miller's handout, 2002 Estimated Changes in Sources and Uses of Revenue.	ELT/Bob Miller	7/16/01

Agenda topics for 7/16/01

9:00-9:10 AM	Review Minutes and Agenda OC Approval of Minutes and Agenda	Bill Meeks
9:10-10:10 AM	Budget Parameters	Bob Miller
10:10-10:25 AM	Break	
10:25-11:30 AM	Cost Reduction and Review	Bob Miller
11:30-11:45 AM	Open Time	
11:45-12:00 PM	Housekeeping	Bill Meeks

Minutes

ELT Meeting

7/16/01
9:00 AM to 11:45 AM
Board Room

Leader: Bill Meeks
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Karla Teasley
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, John Huber, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Joan Malone
Please bring: Agenda

Agenda Topics

Review Minutes and Agenda OC Approval of Minutes and Agenda Bill Meeks

Discussion: Minutes of the July 9, 2001 meeting were approved. Agenda for July 16, 2001 was approved.

Budget Parameters Bob Miller

Discussion: Bob Miller provided copies of and discussed the 2002 Estimated Changes in Sources and Uses of Revenue.

Conclusions: Establish 2% budget target and require business case be presented for anything over that amount. Include in the budget plans for productivity improvements of 2%.

Action items:	Person responsible:	Deadline:
Communicate Conclusions above to all BSOs.	CBSOs	

Cost Reduction Review Bob Miller

Discussion: Bob Miller provided copies of and discussed the (updated) LWC 2001 Operations and Maintenance Budget Actual Vs. Target, Assumes Contingency Fund is Fully Expended.

Conclusions: Link this to WPPM as an incentive for BSOs. Give extra credit for areas coming in under original budget.

Action items:	Person responsible:	Deadline:
See Conclusions above.	CBSOs	

Closed Session Jim Wehrle

Discussion: Jim Wehrle discussed an item in closed session.

Conclusions:

Action items:	Person responsible:	Deadline:
Jim Wehrle and Laura Douglas will investigate and discuss with ELT at the July 23, 2001 meeting.	JJW/LMD	Prior to 7/23/01

Agenda for July 23 ELT meeting:

ELT members will submit agenda items to Bill Meeks, who will prepare agenda.

E.L.T. Meeting Minutes

Date: July 23, 2001

Board Room

Attendees:

Leader: Karla Teasley

Recorder: Bob Miller

Timekeeper/Observer: Laura Douglas

Members: Jim Wehrle, Greg Heitzman, John Huber

Minutes Approved as Revised. The minutes from the previous meeting should be dated July 16, 2001 rather than June 25, 2001. Otherwise, the minutes were approved.

Agenda Approved. The agenda was approved with minor modifications.

Partnership Council Boundaries. Laura Douglas briefed the ELT on Partnership Council Boundaries. The ELT discussed alternatives for continuing efforts for building Partnership Among Employees. The ELT considered: 1) ongoing employee involvement on an individual or unstructured group basis; 2) establishing task-specific ad hoc groups that focus on a particular issue on a short-term basis and then go out of existence; 3) using staff meetings to address communications, efficiency and productivity issues; 4) increased participation of natural work teams. The ELT emphasized that the changes contemplated did not diminish the commitment to being a Total Quality Organization.

Budget Parameters. Bob Miller handout given: "2002" Est. Changes in Source of Revenue" (dated 7-20-01) This updates/changes last week's handout: Shows taking 700K from Inf. Reserve, which takes O&M available up to 2.3MM from prior 1.6MM (6% vs. 4% increase). It was noted that the budget also has more flexibility due to bond refinancing. Bob gave a handout re O&M cost per customer after adjustments for inflation. Another handout was given re Op revenue per 1000 gals sold, adjusted for inflation. Both of these graphs were relatively flat, after adjustment, despite improvements. Another handout given showing Historical O&M Budget vs. Actual Expenses, plus an adjusted line for a hypothetical 700K addition per year as of 1994, which levels the differences significantly. The ELT supported using this data in developing budget parameters. Budget guidelines to BSO's remain unchanged.

Redeployment Issues. The ELT reviewed issues related to the Redeployment Process.

Next Level Plan 2002 Initiatives. The ELT deferred discussion of this topic due to lack of time.

Minutes

ELT Meeting Minutes

7/30/01
9:00 AM to 12:00 PM
Board Room

Leader: Bill Meeks
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Karla Teasley
Attendees: Laura Douglas, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Jim Wehrle, Jim Brammell, Nora Freeman, Joan Malone, Mike Sturgeon, Ed Chestnut
Please bring: Agenda

Agenda Topics

Review Minutes and Agenda OC Approval of Minutes and Agenda Bill Meeks

Discussion: Minutes from the July 23, 2001 meeting were approved. Agenda for July 30, 2001 meeting was approved.

Discuss Partnership Council Status and Follow-up O/C: Jim Wehrle
Shared information and Agree on Next Steps

Discussion: Jim Wehrle provided copies of e-mails and memos regarding sunsetting of the Partnership Council.

Conclusions: The Company is still focused on having a Partnership among employees. ELT members and John Huber will rotate having regularly scheduled meetings with employees (no more than 12 employees per meeting) from a cross section of the Company. These meetings will be similar to and may replace the Pipeline Meetings which currently are held once each month. Meetings will alternate between A.M. and P.M and will have a prepared agenda with time at the end of the meeting for questions/discussion of other issues.

Items within the scope of the NWTs and SACs are business planning; operating plan execution; process design and improvement; job-related know-how; tools, technology, materials and equipment; SWOT analysis; risk assessment; and risk management. Items outside of the scope of NWTs and SACs are compensation, vacation, and terms of employment.

Action items:	Person responsible:	Deadline:
RKM and JJW will provide recommendations on scheduling the meetings with BSOs, NWTs, and SACs and work on scheduling the employee meetings. They will work with Marianne Butler to put something in <i>NewsLeaks</i> about the meetings.	RKM, JJW, M. Butler	ASAP

Develop form for NWTs and SACs to use, similar to the one the PC used, for bringing issues to ELT.	RKM, JJW
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Policy Issues O/C Review and Approve Proposed Changes Jim Wehrle/Mike Sturgeon
to Draft Policy

Discussion: Jim Wehrle provided copies of and the group discussed a draft policy.

Conclusions: Some sections of the draft need to be rephrased. Plans for communicating the policy to LWC employees should include examples of what the policy covers and what it does not cover.

Action items:	Person responsible:	Deadline:
JJW and LMD will work to modify the language in the draft and submit for Mr. Huber's approval.	JJW, LMD	

Policy regarding Temporary Agency Workers

Jim Wehrle

Discussion: Jim Wehrle provided copies of a draft policy regarding temporary workers.

Conclusions: Timesheets for temps should be approved/signed and account # provided by the supervisor in the area where the temporary is working rather than by someone in HR.

Action items:

Create action plan for current temps.

Person responsible:

VP of HR and person responsible for temp, in consultation with the Senior Compensation Committee.

Deadline:

2nd Quarter ELT/BSOC/Corporate Performance Award Goal Review O/C: Shared Information; Agree to Follow-up on Identified Gaps in Performance

Nora Freeman and ELT Members

Discussion: Nora provided copies of second quarter 2001 results for 2001 Incentive Plan Goals, 2001 President and VP Shared Goals, and 2001 Corporate Performance Award Goals.

Conclusions: This is our best record in the past couple of years.

Action items:

Rewrite Objective E before Compensation Committee meets on 8-14-01.

Person responsible:

Steve Hubbs

Deadline:

Nora will make recommended changes, e-mail to ELT, and provide copies of the tables for the Compensation Committee meeting.

Nora Freeman

INAAP

Steve Hubbs

Discussion: Steve gave a brief report on environmental issues regarding INAAP.

Agenda for August 6, 2001

Bill Meeks will e-mail agenda.

Minutes

ELT Meeting Minutes

August 6, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bill Meeks
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle
Attendees: Laura Douglas, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Steve Cooper, Barbara Crow, Katie Farrow, Joan Malone
Please bring: Agenda

Agenda Topics

Approve Minutes Bill Meeks

Discussion: Minutes from the 7/30/01 meeting were approved.

ETIR Report Update Katie Farrow

Discussion: Katie provided copies of the Corporate Team Involvement Levels for 2nd Quarter, 2001; Percent of Employees on Teams 1999-2001 by Quarter; and Corporate Team Involvement Levels by Pay Code.

Conclusions: Overall team participation is good, with second quarter overall average participation at 75.5%, up from first quarter overall participation of 72.0%. Eighty percent of the teams are considered active status. Katie will provide a list of inactive status teams for ELT to review. If any of these teams are no longer needed, they will be permanently disbanded.

Action items:	Person responsible:	Deadline:
Provide list of inactive status teams for ELT review.	Katie Farrow	

Pure Tap Bottling Operation Additional Funding Barbara Crow

Discussion: Barbara provided copies of an e-mail wherein she requested an additional \$65,000 during 2001 to accommodate requests for Pure Tap. Barbara also requested the 2002 Budget be increased to \$150,000, which would allow for 300,000 empty bottles and 8,000 filled bottles. The \$100,000 budgeted for 2001 allowed for 200,000 empty bottles and 7,300 cases of filled bottles.

Conclusions: ELT approved Barbara's request for the additional \$65,000 to cover the remainder of 2001.

Action items:	Person responsible:	Deadline:
Communicate to employees why we are funding this increase in budget and not some other endeavors.	KOT/B. Crow/M. Butler	
Take to CAC and explore ways to reduce the cost to LWC--for example, make Pure Tap available at various locations for customer pickup rather than having LWC ship/mail, or ask customers to pay shipping/mailling charges.	B. Crow/KOT	
Decide where the additional \$65,000 for 2001 will come from.	ELT	
Decide whether to approve the requested \$50,000 increase for 2002.	ELT	

Redeployment, Transfer, Reassignment & Termination Policy Jim Wehrle

Discussion: Jim Wehrle provided copies of the reworded policy.

Conclusions: The group discussed minor revisions to the policy, which was adopted on 7/30/01.

Action items:	Person responsible:	Deadline:
Make minor corrections/changes as noted.	LMD	
Communicate to employees that the new policy is forthcoming and request that they replace the existing Redeployment Policy with this new policy.	JJW/M. Butler	
Make the new policy available at all locations where policy manuals are located.	JJW/M. Butler	

Positive Employee Relations Training Jim Wehrle

Discussion: Jim Wehrle showed a video titled "The Story of a New One-Minute Manager" which defines a management style that focuses on both results *and* employees. Mr. Wehrle says this is the sort of thing we want to build into our LWC Leadership Institute. He plans to use the video in the Positive Employee Relations Training at LWC.

Conclusions: The Positive Employee Relations Training is scheduled for Wednesday, 8/15/01, 8:30 a.m.-12:30 p.m. in the Board Room. Rollout to other employees will be scheduled for October, 2001.

Miscellaneous Items Bob Miller

Discussion:

- (1) Bob Miller will attend a meeting in Frankfort Wednesday, 8/8/01, with the PSC and Rural Water Association to discuss System Development Charges for fire services. LWC's policy is not to charge the SDC for fire services.
- (2) Bob noted that the State will need to develop a methodology for water rate equalization when utilities merge. LWC may decide to put our methodology in front of the PSC and other agencies/utilities.
- (3) Kathy Getsinger's last day was 8/3/01. Bob has realigned Budgeting and Ratemaking to Supplying Financial Resources. For the time being, Bob will retain responsibility for Planning.

Action items:	Person responsible:	Deadline:
Reevaluate the Planning process—get input from BSOs.	Bob Miller	

INAAP Report Steve Hubbs

Steve gave a brief update on INAAP.

Agenda for 8/13/01 ELT Meeting

9:00-9:10 a.m.	Review Agenda	Bill Meeks
9:10-10:10 a.m.	MDB Update on Goals	Cindy Kowalski
10:10-10:25 a.m.	Break	
10:25-11:25 a.m.	Greenbacks Report	Richard Royse
11:25-11:45 a.m.	Review Board Items	
11:45 a.m.-12:00 noon	Housekeeping	Bill Meeks

Minutes

ELT Meeting Minutes

8/13/01

9:00 AM to 12:00 PM

Board Room

Leader: Bill Meeks
Facilitator: Nora Freeman (On Call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Steve Cooper, Cindy Kowalski, Joan Malone, Rhonda Plunkett

Agenda Topics

Review Minutes and Agenda OC Approval of Minutes and Agenda Bill Meeks

Discussion: Minutes from the August 6 ELT meeting were approved.

MBD Update on Goals

Cindy Kowalski

Discussion: Cindy, Steve, and Rhonda had a handout, "MBD Team Presentation to the ELT." They gave a six-month overview of M/W/HBE. MBE and HBE spending for the first half of 2001, at 2.5% and 0.008% respectively, are below the targets of 15% and 0.5% respectively. WBE spending, at 7.2%, is above the goal of 5%.

Conclusions: (1) We should reconsider how we calculate the M/W/HBE spending. (2) We should continue to work on benchmarking. (3) We should consider restructuring the MDB Team.

Action items:

Person responsible:

Deadline:

Reconsider how we calculate the M/W/HBE spending.

ELT/MBD Team

Place KOT's issues regarding HBE spending in her core in the BIN list.

Bill Meeks

Bring recommendations on restructuring the MBD Team to a Nov., 2001, ELT meeting.

MBD Team

Establish new M/W/HBE allocations for each core business system after personnel reassignments are effective in January, 2002.

ELT

Continue to work on benchmarking

MBD Team

Secretarial Support

Jim Wehrle

Discussion: Jim Wehrle provided copies of an e-mail regarding miscellaneous secretarial issues. He proposed adding a full-time employee—an executive secretary to support Mr. Wehrle, Audit, HR, and Diversity. The cost to LWC for the remainder of 2001 would be \$12,000-15,000.

Conclusions: ELT agreed that Jim should proceed with hiring an executive secretary. He should quantify the cost and look at ways to offset the cost.

Action items:

Person responsible:

Deadline:

Proceed with hiring of executive secretary.

Jim Wehrle

ASAP

Quantify cost and look at ways to offset.

Jim Wehrle

ASAP

Greenbacks Report

Bob Miller

Discussion: Bob provided copies of the LWC Financial Highlights for July, 2001, and LWC 2001 O&M Budget Allocation (based on five-year average except for July and August).

Conclusions: Water consumption through July, 2001 was 1.2 billion gallons lower than a year ago. O&M expense through July, 2001 was \$1.7 million higher than the same period last year, and higher than budget by \$708 thousand. Other Operating Expenses through July were \$2 million higher than the same period last year and \$1.1 million higher than budget.

Bob will report to the Board at tomorrow's meeting that our revised budget target will be \$200,000 over original budget due to two workers compensation claims (one claim having been "resurrected" from several years ago).

Nitrification

Steve Hubbs

Discussion: Steve Hubbs discussed the nitrification problem at the Cardinal Hill tank and the treatment plan for eliminating the nitrifying bacteria. He does not anticipate a significant increase in O&M costs due to the nitrification.

Review Board Items

Discussion: John Huber will discuss strategies from the LWC Strategic Plan for 2002-2006. Jim Wehrle will report on the Compensation Committee meeting scheduled for 11:00 a.m. tomorrow, just prior to the Board meeting. Bob Miller will report to the Board that LWC's revised target for 2001 budget will be \$200,000 over original budget due to two workers compensation claims (one claim having been "resurrected" from several years ago).

Agenda for Monday August 20, 2001

Bill Meeks will e-mail the agenda when he has it finalized.

Minutes

ELT Meeting Minutes

August 20, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bill Meeks
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle
Attendees: Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Nora Freeman, Joan Malone, Jami Young

Agenda Topics

Approve Minutes

Bill Meeks

Discussion: Minutes from the 8/13/01 ELT meeting were approved.

Empowerment Model Update

Nora Freeman

Discussion: Nora provided copies of and discussed the Empowerment Pilot Summary January-July, 2001.

Conclusions: There is no "one size fits all" empowerment. Each team is unique—levels of empowerment may vary regarding boundaries. Everyone must know their boundaries and have appropriate training. We must have policies, plans and budgets in place. It should be flexible, be a requirement, and be auditable.

Teams should develop flow charts showing points of decision from beginning to end. The process should be audited to identify gaps and processes by which to close the gaps

Empowerment is a key risk management strategy. In order to have effective systems-based management, we must make sure we are not missing opportunities because people are not appropriately empowered and that we are not taking unmanaged risks. We should create this in a way that BSOs, POs, and ELT consciously think about empowerment in all the things they do and that we have enough structure around it so we know it is being done and we are using it effectively.

ELT agreed to the combination of actions recommended in the summary and to extend the pilot to a broader cross section of the Company. Next year, all BSOs and POs should be involved in some pilot exercise. We should put together a module and roll out at either the system or process level.

It was agreed to bring this back on a future ELT agenda and hear from one or more BSO(s) or PO(s) who was (were) involved in the pilot regarding advantages, benefits and challenges. This will give us more perspective on how to apply to other areas.

Action items:

Person responsible:

Deadline:

Formulate plan based on the input from discussion in today's ELT meeting and bring back to ELT along with input from BSOs and POs who were involved in the pilot.

N. Freeman/BSOs/POs

Video, "How to Build Better Performance"

Jim Wehrle

Discussion: Jim Wehrle showed a video on coaching titled "How to build Better Performance," which discusses constructive criticism and uses six building blocks: (1) Use criticism—don't be afraid to use constructive criticism as a training tool. (2) Criticize privately. (3) Criticize the problem—not the person. (4) Get all the facts. (5) Ask questions and give the employee a chance to respond—listen to the employee. (6) Set realistic goals for improvement. The video will be used in BSO and PO training at LWC.

Update on INAAP

John Huber

Discussion: John Huber gave an update on the INAAP due diligence.

Bill Meeks will e-mail the agenda for the 8/27/01 ELT meeting.

REMINDER: Please bring a copy of ELT roles to the 8/27/01 ELT meeting.

Minutes

ELT Meeting Minutes

August 27, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bill Meeks
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle
Attendees: Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Nora Freeman, Joan Malone, Jami Young

AGENDA TOPICS

9:00-9:10 AM

Approve Minutes

Bill Meeks

Discussion: ELT approved minutes from the 8/20/01 meeting.

**O&M Budget Gaps 2001; Review Plans for ELT
Approach to 2002; Over-Budgeted Prioritization by
System Core**

Bob Miller

Discussion: The group discussed how to offset the \$65,000 additional funds needed in the 2001 Budget to cover additional Pure Tap expenses and the approximately \$15,000 additional funds to cover hiring a secretary for Jim Wehrle. The additional cost of Pure Tap may be prorated among all systems. Jim Wehrle will find ways to cut \$15,000 from inside HR to cover the 2001 cost for hiring his secretary. These items will be evaluated further when the updated forecast is available 8/28/01.

We should continue our focus on reducing costs wherever possible. Additional ways to reduce costs are: Relook at temporary workers—an item which will reduce costs quickly. Look at chemical costs. Reduce travel expenses. Everyone should look at costs for November/December 2000. If we're headed in the wrong direction for 2001, look at what we can do differently in November/December 2001 to control costs.

Bob Miller referred to page 75 from the August Board book, "LWC 2001 O&M Budget Allocation." He suggested CBSOs discuss this with their BSOs. He also referred to page 111 from the August Board book regarding key budget issues for 2002.

The group discussed additional revenue for fees and penalties—\$700,000-\$800,000—which is accompanied by additional expenses of about \$100,000. We should consider offsetting the \$100,000 additional costs, which impacts Kevin Grant's and Ed Chestnut's systems. We have been absorbing this expense. Ed and Kevin will quantify the \$100,000 expense and provide a summary. It is a good decision to spend \$100,000 to bring in \$700,000-\$800,000 in revenue.

Bob Miller furnished copies of "Schedule A-3 of the Preliminary 2002 Operating and Maintenance Budget" and the schedule for O&M budget hearings this week.

Bob noted that the budget has these variables: rate increases, water sales, O&M expense, and return on equity.

System owners will present their budgets at 2% at the core level and make requests for anything over 2%, providing a basis for the request. They will list items over 2% and the dollar amounts and list as existing or new items. ELT will rank the items. If certain items don't make the cut, we will need plans to change operations so we will NOT spend those dollars. Possibly some items could come out of contingency. Items eligible for contingency are items that cannot be anticipated or controlled—unfunded or underbudgeted items such as fuel. Contingency is a corporate risk management tool.

Action items:	Person responsible:	Deadline:
Quantify \$100,000 cost to generate \$700,000-\$800,000 revenue for fees/penalties.	Teasley/Chestnut/Grant	
Find ways from inside HR to offset \$15,000 for 2001 cost of secretary.	Wehrle	

Review Bin List

ELT

Discussion: This item was deferred to a later ELT meeting so the group could continue with budget discussions.

Review Revised Employee Status Policy

**Jim Wehrle / Mike
Sturgeon**

Discussion: Mr. Wehrle provided copies of the revised Employment Status Policy (#R2-36). He discussed changes to the policy and requested consensus to move forward with the revised policy.

Conclusions: In the future, all invoices for temps will go directly to the area utilizing the temp. The area utilizing the temp will process the invoice for payment.

Mr. Wehrle confirmed that the revised Employment Status Policy in no way interferes with or affects our relationships or contracts with consulting engineers, professional services firms, or independent contractors.

ELT members want to be assured that the operating areas are adequately represented on the Senior Compensation Committee (SCC).

ELT approved the policy with the understanding that Jim will look at variables dealing with operating areas having representation on the SCC. The SCC will try to deal with this in an expeditious manner.

Action items:	Person responsible:	Deadline:
Look at operating areas having representation on the SCC.	J. Wehrle/SCC	

Agenda for September 10, 2001: Bill Meeks will e-mail the agenda when he has it finalized.

Revised Minutes

Minutes

ELT Meeting Minutes

September 10, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle

Attendees: Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bob Miller, Karla Teasley, Jim Wehrle, Shawna Denny, Amber Halloran, Joan Malone, Sue Purdy, Richard Royse

Please bring: Agenda and Minutes

Agenda Topics

Review Minutes

Bob Miller

Discussion: Minutes from the August 27, 2001 ELT meeting were approved.

Metro United Way Campaign

Shawna Denny

Discussion: Shawna Denny addressed the group at the beginning of the meeting regarding volunteers to help with the MUW campaign. She has had a very low response to her e-mail requesting volunteers. She needs a minimum of 1-2 from each core. The volunteers will need to devote 10-20 hours during the first week in October and 1-2 hours per week after that to the campaign.

Conclusions: The group noted that union representation is also needed among the volunteers. Shawna will send another e-mail and the CBSOs will discuss with their BSOs.

Action items:

Person responsible: Deadline:

Send second e-mail requesting volunteers.

Shawna Denny

CBSOs discuss with their BSOs.

CBSOs

Results from Team Assessment Survey

Nora Freeman

Discussion: This item was deferred to a later ELT meeting so the group could discuss budget issues.

Board Issues

John Huber

Discussion: Mr. Huber discussed items to go before the Board on Tuesday, September 11, 2001. They include: the Strategic Plan, liner installation at Crescent Hill, the 2001 Annual Inspection Report, and budget issues.

Greenbacks Report

Richard Royse

Discussion: Richard provided copies of and discussed the LWC Financial Highlights from August, 2001. Water consumption through August, 2001 was 613 million gallons lower than a year ago. The percent of unaccounted-for water through August was 17.86% compared to last year's 15.74%. O&M expense through August, 2001 was \$1.4 million higher than the same period last year, and higher than budget by \$626 thousand. Other operating expenses through August were \$2.5 million higher than the same period last year and \$1.5 million higher than budget.

Richard has added charts on the back of Page 3 showing YTD O&M monthly variance, budget to actual; and YTD net income monthly variance, budget to actual.

Conclusions: Unaccounted-for water should be 15% or less. We should look into this and explain the high percentage of unaccounted-for water. The flushing program contributes to a portion of the percentage over 15%.

West Shelby Water District is the fastest growing wholesale customer, making up some of the wholesale water sales we lost when we purchased KT.

All cores are meeting overtime goals YTD.

We need to expand on Line 6 of Page 1, adding explanation of Other Operating Income.

Action items:	Person responsible:	Deadline:
Explore unaccounted-for water.	KOT/SAH	
Add explanation of Line 6 on Page 1—Other Operating Income.	Richard Royse	

Budget Issues

Bob Miller

Discussion: Bob Miller provided copies of and discussed "LWC 2001 O&M Budget, Actual v. Target (Assumes Contingency Fund is Fully Expended)" and "LWC 2002 O&M Budget." The group discussed the additional cost for Pure Tap (\$65,000) and the 2001 cost for a secretary for Jim Wehrle (approximately \$15,000). They reviewed cost reduction strategies. We need to determine whether cost reduction strategies will work. Karla is lowering number of employees. She may have to move capital employees to O&M for the winter. Steve Hubbs will attempt to reduce chemical costs. We need to clean Cardinal Hill reservoir, which could cost \$30,000—this amount is not budgeted. Greg Heitzman is reducing grass maintenance, with an anticipated savings of \$50,000-\$75,000. Bob Miller can meet his reduced budget with capitalization of time in Financial Resources and capitalization of IT working on the capital project. The \$83,000 under budget is on target for Bob. Managing Infrastructure can meet their target of \$116,000. Administration is overbudget—nothing was reserved for legal expenses, and John Huber noted we still have RF subscription dues, GLI dues, and Economic Development Partnership dues to pay in 2001. Laura Douglas will come up with a new number for legal expenses. Jim Wehrle says his core is at the projected \$183,000 under budget. Serving customers needs additional analysis of \$600,000 gap.

We don't want to defer costs to 2002. We should continue to review discretionary spending.

Steve Hubbs provided copies of ranking for items over 2% target budget. The group discussed the top 14 items to decide if any are discretionary or if funding can be adjusted. Some items we might want to move above Line 14 are Director and Officer insurance and in-house computer training.

If we keep items through Line 14 in the 2002 Budget, this will require a 3.5% rate increase and \$700,000 reduction in Infrastructure Replacement Reserve.

Conclusions: Need updated sheet (2002 O&M Budget) showing revised Column G for Serving Customers and Administration. Bob Miller needs the most up to date numbers for everyone—revised Column E (2002 O&M Budget) from each BSO—that will be published in the budget.

We need to determine who pays the Baker & Daniels invoices.

Action items:	Person responsible:	Deadline:
Provide updated sheet showing revised Column G for Serving Customers and Administration 2002 Budget.	Bob Miller	
Provide revised 2001 Forecast from each BSO—provide most up-to-date numbers to RKM this week.	BSOs/CBSOs	
Followup on Baker & Daniels invoices. Determine who will pay and if the invoices have been paid.	ELT	

Agenda for September 17, 2001: ELT members should provide agenda items to Bob Miller.

Minutes

ELT Meeting Minutes

September 17, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle

Attendees: Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Joan Malone, Nora Freeman (On Call)

Please bring: Agenda and Minutes

Agenda Topics

9:00-9:05 AM Review Minutes Bob Miller

Discussion:

Conclusions:

Action items:

Person responsible:

Deadline:

9:05-9:10 AM Review Agenda Bob Miller

Discussion:

Conclusions:

Action items:

Person responsible:

Deadline:

<p>9:15-9:25 AM</p> <p>Discussion:</p> <p>Conclusions:</p> <p>Action items:</p>	<p>ELT Roundtable with Employees Meetings</p>	<p>Jim Wehrle</p> <p>Person responsible:</p> <p>Deadline:</p>
<p>9:25-10:00 AM</p> <p>Discussion:</p> <p>Conclusions:</p> <p>Action items:</p>	<p>BSOC Recommended Reorganization Execution Date</p>	<p>Bob Miller</p> <p>Person responsible:</p> <p>Deadline:</p>
<p>10:00-10:15 AM</p> <p>Discussion:</p> <p>Conclusions:</p> <p>Action items:</p>	<p>Break</p>	<p>Person responsible:</p> <p>Deadline:</p>
<p>10:15-11:00 AM</p> <p>Discussion:</p> <p>Conclusions:</p> <p>Action items:</p>	<p>Review Status of Preliminary 2002 O&M Budget</p>	<p>Amber Halloran</p> <p>Person responsible:</p> <p>Deadline:</p>

11:00-11:30 PM	Review 2001 O&M Forecast and determine next steps	CBSOs
Discussion:		
Conclusions:		
Action items:	Person responsible:	Deadline:

11:30-11:45 AM	Review Tema Effectiveness Survey	Nora Freeman
Discussion:		
Conclusions:		
Action items:	Person responsible:	Deadline:

11:45-12:00 PM	TKO Report & Prepare Agenda for Next Meeting	Jim Wehrle & Bob Miller
Discussion:		
Conclusions:		
Action items:	Person responsible:	Deadline:

Minutes

ELT Meeting Minutes

September 24, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle

Attendees: Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Amber Halloran, Don McKay, Joan Malone, Richard Royse

Agenda Topics

Review Minutes

Bob Miller

Discussion: Minutes from the September 27, 2001 ELT meeting were approved as submitted.

Security

Don McKay

Discussion: Don McKay provided copies of and discussed "LWC Critical Infrastructure Protection" which listed goals, short-term strategies, long-term strategies, and issues/concerns.

Steve Hubbs noted monitoring is being done seven days/week.

Conclusions:

Terrorism risk management should consist of: prevention, monitoring/information gathering, and containment/minimizing effects.

Action items:

	Person responsible:	Deadline:
Apprise BSOs of procedures being taken regarding security.	CBSOs	
Confirm any advantages to "double boil" procedure (consists of two 5 minute boil cycles with cool down cycle between boil cycles).	SAH	
Discuss security procedures again at the 10/1/01 ELT meeting when Don McKay will have new security policy available.	ELT/D. McKay	
Address "Everyone" e-mails in the electronic communications policy.	RKM	

Preliminary 2002 O&M Budget

Amber Halloran

Discussion: Richard Royse provided copies of "LWC 2002 O&M Budget APP.A3," "Additions to Preliminary 2002 O&M Budget above 2%," "2002 Estimated Changes in Sources and Uses of Revenue, Scenario 1," "2002 Estimated Changes in Sources and Uses of Revenue, Scenario 3," "2002 LWC Preliminary O&M Budget (ranking of items over 2%)," and "Manpower Comparison 2001 Budget to 2002 Budget (Regular FTEs)," and "2002 Manpower Comparison for Contract, Seasonal, Co-op, and Temporary Personnel."

The "LWC 2002 O&M Budget APP.A3," has been adjusted to include Items 1-13, 16, 18, 26 and 31 from the Priority List, for a total 2002 O&M Budget of \$41,780,745. "2002 Estimated Changes in Sources and Uses of Revenue, Scenario 1," assumes a 3.5% rate increase and IFR of \$2,300,000. We will have a decrease in revenue when city/county governments merge. Do we want to address this revenue shortfall before 2003? "2002 Estimated Changes in Sources and Uses of Revenue, Scenario 3," calls for a 3.75% rate increase and IFR of \$2,495,000 and gives us room to prepare for merger and the accompanying shortfall in revenue.

Regarding "Manpower Comparison 2001 Budget to 2002 Budget, Regular FTEs" and "2002 Manpower Comparison for Contract, Seasonal, Co-op, and Temporary Personnel," CBSOs should have their BSOs validate the correctness of the numbers. The CBSOs should give Richard Royse any changes in the numbers by noon Wednesday, 9/26/01. Amber will get revisions to ELT by Thursday. We must work out final details this week.

Action items:	Person responsible:	Deadline:
Get any changes in numbers on the manpower comparison documents to R. Royse by Wed., 9/26/01.	CBSOs	
Revise manpower comparison documents and get revisions to ELT members by Thursday, 9/27/01.	Amber Halloran	

Organizational Chart Changes

Jim Wehrle

Discussion: Jim Wehrle provided copies of and discussed "Confidential Potential Variation to BSO Rotation."

Conclusions: The group agreed to move ahead with the proposed BSO rotation incorporating changes discussed under Item 5G. Mr. Wehrle revised Item 5G of the handout and provided copies to ELT members.

Action items:	Person responsible:	Deadline:
Communicate to BSOs when changes will be effective.	CBSOs	

Review BIN List for Prioritization

Bob Miller

Discussion: Bob Miller will initiate an ELT electronic calendar that ELT members will have access to. It will contain a marked up BIN list.

Action items:	Person responsible:	Deadline:
Set up ELT electronic calendar with BIN list.	Bob Miller	

Agenda for October 1, 2001: Please submit agenda items to Bob Miller.

Minutes

ELT Meeting Minutes

October 1, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, Bill Meeks, Bob Miller, Jim Wehrle, Amber Halloran, Joan Malone, Don McKay, Glen Mudd, Jack Wang

Agenda Topics

Review Minutes Bob Miller

Discussion: Minutes from the September 24, 2001 ELT meeting were approved as submitted.

Employee Code of Conduct and Performance Policy/LWC Organization Chart Jim Wehrle

Discussion: Jim Wehrle provided copies of the Employee Code of Conduct and Performance Policy and a list of relatively minor changes contained in the policy.

Mr. Wehrle also provided copies of the LWC Organization Chart as of December 17, 2001.

No action is required on either of these items.

Security Don McKay

Discussion: Don McKay and Glen Mudd provided copies of and discussed Draft LWC Policy R5-05, Corporate Security Policy.

Conclusions: In the policy, we need to distinguish between biological and chemical contamination, add a statement clarifying that all LWC facilities are restricted access, and define "facilities" for the purposes of this document. We need site specific plans with some centralized monitoring and oversight. LWC is scheduled to meet with Black and Veatch on October 10 to discuss security. Don and Glen will meet with ELT again after the October 10 meeting, noting any revisions recommended by Black and Veatch.

Don and Glen provided copies of and discussed the LWC Security Task Matrix. The group discussed the issues of fencing around the reservoirs. We should consider the community and political aspects of doing this.

Action items: Person responsible: Deadline:

Make revisions noted above and include revisions suggested by B&V at the October 10 meeting. G. Mudd/D. McKay

Preliminary 2002 O&M Budgets – Employee Counts Bob Miller

Discussion: Amber Halloran provided copies of and discussed the Manpower Comparison 2001 Budget to 2002 Budget for Regular FTEs and 2002 Manpower Comparison for Contract, Seasonal, Co-Op, and Temporary Personnel.

Conclusions: LWC is 13 employees over budget.

Action items: Person responsible: Deadline:

Followup regarding Scott's position and the P position. ELT

Provide information under C2--\$1 person \$0 in Budget. Amber Halloran

2001 Forecast	Amber Halloran
Discussion: Amber provided copies of the LWC 2002 O&M Budget, APP.A3 dated 9/18/01.	
Conclusions: Current forecast for 2001 Budget is \$39,900,000 which is roughly \$800,000 over budget. We need to explain to the Board how we went from \$200,000 over budget to \$800,000 over budget.	
Action items:	Person responsible: Deadline:
Get information together which will explain to the Board why we are \$800,000 over budget.	RKM
Total Coliform Occurrence in Distribution System	Jack Wang
Discussion: Jack Wang provided copies of and discussed a report pertaining to Total Coliform Occurrence in Distribution System. Jack recommended that ELT consider recalculating the total coliform goal using the method described in the report.	
Conclusions: This report should be listed as a process improvement for the 2 nd quarter, 2001.	
Action items:	Person responsible: Deadline:
Ask John Huber to consider using the data contained in the report to adjust goals for 2001. Discuss at a future ELT meeting.	ELT
Future Agenda Items	Bob Miller
Discussion: Bill Meeks provided copies of a list of ELT Future Agenda Items.	
Conclusions: Regarding Items 1-10, only Items 3 and 5, Review Progress with QualServe Update Recommendations, and Empowerment Pilots, should remain on the list. Regarding Items A-F, all items with the exception of Item B, Partnership Council Report, should remain on the list.	

Please submit agenda items for the 10/8/01 ELT meeting to Bob Miller.

Minutes

ELT Meeting Minutes

October 8, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle
Attendees: Jim Brammell, Ed Chestnut, Laura Douglas, Amber Halloran, John Huber, Don McKay (by telephone), Bill Meeks, Bob Miller, Sue Purdy, Don Spanyer, Karla Teasley, Jim Wehrle, Joan Malone
Please bring: Agenda and Minutes

Agenda Topics

Review Minutes/Review Agenda Bob Miller

Discussion: The minutes were approved as submitted. The agenda for this meeting was discussed and approved.

Integrated Voice Response System Demonstration Don Spanyer

Discussion: Don Spanyer provided copies of and discussed "Interactive Voice Response (IVR)/Computer Telephone Integration (CTI) Project—October 8, 2001 ELT Update." He discussed Phases I, II, and III of the project.

Action items: No action required—sharing of information only. Person responsible: Deadline:

Review Financial Results Amber Halloran/Sue Purdy

Discussion: Amber provided copies of and discussed "LWC Financial Highlights September 2001" and graphs titled "Unaccounted for Water Pattern" and "Unaccounted for Water Percentage."

Conclusions: We have had a good month. Amber noted she would like to get all the 2001 invoices paid in calendar year 2001.

Action items: Person responsible: Deadline:

In the monthly Financial Highlights, track Adjustments for the benefit of ELT. Amber Halloran

Create another version of the Unaccounted for Water Pattern/Percentage showing upper and lower level control limits. Amber Halloran

CSI Karla Teasley

Discussion: Karla provided copies of and discussed linear charts, "Total CSI" and "Serviced Customer CSI (performance award component)."

Conclusions: Total CSI showed improvement in seven of the eight past months.

Action items: No action required—sharing of information only. Person responsible: Deadline:

Review 2001 Budget Forecast

Bob Miller

Discussion: Bob Miller provided copies of and discussed "LWC 2001 Budget v. 2001 Forecasts" and "LWC O&M Cost per Customer, Actual v. Inflation Adjusted."

Conclusions: Net Income and Total Operating Revenue have significantly improved. We will be over budget for 4th quarter, 2001 by about \$350,000. Historically, we see a higher level of expenses in the fourth quarter each year. Our goal is to be over budget by less than \$837,000 for 2001. Additional expenditures for 2001 include additional security, RF, legal expenses, and claims.

The group discussed changing the bond resolution this year regarding the \$961,000 additional revenue lost due to the purchase of KT. This amount is still part of our net income, but we set it aside for expanding that system and serving KT customers. No decision was made regarding changing the bond resolution.

Action items: No action required—sharing of information only. **Person responsible:** **Deadline:**

Review 2002 Budget Document

Bob Miller

Discussion: Bob Miller discussed the 2002 Budget. Bob will take the key schedule and graphs and prepare a supplemental document to present to the Board.

Conclusions: Our recommendations to the Board are: (1) Request a 3.75% rate increase. (2) Request permission to file the budget with the trustees and the City. (3) Present full review of Preliminary Budget at a special Board meeting in late October or at the regular Board meeting in November, 2001.

Through LWC's participation in AWWARF Subscription Program, the AWWARF funds part of the research we do. The Board will need an explanation of outflows and inflows of money for the current RF-funded research project.

Action items: **Person responsible:** **Deadline:**

Get a one-page synopsis of AWWARF expenses and total amount of money reimbursed us by AWWARF for the current RF-funded research project.

Amber Halloran

Review Board Agenda

John Huber/Laura Douglas

Discussion: The agenda for the October 8, 2001 Board meeting will include: security, budget, NIMDA worm, extension for paving and concrete contract with Stoll paving, and the Crescent Hill liner.

Action items: No action required—sharing of information only. **Person responsible:** **Deadline:**

Security

Don McKay (by telephone)

Discussion: Don McKay discussed what he plans to include in his presentation to the Board on Tuesday regarding security. The group discussed other issues regarding security.

Action items: **Person responsible:** **Deadline:**

Prepare a condensed version of the Emergency Preparation Plan and distribute to appropriate persons.

Don McKay/Bo Williams

Agenda for 10/15/01: Bob Miller will e-mail the agenda.

Agenda

ELT Meeting Minutes

10/15/01
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (On call)
Recorder: Steve Hubbs
Timekeeper: Jim Wehrle
Attendees: Laura Douglas, Steve Hubbs, Bill Meeks, Bob Miller, Karla Teasley (10:40), Jim Wehrle, Greg Heitzman
Please bring: Agenda

Agenda Topics

9:00-9:10 AM Review Minutes and Agenda OC Approval of Minutes and Agenda Bob Miller

Discussion: Minutes were reviewed and approved. Agenda was approved as presented.

9:10-9:30 AM Security Planning Don McKay

Don discussed a recent meeting with the consultant (Black and Veach) regarding security at our treatment and distribution facilities. It is estimated that initial security improvements will cost from \$20,000 to \$35,000 this year. Other meetings with key agencies were discussed. Work is underway on securing a better estimate of costs for 2002 budget. A listing of vulnerabilities has been completed and work planned to manage the most significant controllable risks.

Bob brought up the question of technique for boiling and storing water. It was suggested that we include this in the IVR and web site.

The lab should provide details for how to store and disinfect water.

Conclusions:

Action items:	Person responsible:	Deadline:
Arrange for public information for water storage	Don McKay and B Crow	1 month
Provide guidance on water treatment and storage at homes	Don McKay and J Wang	1 month

9:30-9:50 AM

Manpower Comparison by Core

Bob Miller/CBSOs

Bob provided a table of manpower chart by core covering 1999 through the 2002 budget. The summary indicates that we have operated below budgeted levels of employees over the past 3 years. According to this report, we have actually added 2 employees since 1999, and have budgeted 14 more than we had in 1999.

Steve suggested that an accounting of total wages paid (including temps, part time, and contracted labor) be followed as a key measure, broken into O&M and Capital. This will provide a macro view of the one element of operating the company.

Action items:

Person responsible:

Deadline:

Put together a key measure of total employee cost, broken down into full-time, part time, temps, and contracted labor (O&M and Capital)

Bob Miller

None set

9:50:-10:10 AM System and Process Codes for Reorganization

Bob discussed the concern over providing new codes for the realignment currently underway. Bob noted that we can track costs without re-assigning process and system codes, although the capability to make the changes exist.

The group concluded that the most efficient way to proceed is to follow Bob's recommendation to retain the existing system and process codes.

Conclusion: We will continue to use current system and process codes through this reorganization

Action items:

Use existing codes to track costs (Bob Miller)

10:00-10:10 AM

Third Quarter Operating Plan Review

Bob Miller

Bob discussed a proposal to continue with the format used at the last review, which was well received by most BSOs. ELT supported the concept.

Steve noted that for ISO certification, a routine review of management systems was required, and that ISO consultants had indicated that our operating plan reviews do not cover this requirement. To be ISO compliant, we would have to establish a routine (quarterly suggested by consultant) management system review.

Conclusions: Continue to use the format used last.

Action items:

Person responsible:

Deadline:

None

10:25-10:48 AM

Finalize 2002 Operating Plans

Bob Miller

The 2002 budget is completed, and Bob wanted to discuss the process for moving through the 2002 operating plans. Greg noted the concern over the ownership of the operating plans, and if changes to the operating plans needed to go past ELT or budget if they did not involve a change in resources. It was agreed that operating plans would be under the ownership of the BSOs and CBSO.

Bob suggested that we continue to have a compilation of operating plans for 2002, finalized through the CBS. The system owners will be responsible for the Gap Analysis. Any gaps identified are to be resolved at the system level, and at the CBSO level for inter-core issues. Any issues unresolved that reflect a need for additional resources or re-alignment of priorities will be brought to ELT for resolution. A brief scenario of an inter-core gap was explored to clarify the issue.

The need for consistency and accountability of operating plans will be added to the checklist of items to be reviewed by the auditor during certification. Bob will maintain the standard template for compiling the operating plans (this may be moved from Access to be more user-friendly). 2002 operating plans are due complete December 15.

Conclusions:

Action items:

Person responsible:

Deadline:

Complete operating plans due to Anna Norris.

BSOs

12-15-01

10:48-10:55 AM

Diversity Council Update

Jim Wehrle

The council has been selected, including: Christy Weikert, Debra Vaughn, James Mok, Rengao Song, Rhonda Brown, Sonja Davis, Vince Guenther, and Ed Moore.

Greg noted that time for this activity was not budgeted for all of the above council members. The group agreed to track costs for members under constrained O&M budgets.

Conclusions:

Action items:

Person responsible:

Deadline:

None

11:00-11:10 AM

Future Agenda Items

Bob Miller

Bob provided a table of items identified at the last meeting to be considered by ELT. Greg asked that the organization of P1 and P2 be brought to ELT for discussion/approval. Bob suggested that we follow up with an empowerment diagram for organizational changes. Karla asked for an update on certification audits. Security items will be discussed regularly. Laura suggested we routinely ask (monthly) for review of draft policies.

Conclusions:

Action items:

Person responsible:

Deadline:

Produce updated BIN list

Bob

10-22-01

11:10-11:55 AM

NLP II Timeline. (Outcome, approval)

Bob Miller

Karla provided the compilation of the work regarding the NLP II timeline. Greg suggested that deadlines be provided for each element, or noted as ongoing if appropriate, and that a column for accountability be added for tracking and building operating plans. Format will remain as presented through the review process (with the added columns). Nora will fill in these columns based on her best judgement. Questions from Nora on target dates and accountability will be handled with ELT via e-mail.

Discussion of specific items:

Item 20: The lack of funding for ISO was discussed, and the group suggested to change the wording from "obtain" to "assess".

Item 18: Cost of poor quality item was discussed as a tool, with suggestion to word similar to Item 12, with ongoing status.

Item 25: Suggested wording is "Continue alternative contract methods..."

Item 17: Was not budgeted, to be considered if resources become available, with 2003 goal date.

Item 38 and 63: These items were repeated for emphasis/comprehensiveness.

Item 47: Item to be shortened to exclude goal, which would be included in annual goals (end after "increase MBD spending").

Item 59: Broaden to focus on an ongoing goal across the company, evaluate through certification.

Conclusions:

Action items:

Person responsible:

Deadline:

Update document, add column on accountability and deadline date

Nora/Karla/ELT

10-22-01

ELT changes back to Nora

ELT

11-01-01

11:45-12:00 PM

Housekeeping

Bob Miller

Discussion: AGENDA: to be prepared by Bob based on Future Agenda Items list.

TKO report. No observed hindering behavior, ended on time.

Conclusions:

Action items:

Person responsible:

Deadline:

None.

Minutes

ELT Meeting Minutes

October 22, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle
Attendees: Laura Douglas, Kevin Grant, Amber Halloran, Greg Heitzman, John Huber, Bob Miller, Jim Wehrle, Don McKay, Joan Malone, Jack Wang
Absent: Karla Teasley
Please bring: Agenda and Minutes

Agenda Topics

Review Minutes/Review Agenda Bob Miller

Discussion: The minutes from the October 15, 2001 meeting were approved as submitted. The agenda for this meeting was discussed and approved.

Security Planning Don McKay/Amber Halloran

Discussion: Don McKay provided copies of and discussed "Projected Additional Security Cost Estimates as of 10/17/01."

Conclusions: A team on security of facilities is being formed. It will be composed of BSOs and POs most directly involved in security of facilities. John Huber will charter the team. Glen Mudd will serve as team leader.

Steve Hubbs asked that no meetings be scheduled in the Training Center at CH other than those involving employees who work within that complex. This will reduce concerns about gate control for the facility for the short term.

Don and Glen are working on a detailed mail handling process which should be finalized this week.

ELT approved installation of ornamental fencing around the CH reservoir. Jim Asseff is working on repairs for the fence at Cardinal Hill.

Action items:	Person responsible:	Deadline:
Check outside labs to see if they monitor for things we don't monitor for.	SAH/McKay	
Communicate with our wholesale customers/send info. we are getting from the federal government on terrorism and security of facilities.	GCH/McKay	

Review Operating Plan Empowerment Matrix

Bob Miller

Discussion: Bob Miller provided copies of the "As Is" version of "Ongoing Process for Changing Content of Detailed Operating Plans (after Final Approval)," and "To Be" version of "Process for Changing Operating Plans."

Conclusions: On the "To Be" version of "Operating Plan Development Empowerment Model," the group added a column heading between BSOs and SACs titled POs. Headings now read: ELT, CEO, CBSOs, BSOs, POs, SACs. An Item 1 titled Creation of Draft Operating Plan was added, with the following keys from left to right: X, X, C, W, C/W, W. Other changes: Item 2, POs column should read C; Item 3, POs column should read W; Item 4, POs column should read X; Item 5, BSOs column should read C/W and POs column should read W.

The heading of the "Operating Plan Development Empowerment Model" will be changed to "Operating Plan Empowerment Model." The word "Development" was deleted from the heading.

In the flow chart decision "diamonds," references to ELT will be deleted.

The group adopted these documents with the changes discussed.

Action items:	Person responsible:	Deadline:
Make changes as discussed/get this document to BSOs for further distribution. Add a footnote item showing an explanation of C/W key.	Bob Miller	

Review Organization Change Empowerment Matrix

Bob Miller

Discussion: Bob Miller provided copies of and discussed the "Draft Organization Structure Change Empowerment Model." Changes in the columns are as follows: For items 1-4, keys in the ELT column should each read C. For Items 1-6, keys in the CEO column should read A, A, A, A, D, D. For Items 5 and 6, keys in the VP HROE column should read A.

Bob noted that we need to differentiate between processes and issues. We need to development processes, then deal with the issues.

Conclusions: The document was adopted by ELT with the changes noted.

Reorganization of P1 and P2

Greg Heitzman, Jack Wang

Discussion: Jack Wang handed out and discussed his confidential draft memo regarding Structure of the Merged System for P1 and P2—Managing Water Quality and Water Production.

Greg discussed the proposed structure of Managing Water Quality and Water Production System (P1 and P2) and Page 3 of the document titled Water Quality and Production Business System Proposed Organizational Changes. Greg noted that employees will be encouraged to rotate from one area to another. Vacancies listed on the righthand side of Page 3 will be posted and filled according to the timetable listed at the bottom lefthand side of the page.

Action items:	Person responsible:	Deadline:
Make changes as noted, get JLH's approval, communicate to employees.	GCH/SAH/Wang	This Wk.
Discuss the proposal and work with HR to evaluate and post the jobs.	GCH/SAH/Wang	

2002 O&M Budget Realignment

Amber Halloran

Discussion: Amber Halloran provided copies of and discussed the "LWC 2002 O&M Budget, APP.A3." Pages 2, 3, and 4 list changes by system from original budget submitted in August. Page 5 lists LWC 2002 budget issues.

Conclusions: ELT accepted the document as shared information with the following: Strike Items 2, 5, and 6. Regarding Items 1, 3, and 4, Amber and Bob will work with John to settle these issues.

Action items:	Person responsible:	Deadline:
Settle issues regarding Items 1, 3, and 4 on Page 5, "LWC 2002 Budget Issues."	Halloran/Miller	

Union Negotiations

Jim Wehrle

Discussion: Jim Wehrle discussed LWC's proposal to the union for contract renewal/extension. He is waiting for the union to ratify the proposal.

Census

Bob Miller

Discussion: Bob Miller provided copies of and discussed an article from the October, 2001 issues of *Government Finance Review* titled "Federal Focus: 2000 Census Yields Unexpected Results." Bob pointed out some highlights of the article: On 4/1/00, the U.S. population stood at 281,421,906. This census was the first in which all 50 states increased in population. Eighty percent of Americans now live in the 276 metropolitan areas that form the center of American society. The metropolitan population grew 14 percent over the last decade compared to nonmetropolitan counties, which grew about 10%.

Agenda for 10/29/01:

Bob Miller provided copies of a list of future agenda items--updated 10/18/01, Items 6 and 9 should be deleted. Regarding Item 7, R. LeMaster will report at the 10/29/01 ELT meeting.

An item on RBI can be added to the list--this will be discussed on 10/29/01.

The Waterworks Management Workshop Group meeting which Greg and Bob will attend on October 25 and 26 will also be discussed at the 10/29 ELT meeting.

Bob will furnish an agenda for the 10/29/01 ELT meeting.

Minutes

ELT Meeting Minutes

October 29, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle
Attendees: Kay Ball, Laura Douglas, Greg Heitzman, Steve Hubbs, John Huber, Roger LeMaster, Ralph McCord, Don McKay, Joan Malone, Bill Meeks, Bob Miller, Scott Muhlenbeck, Karla Teasley, Jim Wehrle, Jami Young
Please bring: Agenda and Minutes

Agenda Topics

Review Minutes/Review Agenda Bob Miller

Discussion: Minutes from the October 22, 2001 ELT meeting were approved as submitted. Agenda for the October 29 ELT meeting was approved.

Security Planning Don McKay

Discussion: Don McKay discussed status of additional security at LWC following the 9/11/01 terrorist attacks. He discussed fencing at Cardinal Hill, roving patrols versus stationary patrols, and incoming U. S. mail. The LWC Security Council will consist of Jim Asseff, Jim Brammell, Barbara Crow, Don McKay, Glen Mudd, Jack Wang, and Bo Williams. Glen Mudd will serve as Council Leader.

Conclusions: The group concurred that our goal is to reduce/control the cost of security without compromising the level of security we provide.

Review Waterworks Management Workshop Results Bob Miller, Greg Heitzman

Discussion: Greg provided copies of and discussed his notes from the Workshop.

Bob noted that the major topic of discussion at the Workshop was security of facilities. One major issue is the risk of truck bombs. Some utilities are moving from chlorine delivered in rail cars to other means of chlorine delivery, requiring background checks on contractors and employees, requiring all employees to wear IDs at all times, and changing visitor IDs to very bright colors to make them more visible. Some utilities have decided they will not allow employees' personal packages to be delivered to the workplace. LWC will check into this.

The AWWARF vulnerability assessment due out within the next few weeks.

Action items:	Person responsible:	Deadline:
Check into employees' personal packages being delivered to the workplace.	Don McKay	
Check into having chlorine delivered by a means other than by rail cars.	Steve Hubbs	
Check into accuracy/timeliness of tracing phone calls	Don McKay	
Check into methods of recognizing Anthrax in HPCs.	Steve Hubbs	

Review Water Utility Council Results Steve Hubbs

Discussion: Steve noted the major topic of discussion at the WUC meeting was security. Other topics discussed were regulatory/legislative in nature.

Steve noted that RBI is a very secure treatment technology.

Certification Status	Roger LeMaster/Scott Muhlenbeck
Discussion: Roger and Scott provided copies of the status of Business System certification. Certification will be discussed with the Audit Committee at their meeting on November 6. The memo listed recommendations which have been offered to multiple systems for consideration in strengthening the quality management system.	
Action items:	Person responsible: Deadline:
Prepare a timeline or schedule on the status of certification so ELT can track the progress.	LeMaster/Muhlenbeck
Regarding best practices, ask system owners what from their perspective are their best practices.	LeMaster/Muhlenbeck
RBI/Goshen/Capital Program	S. Hubbs, G. Heitzman, K. Ball, R. McCord
Discussion: Greg discussed the possible Goshen Utilities acquisition. He explained that the transaction is a stock transaction, which means we assume their assets as well as their liabilities. Greg noted several Board members advised that if possible, an asset purchase is more desirable than an acquisition of stock.	
Ralph McCord gave an update on due diligence regarding the possible acquisition of Goshen Utilities.	
Kay Ball discussed her summary of due diligence on the possible acquisition of INAAP wellfields.	
The group discussed the risks and benefits of acquiring the wellfields.	
Conclusions: Goshen's storage tank may require a short-term investment. That, coupled with our new knowledge that there is potential contamination to Goshen's wellfield, indicates an urgency in fully interconnecting the Goshen system into the LWC system if we acquire the utility.	
We have three alternatives to present to the Board regarding possible acquisition of the INAAP wellfields: (1) Recommend moving ahead but continuing to evaluate if the deal meets key outcomes; (2) Advise that we don't think we can proceed with the current offer and seek to negotiate a reduced lease acquisition price; (3) Pursue wells on KY side and see what develops on the Indiana side.	
Action items:	Person responsible: Deadline:
Get rate schedule for Jeffersonville/Indiana retail/wholesale customers.	Jami Young
Have an executive summary for the Board meeting on Friday. Prepare a draft (by Wednesday) for John Huber to review.	Kay Ball/Steve Hubbs
Future Agenda Items	Bob Miller
Discussion: Bob provide his list of ELT future agenda items updated 10/24/01	
LWC Organization Chart	Jim Wehrle
Discussion: Jim provided copies of the LWC Organization Chart which will be in effect beginning December 27, 2001.	

Agenda for November 5, 2001 ELT meeting:

Bob Miller will e-mail the agenda.

Minutes

ELT Meeting Minutes

November 5, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle
Attendees: Jim Brammell, Laura Douglas, Nora Freeman, Amber Halloran, Greg Heitzman, John Huber, Steve Hubbs, Don McKay, Bill Meeks, Bob Miller, Jim Wehrle, Joan Malone, Jami Young

Agenda Topics

Review Minutes

Bob Miller

Discussion: Minutes from the 11/29/01 ELT meeting were approved as submitted. Agenda for 11/5/01 meeting was approved.

Security Planning

Don McKay

Discussion: Don McKay gave a security planning update.

The Black & Veatch proposal has been received, and the scope appears to be appropriate. The report identifies four tasks: an initial meeting, a field assessment of key facilities, a report on critical vulnerabilities and remedies, and identifying logical next steps for a 1-3 year period.

Action items:

Person responsible:

Deadline:

Complete fencing at English Station, repair existing fencing at Cardinal Hill, and construct a new fence and add lighting around the Cardinal Hill Reservoir as soon as possible. Fencing will be contracted for asap and documented as an emergency. Normal processes for declaring this to be a nonstandard procurement documented by a Certificate of Emergency and authorized by the President must be followed.

Brammell/ Heitzman/Hubbs

Report on Special Board Meeting

John Huber

Discussion: Mr. Huber reported on the special Board meeting on 11/2/01. The Board approved a 4.25% rate increase for 2002. The Board discussed the Letter of Intent regarding possible acquisition of INAAP well fields and Goshen Utilities.

Conclusions: LWC staff should meet soon with the Board's Compensation Committee to discuss proposed salary increases for below and above Control Point for 2002.

Action items:

Person responsible:

Deadline:

Meet with the Board's Compensation Committee to discuss proposed salary increases for below and above Control Point for 2002.

LMD/JJW/JLH

Year-End Financial Statements Process & Financial Info. System Status

Amber Halloran

Discussion: Amber Halloran provided copies of and discussed the schedule for year-end close and reported on the FINS Project Team. The team went to Nashville to consult with the Nashville Metro Government, which recently completed a similar project. Mr. Huber noted there are three important facets to making this a successful venture: technology, processes, and training/know-how of the user.

Recommendation for 2002 Empowerment and Accountability Activities	Nora Freeman/Jim Wehrle
Discussion: Nora provided copies of and discussed the "2002 Empowerment and Accountability Pilot Activities." She discussed structure, expectations, and timeline for the first company-wide phase.	
Conclusions: ELT approved the recommendation and timeline as presented.	
ELT & VP Shared/Incentive Goal Report for 3rd Quarter	Nora Freeman
Discussion: Nora provided copies of and discussed the 3 rd quarter results for the Executive Incentive Goals, the President and VP Shared Goals, the Diversity Goals, and the 2001 Corporate Performance Award Goals.	
Improvements to Quality Program	Nora Freeman/Jim Wehrle
Discussion: Nora gave an overview of the Improvements to the Quality Program. The process will be called "Quality Opportunity Index" and will replace the Employee Perception Survey, team-based assessment, and system self assessment.	
Organizaton Chart	Jim Wehrle
Discussion: Jim Wehrle provided copies of an updated LWC organization chart which will be effective 12/17/01. The chart is dated 10/29/01, and the only change is in the title of the document.	
Union/Management Partnership	Bill Meeks
Discussion: Bill Meeks stated that a rep from Cornell University and 5 other union reps from across the U.S. will visit LWC on November 8 and 9 as part of the study on Labor/Management partnerships and how they affect unions. Bill has the agenda and background for any ELT member who is interested in attending the meetings. This is the second phase of a three-phase project funded by the Ford Foundation. The only cost to LWC is the time spent in the meetings.	
Performance Appraisal Issues	Jim Wehrle
Discussion: Jim Wehrle discussed the WPPM/performance appraisals. We are working on a new performance appraisal process, and have identified 8 core competencies for management and 8 core competencies for non-management employees. Rhonda Plunkett is working on developing a procedure to score the various competencies and will bring recommendations on scoring to the ELT. The group discussed raising the ratings scale to 1-6 from the current scale of 1-5. This will be discussed at the 11/19/01 ELT meeting.	
Annual Inspection Report	John Huber
Discussion: John Huber noted the Annual Inspection Report is in many ways an audit. Once we have a report, our next step is to issue a management response and create a tracking system to make sure management does what it says it will do. We must consider how we will report to the Audit Committee of the Board on the Annual Inspection Report.	
Conclusions: Bret Russell prepares a summary which can be filed with the Internal Auditor and possibly used to report to the Board.	
LWC Security Polity	Bob Miller
Discussion: Bob Miller distributed copies of the most recent draft of the LWC Security Policy. The group reviewed and discussed the policy.	
Action items:	Person responsible:
Under Item 3.1, add "... distribution system and appurtenances."	LMD
Under Item 4.0, add "... includes but is not limited to...".	
	Deadline:

Future Agenda Items

Bob Miller

Discussion: Bob Miller distributed a list of future agenda items and asked for items to be added to the list. Bob asked if the group would prefer shorter meetings, or including reports from BSOs/others on such items as the metering pilot, the research pilot, GIS, etc..

Action items:

Person responsible:

Deadline:

Add items regarding winter preparedness plan and transitioning of BSOs effective 12/17/01 to the list of future agenda items. RKM

Agenda for 11/12/01 ELT Meeting: Bob Miller will e-mail the agenda.

Minutes

ELT Meeting Minutes

November 12, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle

Attendees: Susan Camp, Laura Douglas, Nora Freeman, Tony Gregory, Amber Halloran, Greg Heitzman, John Huber, Don McKay, Ellen Mackin, Bill Meeks, Bob Miller, Sue Purdy, Karla Teasley, Jim Wehrle, Joan Malone, Mary Whitlock

Please bring: Agenda and Minutes

Agenda Topics

Review Minutes/Approve Agenda

Bill Meeks

Discussion: The minutes from the November 5, 2001 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Security Planning

Don McKay

Discussion: Don McKay gave an update on security. LWC staff met with Dr. Atlas, who heads up the National Bioterrorism Task Force, last week. Staff may schedule another meeting with Dr. Atlas. Don discussed fencing at the Crescent Hill Reservoir and fencing of the Middletown tanks.

Action items:

Person responsible:

Deadline:

Advise Tina Ward Pugh and Jane Driskell of LWC's plans for fencing CH Reservoir area and that the area will be closed during construction. McKay/KOTV. Guenther

Review Core & More, Severance, and Attendance Policies

Jim Wehrle, Ellen Mackin

Discussion: Ellen provided copies of and discussed three revised policies. The Core and More Policy contained a revision in Paragraph 3.6 to add a new bullet allowing changes to be made when an eligible employee moves out of a designated service areas. The IRS recently ruled that a qualified family status change now includes an employee who moves out of a plan's designated service area. The Attendance Policy contained a revision in Paragraph 3.5 to reflect that eligible employees now receive three days for perfect attendance versus 2 days (per the new bargaining agreement with the Union effective in 2001). The Severance Pay Policy contained a modification in Paragraph 3.2 to reflect PTO days are now accrued on a calendar year basis versus benefit year. This change is needed since non-union employees receive PTO January 1 each year versus March 1.

Conclusions: ELT approved the three revised policies. John Huber noted that we need a timetable for reviewing and authorizing LWC policies—possibly a rotating schedule such as a three or five year cycle. Laura Douglas will prepare an index to show the last time each policy was reviewed. ELT will discuss at a future meeting.

Action items:

Person responsible:

Deadline:

Prepare an index to show the last time each policy was reviewed.

LMD

Develop timetable for reviewing LWC policies.

ELT

Review Purchasing Policy**B. Miller, A. Halloran**

Discussion: Bob Miller provided copies of and discussed the Draft Purchasing Policy dated November 12, 2001. Bob plans to recharter the Bids and Awards Committee. The rechartered committee will consist of Bob Miller, Amber Halloran, Mary Whitlock, Cindy Kowalski, with Jami Young serving as a resource.

Action items:	Person responsible:	Deadline:
Make changes/revisions to the Purchasing Policy as discussed and bring to ELT at the Nov. 19 meeting.	RKM	
Get comments/suggestions for additional revisions to Bob this week.	ELT Members	

Review IT Strategic Plan**Bob Miller, Tony Gregory**

Discussion: Tony Gregory provided copies of and discussed the IT Strategic Plan 2001-2003 Status Update.

Conclusions: John Huber noted we should address who our key business partners are in this and determine how viable they are. We should also address the risks associated with this and the O&M expenses.

Action items:	Person responsible:	Deadline:
Address who our key business partners are in this and determine how viable they are.	T. Gregory	
Address the risks and O&M expenses associated with this.	T Gregory	

Review October Financial Results**A. Halloran, S. Purdy**

Discussion: Amber Halloran provided copies of and discussed the October, 2001 Financial Highlights and graphs for Unaccounted for Water Pattern and Unaccounted for Water Percentage. Water consumption through October, 2001 was 559 million gallons lower than a year ago. The month of October was 69 million gallons lower than October a year ago. YTD Other Operating Revenue exceeds last year by \$780 thousand and budget by \$1.3 million. This variance is primarily due to an increase in penalties and turn on/off fees. O&M expense through October 2001 was \$2.1 million higher than the same period last year, and higher by budget by \$594 thousand.

Amber noted we are continually working to improve the Financial Highlights report. She discussed reports which have been deleted from the Financial Highlights Report and reports which have been added or replaced with other, more useful, reports.

Review 2002 NLP II**K. Teasley, N. Freeman**

Discussion: Nora provided copies of and discussed the NLP II 2002 Objectives. This was updated November 8 to incorporate minor changes recommended by the ELT. If ELT adopts this, it goes to the BSOs for use in preparing Operating Plans for 2002.

Conclusions: ELT approved NLP II 2002 Objectives with minor changes. We need to get this to the BSOs as soon as possible. Nora will distribute at the BSOC meeting rather than by e-mail.

Action items:	Person responsible:	Deadline:
Make minor changes to the NLP II 2002 Objectives as discussed and distribute to BSOs asap.	Nora Freeman	
Prepare summary update of 2001 accomplishments and get out to all employees.	Nora Freeman	
Decide what we want to do next—the future beyond NLP II.	ELT	

Review Board Meeting Agenda**John Huber**

Discussion: Under communications, staff will recommend amending the governing statutes reflecting on merged government. The Board will also discuss the revised Purchasing Policy and the IT Strategic Plan 2001-2003 Status Update.

Please submit agenda items for November 19 ELT meeting to Bob Miller.

Minutes

ELT Meeting Minutes

November 19, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle

Attendees: Jim Brammell, Laura Douglas, Greg Heitzman, Steve Hubbs, Don McKay, Joan Malone, Bill Meeks, Bob Miller, Rhonda Plunkett, Karla Teasley, Jim Wehrle, Jack Wang

Please bring: Agenda and Minutes

Agenda Topics

Review Minutes

Bob Miller

Discussion: Minutes from the November 12 meeting were approved as submitted. Agenda for the November 19 meeting was discussed and approved.

Security Planning

Don McKay

Discussion: Don McKay discussed the following items regarding security: on December 17, Black and Veatch will visit all sites and provide a debriefing; the Middletown fencing is underway; we are preparing for a followup meeting with Dr. Atlas; Glen Mudd and Don McKay plan to attend a three-day security workshop in Milwaukee in December.

Karla noted the BSOs are on notice that we need to be covered during the holidays.

Greg discussed ornamental fencing at the CH Reservoir. Temporary fencing likely will be put up until early next summer. LWC advised Tina Ward Pugh and Jane Driskell that no access will be allowed to the Reservoir during construction of the fencing.

The federal government may provide funding to help pay for security, but has not decided how the money will get to water utilities.

Conclusions: We need to establish a policy on what information we release and to whom.

Action Items:

Person responsible:

Deadline:

Draft policy on what information we release and to whom.

LMD

Certification Approvals**CBSOs**

Discussion: Bob provided copies of and the group discussed the NLP II 2001-2002 System Certification Audit Schedule.

Conclusions: ELT needs to approve six certifications before 2002. We need to get the certification documents to ELT members well in advance of the ELT meeting wherein they will be discussed so ELT members can review the documents prior to the meeting.

Certifications will be discussed at the December 10 and December 17 ELT meetings. On December 10, C1, I4, and I5 will be reviewed. On December 17, I3, R4, and R5 will be reviewed.

P1 and P2, which will be combined in December, will be reviewed in April, 2002.

Action items:	Person responsible:	Deadline:
Discuss certifications as shown above at the December 10 and 17 ELT meetings.	ELT	

Policy Review Cycle**Laura Douglas**

Discussion: Laura noted that all LWC policies are posted on the Intranet. Each policy shows the effective date of the policy. The oldest policy is dated 1998.

ELT briefly discussed the Vehicle Policy. The portion of the policy regarding individual vehicle assignments is pending John Huber's approval. ELT would like to assist in finalizing the vehicle assignments portion of the policy.

Conclusions: ELT recommends that BSOs and CBSOs review appropriate policies every three years and recommend to ELT whether the policies need amendment/revision. Laura will notify BSO/CBSO 60 days in advance that a policy needs to be reviewed for amendment/revision. The date the policy is reviewed and by whom will be documented on the control document (the policy itself).

Action items:	Person responsible:	Deadline:
Create one-page flow chart showing procedure for reviewing policies and discuss at December 3 ELT meeting.	LMD	
Prepare matrix showing expiration date for each policy and discuss at December 3 ELT meeting.	LMD	
Take comments/proposals discussed today and come back with a recommendation at the December 3 ELT meeting.	LMD	

Draft Competencies**Jim Wehrle**

Discussion: Jim Wehrle discussed the Confidential Draft Competencies dated November 9, 2001 and the Draft Confidential Think Piece #8 Performance Appraisal Program. There are 8 core competencies listed in Management and 8 listed in Non-Management.

Conclusions: Karla requested that when Jim brings this back to the ELT, he name other companies using this system.

Action items:	Person responsible:	Deadline:
Provide comments to Jim on the Draft Competencies and Draft Confidential Think Piece #8 Performance Appraisal Program	Each CBSO	

Diversity-Related Goals Scoring Methodology and Weighting**Jim Wehrle, Rhonda Plunkett**

Discussion: Rhonda provided copies of and discussed the Proposed 2002 Diversity Goals. The proposal is consistent with what other private and public companies are doing.

Conclusions: ELT reached consensus on the portion of the proposal titled "Management Performance Appraisal." ELT did not take action on the remainder of the proposal but will provide feedback to John Huber and bring back to ELT at the December 3 meeting. ELT needs John's participation on this.

Action items:	Person responsible:	Deadline:
Provide feedback to John Huber.	ELT	
Discuss again at the December 3 ELT meeting.	ELT	

Winter Preparedness Plan

***Teasley, Hubbs, Wang,
Brammell***

Discussion: Jim Brammell reported on C2 winter preparation. Eric Ayers previously provided appropriate persons with the Winter Operations and Emergency Plan for LWC--Serving Customers CBS 2001-2002. Jim discussed the key elements of the report.

Steve Hubbs provided copies of and discussed the Winterization Checklist for Operations (Hubbs, Nov. 2001) for Crescent Hill Treatment Plan, Payne Water Treatment Plant, and Booster Pumping Stations.

LWC 2002-2006 Strategic Plan

Bob Miller

Discussion: Bob provided copies of the 2002-2006 Strategic plan. Copies of the Plan will be distributed to BSOs today and the plan will be communicated to all employees by December 15.

Bob Miller will e-mail the agenda for the November 26, 2001 ELT meeting.

Minutes

ELT Meeting Minutes

November 26, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle

Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Bill Meeks, Glen Mudd, Bob Miller, Karla Teasley, Jack Wang, Jim Wehrle

Please bring: Agenda and Minutes

Agenda Topics

Review Minutes

Bob Miller

Discussion: Minutes from the November 19 meeting were approved as submitted. Agenda for the November 26 meeting was discussed and approved.

Security Planning

Glen Mudd

Discussion: Glen Mudd reported on security: the Middletown fencing is complete, and we are getting quotes for the Cardinal Hill Reservoir fencing; a temporary guard shack has been set up at CH until a permanent guard shack can be constructed.

Conclusions: John Huber noted we need to identify contractors working for us in the field—provide LWC logo for contractor vehicles. This needs to be done as soon as possible.

Action items: **Person responsible:** **Deadline:**

Identify contractors working for LWC in the field—provide LWC ID (LWC logo) for contractor vehicles. GCH

BSO Transition Risk Issues

ELT

Discussion: Karla and Greg reported on the status of their BSO transitions. The purpose of the transitions is to expand the breadth and depth of know-how among the BSOs.

Conclusions: Steve Hubbs noted we need to document the expectations and accountabilities for BSOs as they move into their new roles and make sure there is a systematic transfer of information from one BSO to another.

Bob Miller will furnish a list of documents/procedures to be used in the transition. The list will include certification documents, system relationship charts, process maps, progress reports on operating plans from the past quarter, risk assessments, "war stories," calendar for functions to be performed during the year, programs/projects underway, and a copy of the outgoing BSO's WPPM for the new BSO. Bob is available to coach on relationship charts if necessary. Bob noted we should use the empowerment model to get the BSOs fully up to speed in their new roles. (Bob's list is being e-mailed with these minutes.)

Regarding WPPMs for year-end 2001, the CBSOs and BSOs will be responsible for evaluating the BSOs and POs who were under their supervision prior to the transition, but the new/incoming leaders will meet with these employees to set 2002 goals under the new performance appraisal system.

Action items: **Person responsible:** **Deadline:**

Furnish ELT a list of documents/procedures to be used in the BSO transitioning. (Bob's list is being e-mailed with these minutes.) Bob Miller

Riverbank Filtration Update

Hubbs/Wang

Discussion: Jack Wang provided copies of and discussed his and Steve Hubbs' presentation titled "Factors Impacting the Yield of Riverbank Filtration Systems" which they presented at the WQTC Conference in Nashville, Tennessee November 11-15, 2001. The objectives of the RBF Program were to investigate the factors impacting the yield of RBF systems and to discuss the need for future riverbank filtration studies. Conclusions from the study are: partial clogging of the riverbed (riverbank) is unavoidable, and, therefore, some reduction in the yield should be anticipated for RBF system; mechanical clogging was the dominant clogging mechanism in this case; and mechanical clogging could be minimized if the recharging streams promote scouring activities.

MSD Payment Boycott

Laura Douglas

Discussion: It appears many MSD customers in the west end of Louisville may boycott paying MSD charges until MSD takes care of an odor problem in that part of the city. The customers perceive that MSD is not proceeding as promised in taking care of the odor problem. LWC becomes the target of the protestors when they refuse to pay the MSD portion of their bill. Karla noted our agreement with MSD as of right now is a gentlemen's agreement. She noted that if we have a mass turn-off for nonpayment, a significant portion of the city without water would become an issue for the Health Department. She also noted we currently are in the middle of negotiations with MSD.

Conclusions: LWC should analyze the magnitude of the problem—how many locations, exact number of customers, etc.—then discuss our options.

Action items:

Person responsible:

Deadline:

Analyse data and discuss options.

KOT/RKM/ELT

Advise Gordon Garner that we will analyze the data and discuss our options.

John Huber

Open Time—Christmas Decorations

Jim Wehrle

Discussion: Jim Wehrle asked if LWC has a policy regarding Christmas decorations. LWC has no company-wide practice or policy restricting employees on decorating their workspace. Greg noted that each floor at Third St. and various other LWC locations have decorations stored. O'Dell Henderson decorates at Third Street.

Open Time—Timesheet Audit

Bill Meeks

Discussion: Bill Meeks asked about the timesheet audit that is planned. We need to communicate to all BSOs and POs what the audit involves, and the BSOs and POs should discuss with employees who would be impacted by the audit. This is a regular, routine, audit which includes a representation of ALL employees—union and salaried. This is not a special cause audit.

Action items:

Person responsible:

Deadline:

Get a one-page explanation out today to everyone who would be impacted by the audit. Bob Miller will discuss with Roger today. Mike Sturgeon should review the communication before it goes out.

RKM/M. Sturgeon/ R. LeMaster

Open Time—ELT Roles for 2002

Bob Miller

Discussion: ELT needs to select Leaders, TKOs, and Recorders (backup for Joan) for Year 2002

Action items:

Person responsible:

Deadline:

Discuss ELT roles at an upcoming ELT meeting.

ELT

Bob Miller will e-mail the agenda for the December 3, 2001 ELT meeting.

Louisville Water Company Empowerment Model

Empowerment is enabling employees to make decisions to plan and complete the work to satisfy the needs of customers. The boundaries of empowerment are the organizational culture, values and ethics; policies and procedures; job descriptions, performance expectation, employee's training, knowledge and experience; and plans and budgets.

Organization Culture, Values and Ethics

- Strategic Plan and Next Level Plan
- Systems Based Management; Partnership Among Employees; Empowerment; Quality of Work Life
- Customer Expectations and Community Goals and Plans
- Elected Officials Expectations
- Shared Corporate Experiences

Policies and Procedures

- Corporate Policies Manual
- Service Rules and Regulations
- Federal Regulations (USEPA, OSHA) and State and Local Regulations (KDOW, MSD, PSC)
- Departmental Procedures

Job Descriptions, Performance Expectations, and Employee's Training, Knowledge and Experience

- Job Descriptions
- Work Progress and Performance Management Goals
- Training Plans
- Key Constituent Relationships
- Routine Responsibilities

Plans and Budgets

- Certification Documents and Measurements
- Operating Plans and Operating Budgets
- Facilities Plans and Capital Budgets
- Risk Assessments

Effective empowerment ensures that: employees understand their work processes, the boundaries of the processes, and how these processes relate to their customers; employees can make individual decisions and take independent actions within established process boundaries; and employee creativity, knowledge and experience will be integrated into processes.

Minutes

ELT Meeting Minutes

December 3, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle

Attendees: Laura Douglas, Amber Halloran, Greg Heitzman, John Huber, Don McKay, Joan Malone, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle
Absent: Steve Hubbs
Please bring: Agenda and Minutes

Agenda Topics

Review Minutes

Bob Miller

Discussion: Minutes from the 11/26/01 meeting were approved. Agenda for the 12/3/01 meeting was approved.

Security Planning

Don McKay

Discussion: Don McKay discussed fencing at the Cardinal Hill Reservoir and the Crescent Hill Reservoir. He discussed upgrades to the Simplex software and hardware and the various access levels. Don will review the appropriateness of all levels of access.

Action items:

Person responsible:

Deadline:

Make sure Russ Maple knows about the closing of the CH Reservoir during construction of the fencing.

Vince Guenthner/KOT

Policy Review Cycle

L. Douglas

Discussion: Laura Douglas provided copies of and discussed the Flowchart for Corporate Policy Development, Revised 8/11/00; the Policy Revision/Development Process; and a matrix of LWC policies.

Conclusions: ELT agreed on 60-day notification to the CBSO/BSO prior to the quarter during which the policy expires. The CBSO/BSO will have the entire quarter to present their recommendations for revisions to the ELT. Policies will be reviewed every three years by ELT.

ELT agreed to post the policies on the Intranet and eliminate the policies binder so employees will not have access to policies which are outdated. We should notify employees that the policy binder is sunsetting and tell them policies can be accessed on the Intranet. One issue is to make sure employees have access to a PC so they can review the policies as needed. Another issue is notification to employees of new policies/changes to existing policies. Notification to employees should be from the CBSOs/BSOs to POs and BSOs/POs to employees. We can also notify employees of new policies/changes to existing policies through NewsLeaks.

Action items:

Person responsible:

Deadline:

Make changes to the flowchart as discussed and bring back to ELT.

Laura Douglas

Notify employees that the policy binder is sunsetting and policies will be posted on the Intranet.

CBSOs/BSOs/POs

Purchasing Policy

B. Miller, A. Halloran

Discussion: Amber Halloran provided copies of and discussed the Draft Purchasing Policy dated December 3, 2001. Bob Miller discussed changes to the document made as a result of discussion at the November 26 ELT meeting.

Action items:

Person responsible:

Deadline:

Make changes to the draft policy as discussed and finalize this with General Counsel, who will draft in policy format and take through the policy development process.

RKM/A. Halloran/LMD

Diversity Hiring Goals

J. Wehrle, R. Plunkett

Discussion: Rhonda Plunkett provided copies of the Affirmative Action Recruitment/Promotion/Progression Goal YTD Sept. 2001 and the Confidential Draft Discussion of Affirmative Action Goals dated December 3, 2001. The documents incorporate changes discussed at the November 19, ELT meeting.

Conclusions: ELT consensed on the four items listed under Recap of Prior Consensus--and on Item 1 under Two Issues. Regarding Item 2 under Two Issues, ELT consensed with Rhonda's and Jim's suggestion to adopt the general approach to goals outlined and allow them several weeks to devise a scoring method.

Action items:

Person responsible:

Deadline:

Work on scoring method.

JJW/Rhonda Plunkett

Open Time

ELT

Discussion: Four issues were discussed: the KMSDC Million Dollar Club Award which LWC recently received; the Financial Information System Business Case (Bob provided a copy); the Empowerment Model which was distributed earlier by e-mail; and the present value of total profit from a typical residential customer.

Bob Miller will e-mail the agenda for 12/10/01 ELT meeting

Minutes

ELT Meeting Minutes

December 10, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Bill Meeks
Attendees: Ed Chestnut, Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Roger LeMaster, Joan Malone, Bill Meeks, Bob Miller, Scott Muhlenbeck, Sue Purdy, Karla Teasley
Please bring: Agenda and Minutes

Agenda Topics

Review Minutes

Bob Miller

Discussion: Minutes of the 12/3/01 ELT meeting were approved. Agenda for the December 10 meeting was discussed and approved.

Policy Revision and Development Process

Laura Douglas

Discussion: Laura Douglas provided a copy of the Policy Revision and Development Process Flowchart which includes additions and changes discussed at the December 3 ELT meeting.

Action items:

Person responsible:

Deadline:

Advise Laura of any additional changes to the flowchart.

ELT members

Security Planning

Bob Miller

Discussion: Bob Miller reported on changes regarding security guards at Crescent Hill, Payne Plant, Zorn Avenue and Cardinal Hill. The changes represent a significant cost reduction with no compromise in the level of security provided. He reported on the Simplex system—upgrades being made to the software and a reduction in the number of security levels.

Greg Heitzman reported that the magnetic LWC logos will be available for LWC contractors within two weeks. We will provide the logos for contractors' vehicles at the beginning of a job/contract and retrieve the logos when the job/contract is completed.

System Certification: C1 – Providing and Receiving Customer and Public Information **Karla Teasley**

Discussion: Karla Teasley provided copies of and discussed the business system certification document for C1—Providing and Receiving Customer and Public Information Audit Report dated November 20, 2001. The C1 system agrees with the recommendations for improvement noted in the report. Karla recommended ELT approve certification of C1 system on the basis of the documentation provided

Conclusions: ELT approved certification of the C1 system with the understanding that the system will work on the recommendations contained in the report.

The BSO will deliver a Management Response letter to the CBSO and Internal Auditor and develop a schedule and tracking system as a followup to the Management Response letter.

It was noted we should differentiate between gaps and recommendations and differentiate between work to be completed in the coming year and work which can be considered multi-year work.

Action items:	Person responsible:	Deadline:
Deliver a Management Response letter to the CBSO and Internal Auditor and develop a schedule and tracking system as a followup to the Management Response letter.	BSO	
Differentiate between gaps and recommendations and differentiate between work to be completed in the coming year and work which is considered to be multi-year work.	ELT	

System Certification: I5 – Infrastructure Services **Greg Heitzman**

Discussion: Greg Heitzman provided copies of and discussed the business system certification document for I5—Infrastructure Services Audit Report dated October 19, 2001. Greg discussed the two recommendations stated in the Executive Summary and recommended ELT certify the I5 system.

Conclusions: ELT approved certification for I5 business system with the understanding that the system will work on the recommendations contained in the report.

System Certification: R5—Managing Business Risks **Bob Miller**

Discussion: Bob Miller provided copies of and discussed the business system certification document for R5—Managing Business Risks Audit Report dated December 6, 2001. Bob discussed recommendations contained in the audit report and recommended certification for R5.

Greg suggested putting an article in NewsLeaks advising that the C1, I5, and R5 have been certified and providing certificates to the systems which were certified. The certificates would be signed by the CBSO and John Huber. Greg will work with Roger on this.

Conclusions: ELT approved certification for R5 business system with the understanding that the system will work on the recommendations contained in the report.

The BSO will deliver a Management Response letter to the CBSO and Internal Auditor and develop a schedule and tracking system as a followup to the Management Response letter.

Action items:	Person responsible:	Deadline:
Deliver a Management Response letter to the CBSO and Internal Auditor and develop a schedule and tracking system as a followup to the Management Response letter.	BSO	
Provide something in NewsLeaks regarding systems which were certified.	KOT/GCH/RKM	
Provide certificates to the systems which were certified.	GCH/LeMaster	

Review Board Meeting Agenda

**Huber, Miller, Heitzman,
Douglas**

Discussion: John Huber reported that some of the items which will be discussed at the December 11 Board meeting are: water rates and fees, design and RFP for FIS (business case), and the fourth quarter dividend.

**Review Greenbacks Report and Review
Operating Issues and Budgets**

Miller, Halloran, Purdy

Discussion: Amber Halloran and Sue Purdy provided copies of the LWC Financial Highlights for November, 2001. A page has been added to the report which notes highlights for the month. Amber discussed the November, 2001 highlights.

Conclusions: Water consumption through November, 2001 is 288 million gallons lower than a year ago. YTD Other Operating Revenue exceeds last year by \$747 thousand and budget by \$1.4 million. This variance is primarily due to an increase in penalties and turn on/off fees. Billing fees for sewers are also higher than last year and budget. O&M expense through November, 2001 is \$2.4 million higher than the same period last year, and higher than budget by \$706 thousand.

Open Time

ELT

Discussion: Bob discussed additions to the list of future agenda items: ISO 9000/flowcharts/SOPs, system risk assessment, measuring/improving internal customer satisfaction beyond the corporate survey, NWT participation requirements, and shared VP/BSO goals.

The first ELT meeting in 2002 will be January 7. Bob will provide Laura with a current list of future agenda topics.

Bob Miller will e-mail the agenda for the December 17, 2001 ELT meeting.

Minutes

ELT Meeting Minutes

December 17, 2001
9:00 AM to 12:00 PM
Board Room

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Bill Meeks
Attendees: Steve Cooper, Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Cindy Kowalski, Roger LeMaster, Ralph McCord, Joan Malone, Bill Meeks, Bob Miller, Scott Muhlenbeck, Rhonda Plunkett, Karla Teasley
Please bring: Agenda and Minutes

Agenda Topics

Review Minutes

Bob Miller

Discussion: Joan will revise the 12/10/01 ELT minutes as follows: Add the following comment under "Conclusions" and "Action Items" for the topics of System Certification for C1 and System Certification for R5:

"The BSO will deliver a Management Response letter to the CBSO and Internal Auditor and develop a schedule and tracking system as a followup to the Management Response letter."

The agenda for the 12/17/01 ELT meeting was discussed and approved.

Security Planning

Bob Miller

Discussion: Bob discussed the status of installation of fencing at Cardinal Hill. The Black & Veatch Vulnerability Assessment is underway. B&V's final report will be discussed at the first ELT meeting in January. Bob provided copies of a draft Flow Chart of Handling DS Water Quality Threats--LWC is planning exercises to test the effectiveness of the process. We should decide how we will deal with our wholesale customers regarding HR 3448 (Bob provided a copy of HR 3448—Public Health Security & Bioterrorism Response Act of 2001). We should at a minimum share the information with wholesale customers.

Action items:

Person responsible:

Deadline:

Followup on HR 3448 and communicate with our wholesale customers in January.

JVG/GCH

Provide comments on the draft flow chart to Don McKay

ELT Members

System Certification: I3 – Distribution Design and Construction

Greg Heitzman

Discussion: Greg provided copies of and discussed the business system certification document for I3—Distribution Design and Construction Audit Report dated December 13, 2001. Greg discussed the recommendations in the report and recommended to ELT that this system be certified for Year 2001-2002. Greg will meet with the business system SAC to review the results of the audit and implementation of recommendations into the 2002 Operating Plans. The Management Response will be delivered by January 15 to Internal Audit and the CBSO.

Conclusions: ELT approved certification of the system with the understanding that the system will work on the recommendations stated in the Audit Report.

Action items:

Person responsible:

Deadline:

Deliver a Management Response letter to the CBSO and Internal Audit and develop a schedule and tracking system as a followup to the Management Response letter.

BSO

by 1/15/02

**System Certification: R4 – Supplying Information
Technology Resources**

Bob Miller

Discussion: Bob discussed certification for R4-Supplying Information Technology Resources. Bob discussed his concerns regarding certification of this system and feels R4 does not meet the standards for certification at this time.

Action items:

Person responsible:

Deadline:

Have a written response letter in one month. Work with R4 business system and plan to be ready for certification in March, 2002.

RKM

Take-Home Vehicles

John Huber

Discussion: John Huber discussed the list of approved take-home vehicles for Classes B, C, and D.

Action items:

Person responsible:

Deadline:

Send approved list to ELT/others who are approved take-home vehicles.

J. Malone

Provide copies of the latest version of the Vehicle Assignment Policy to ELT/others who are approved take-home vehicles, and work with IT to get the current policy posted on the Intranet.

LMD

System Certification: I4 – Distribution Extensions

Greg Heitzman

Discussion: Greg provided copies of and discussed the business system certification document for I4—Distribution Extensions Audit Report dated August 28, 2001. Greg discussed the recommendations in the report and recommended to ELT that this system be certified for Year 2001-2002. Greg will meet with the business system SAC to review the results of the audit and implementation of recommendations into the 2002 Operating Plans.

Conclusions: ELT approved certification of I4 with the understanding that the system will work on the recommendations stated in the Audit Report.

Action items:

Person responsible:

Deadline:

Meet with the business system SAC to review the results of the audit and implementation of recommendations in the 2002 Operating Plans.

GCH

Cardinal Hill Reservoir Cleaning

John Huber

Discussion: John Huber discussed the bidding out of cleaning of the Cardinal Hill Reservoir.

Conclusions: John emphasized the Cardinal Hill Reservoir must be cleaned, disinfected, flushed, and fully restored to service by May 1. Completing this work by May 1 is of key importance.

Action items:

Person responsible:

Deadline:

Procurement method must achieve the outcome of having the reservoir fully cleaned, disinfected, flushed and restored to service by May 1. Use standard procurement if timeline can be reliably met. If timeline can't be reliably met, pursue the Cardinal Hill Reservoir work under a certificate of emergency and nonstandard procurement.

Hubbs, Halloran

**Minority Business Development Team
Recommendations**

Cindy Kowalksi

Discussion: Cindy provided copies of and discussed the LWC MBD Team Presentation to the ELT. Cindy, Rhonda, Amber, and Steve discussed proposed changes in the reporting/measuring method, changes in the HBE goal, and changes in the structure of 2002 goals.

Conclusions: ELT approved the proposed changes in the reporting/measuring method, separating the HBE goal from the MBE spending goals, a 5% 2002 MBE goal, and a 5% 2002 WBE goal.

Team Effectiveness Survey

Bob Miller

Discussion: Bob Miller handed out copies of the Team Effectiveness Survey.

Action items:

Person responsible:

Deadline:

Complete the survey and return to Nora ASAP.

ELT Members

Bob Miller discussed future agenda items. Laura Douglas will assume the Leadership role of ELT on 1/7/01. Laura will e-mail the agenda for the January 7, 2002 ELT meeting.

Minutes

ELT Meeting Minutes

January 7, 2002
9:00 AM to 12:00 PM
Board Room

Leader: Laura Douglas
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Greg Heitzman
Attendees: Laura Douglas, Nora Freeman, Greg Heitzman, Steve Hubbs, John Huber, Don McKay, Joan Malone, Bill Meeks, Bob Miller, Phil Scott, Karla Teasley, Jim Wehrle
Please bring: Agenda and Minutes

Agenda Topics

Review Minutes

Bob Miller

Discussion: Revised minutes from the December 17, 2001 meeting were approved. Agenda for the January 7, 2002 meeting was discussed and approved.

Black & Veatch Security Assessment/Security Planning

Don McKay/Phil Scott

Discussion: Black & Veatch's written report should be available December 7 or 8. Don reported on the status of security planning at LWC.

Conclusions: ELT should look at the ownership of security as it relates to evaluation and accountabilities.

Action items: Look at ownership of security as it relates to evaluation/accountabilities. **Person responsible:** ELT **Deadline:**

2002 Shared President & Vice Presidents Goals

Laura Douglas/ELT

Discussion: Laura Douglas provided copies of the 2001 President and Vice Presidents Shared Goals and the 2001 Incentive Plan Goals. The group discussed weighting of goals for 2002 regarding Diversity, Competencies, and Operating Plans/Shared Goals in the new performance appraisal system.

Conclusions: ELT consensed on the following weighting: For management (ELT/BSOs/POs): Diversity—10%; Competencies—40%; Operating Plans/Shared Goals—50%. For nonmanagement: Competencies—40%; Operating Plans/Shared Goals—60%.

Action items: Set goals for 2002 at 1/14/02 ELT meeting. **ELT members should come to the 1/14/02 ELT meeting prepared with strawman proposals for 2002 shared/incentive goals.** **Person responsible:** ELT **Deadline:**

ELT members responsible for calculating any portion of the 2001 goals should bring their 2001 YTD calculations to the 1/14/02 meeting. **Person responsible:** ELT

Empowerment Pilots

Nora Freeman

Discussion: Nora Freeman provided copies of and discussed the 2002 Empowerment and Accountability Pilot Activities. Bob Miller provided copies of and discussed his Draft 1/7/02 LWC Empowerment Model and LWC Bids and Awards Committee Empowerment Model.

Conclusions: We are on schedule regarding the timeline. ELT members should attend the Tuesday, March 12, 2002 training session with Lee Ginsburg on Empowerment and Accountability. (This meeting may be rescheduled since there is a Board of Water Works meeting scheduled for that day.)

John Huber noted there are three important pieces to empowerment: sharing information, setting boundaries, and making sure everyone involved knows their process and has effective measures.

Laura Douglas provided copies of and discussed ELT Future Agenda Items. Laura will e-mail the agenda for the January 14, 2002 ELT meeting.

Minutes

ELT Meeting Minutes

January 14, 2002
9:00 AM to 12:00 PM
Board Room

Leader: Laura Douglas
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Timekeeper: Jim Wehrle

Attendees: Laura Douglas, Nora Freeman, Vince Guenther, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Bill Meeks, Bob Miller, Jim Wehrle, Joan Malone, Sue Purdy, Richard Royse, Jim Smith

Please bring: Agenda and Minutes

Agenda Topics

Review Minutes

Laura Douglas

Discussion: Revised minutes from the January 7 meeting were approved. Agenda for the January 14 meeting was discussed and approved.

2002 Goals (President and Vice Presidents Shared Goals & Incentive Plan Goals) All

Discussion: Jim Wehrle provided copies of his "P&C Draft 'Strawman' Shared/Incentive Goals" dated 1/14/02. The group discussed Incentive Plan Goals for 2002 and President and Vice President Shared Goals for 2002.

Conclusions: ELT consensed to keep the Incentive Plan Goals the same for 2002 as they were in 2001, and discuss Measures for these goals at the 1/28/02 ELT meeting.

For the Shared Goals, ELT consensed to the following: (A) the Diversity Goal has been addressed, so will be removed from the Shared Goals; (B) retain the Capital Program Goal as a Shared Goal; (C) retain Increased Revenue as a Shared Goal; (D) remove the Overtime Goal as a Shared Goal; (E) retain the Advanced Treatment Goal as a Shared Goal; (F) retain Process Improvements as a Shared Goal; and (G) keep the Cost of Risk Goal as a Shared Goal.

Weighting for the 5 Shared Goals will be 4% for each goal, leaving 30% for individual goals.

Action items:	Person responsible:	Deadline:
Each VP will get with Nora Freeman this week with the final numbers for 2001 goals and have her create draft 2002 Incentive Plan Goals and Shared Goals with Measures. ELT will review and finalize the draft Goals and Measures at the 1/28/02 meeting.	VPs	1/28/02

Update: Legislation and Available Federal Funds Vince Guenther

Discussion: Vince provided copies of and discussed his memorandum regarding Legislative Update.

Conclusions: Vince will provide this update at the BOWW meeting Tuesday, 1/15/02.

Greenbacks Report

Amber Halloran/Sue Purdy

Discussion: Amber Halloran provided copies of and discussed the LWC Financial Highlights for December, 2001 and year-end 2001.

Conclusions: Water consumption through December, 2001 is 395 million gallons lower than a year ago, but 378 million gallons higher than budget. The month of December is 108 million gallons lower than December a year ago. Other Operating Revenue exceeds last year by \$609 thousand and budget by \$1.3 million. This variance is primarily due to an increase in penalties and turn on/off fees. Billing fees for sewers are also higher than last year and budget. O&M expense through December, 2001 is \$2.3 million higher than same period last year and higher than budget by \$979 thousand.

Review 1/15/02 BOWW Agenda

John Huber

Discussion: The Board will discuss the following items at its meeting on Tuesday, January 15, 2002: Audit Committee Report, Compensation Committee Report, Year-End Financial Results, MRRP, Apportionment Warrants in Jefferson County, Legislative Update, Health/Disability/Life Insurance Plan Costs, and AquaSource.

Quarterly Team Effectiveness Review

Nora Freeman

Discussion: This item was deferred to the January 28, 2002 ELT meeting.

Conclusions:

Action items:

Circulate survey results to ELT prior to the 1/28/02 meeting.

Person responsible:

Nora Freeman

Deadline:

Laura Douglas will e-mail the agenda for the January 28, 2002 ELT meeting.

Minutes

ELT Meeting Minutes

January 28, 2002
9:00 AM to 12:00 PM
Board Room

Leader: Laura Douglas
Facilitator: Nora Freeman (On Call)
Recorder: Joan Malone
Timekeeper: Greg Heitzman
Attendees: Laura Douglas, Nora Freeman, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Billy Meeks, Bob Miller, Rhonda Plunkett, Karla Teasley, Jim Wehrle
Please bring: Agenda, Minutes, and 2001 Goals

Agenda Topics:

Review Previous Minutes & Agenda

Laura Douglas

Discussion: Minutes from the January 14, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Diversity

Jim Wehrle/ Rhonda Plunkett

Discussion: Rhonda provided copies of and discussed the Proposed 2001 Affirmative Action Results/Proposed 2002 Affirmative Action Format. Jim Wehrle discussed keeping the current format versus adopting the new format.

Conclusions: ELT consensed to keep the 2001 goals as originally written as the basis for evaluation of 2001 results.

ELT should continue to consider measurement and calculation methods for the 2002 goals. Mr. Wehrle suggested HR, Rhonda Plunkett, and he come up with a scale that works better than what we are now using.

Action items:

Person responsible:

Deadline:

Investigate measurement scales.

Wehrle/Plunkett

Team Effectiveness Review

Nora Freeman

Discussion: This item was deferred to the February 4, 2002 ELT meeting.

2001 Goal Results

Nora Freeman

Discussion: Nora provided copies of and discussed the 2001 Fourth Quarter and Year-End Results for Incentive Plan Goals, President and VPs Shared Goals, and Corporate Performance Award Goals. Bob Miller provided copies of and discussed his recommendations regarding Net Income Objective and Measure for 2001 Incentive Plan Goals. If the Compensation Committee and full Board accept these recommendations, we would achieve Level 2 Measure for the Net Income Goal, which is also the "lightswitch" goal.

Bob Miller also provided information on proposed adjustments to the O&M cost per customer data which is part of the Employee Performance Award Goal set. The proposed adjustments, which are for costs incurred in 2001 which were unplanned and beyond the control of employees, reduce the O&M cost to a level which meets the Performance Award Goal.

Conclusions: The results of the Corporate Performance Award Goal will be presented to the Compensation Committee for approval and will include adjustments recommended regarding O&M cost per customer. The Corporate Performance Award is for employees other than the President, Vice Presidents, and Business System Owners.

2002 Goal Setting

All

Discussion: Nora provided copies of and discussed the Draft 2002 President/Vice President Shared Goals. Weighting in 2002 will be: Competencies 40%, Diversity 10%, Shared Goals 20%, and Individual Goals 30%.

Nora also provided copies of the Draft 2002 Corporate Performance Award Goals and the Draft 2002 Incentive Plan Goals which will be discussed at the February 4, 2002 ELT meeting.

Conclusions: ELT consensed as follows for 2002 President/Vice President Shared Goals:

For Objective A (Implement Capital Improvement Program), to adopt Goal and Measures with Weighting of 4% rather than 5% as stated and to add "at budget" under Measure for Level 3 performance. Bob Miller will provide the dollar amounts indicated by an "X" in the draft.

For Objective B (Increase Revenue) and C (Advance Treatment Program Plan), to adopted the Goals and Measures with Weightings of 4% rather than 5% as stated.

For Objective D (Increase Operational Performance), to adopt the Goal and Measures with changes as discussed, with Weighting of 4% rather than 5% as stated. Changes to the Measure column for Objective D are: Change dates under all 5 Measures to ". . . system certification audits completed by 7/30/02," and ". . . systems recertified by 8/30/02." In the Measure column, for Rating Levels 1, 2, 3, 4, and 5, in the phrase, ". . . demonstrate less than (X or a number) measureable. . .," replace the Xs or numbers shown with the numbers 6, 8, and 10, 12, and 14 respectively. In the Measure column, under Rating Level 1, add this note: "If any systems are not certified by 12/31/02, performance will be rated at Level 1.0." Nora provided copies of and briefly discussed information explaining Operational Improvements (formerly referred to as Process Improvements).

For Objective E (Control Cost of Risk), to adopt the Goal and Measures with Weighing of 4% rather than 5% as stated, and to add a note, "At a future ELT meeting, time will be devoted to discussing cost of risks and looking at drivers for cost of risk."

Action items:

Person responsible:

Deadline:

Prepare final version of 2002 President/Vice President Shared Goals.

Nora Freeman

Laura discussed future agenda items.

Laura will e-mail agenda for the 2/4/02 ELT meeting.

Minutes

ELT Meeting Minutes

February 4, 2002
9:00 AM to 12:00 PM
Board Room

Leader: Laura Douglas
Facilitator: Nora Freeman (On Call)
Recorder: Joan Malone
Scribe: Karla Teasley
Timekeeper: Steve Hubbs
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Billy Meeks, Bob Miller, Rhonda Plunkett, Karla Teasley, Jim Wehrle, Nora Freeman
Please Bring: Agenda, Minutes, and 2001 Goals

Agenda Topics:

Review Previous Minutes & Agenda

Laura Douglas

Discussion: Minutes from the 1/28/02 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Team Effectiveness Review

Nora Freeman

Discussion: Nora distributed copies of and discussed the results of the recent Team Effectiveness Survey and the Team Principles Survey.

Conclusions: For the Team Effectiveness Survey, the average for the fourth quarter—4.3—is an all-time high. The Team Principles Survey average for the fourth quarter is also quite good at 4.1.

2001 Diversity Goal Attainment

Rhonda Plunkett

Discussion: Rhonda Plunkett provided copies of and discussed the following: 2001 Affirmative Action Goal Outcome, 2001 Minority Business Spending Outcomes, 2001 Composite Culture Scores, and **Revised** 2001 Composite Culture Scores. Regarding the 2001 AA Goal Outcome, the numbers in the Professionals category include two good faith efforts, which did not affect the overall 2.6 score.

Conclusions: ELT consensed that management-initiated lateral moves will not be included when measuring performance on the 2002 AA Goal. A decision is pending on whether to include lateral moves involving job postings when measuring performance on the 2002 AA Goal.

Action Items:

Discuss AA and MBE Measures in the future.

Person Responsible: **Deadline:**

ELT

Make changes to the composite scores as discussed by ELT

Rhonda Plunkett

2002 Corporate Goals

All

Discussion: Nora provided copies of and the group discussed the Draft 2002 Corporate Performance Awards Goals.

Conclusions: ELT consensed on the Distribution Water Quality Goal, the Cost Control Goal, and the CSI Serviced Customers Goal as drafted. Under the Distribution Water Quality Goal, the Bacteria portion of the goal should be restated to read, "No coliform bacteria in 99% of distribution samples."

Under the Motor Vehicular Accidents portion of Safety Goal, ELT consensed to change the goal from "equal to or less than 27" to "equal to or less than 28." The Motor Vehicular Accidents portion of the Safety Goal should be linked to number of miles driven. ELT consensed on the Lost Time Injuries portion of the Safety Goal as drafted.

Action Items:

Person Responsible:

Deadline:

Double check how we collect data on miles driven and how it is tracked and reported.

GCH/KOT

Prepare final version of 2002 Corporate Performance Awards Goals

Nora Freeman

2002 Incentive Plan Goals

All

Discussion: Nora provided copies of and the group discussed the Draft 2002 Incentive Plan Goals.

Conclusions: For Goal I, Return on Equity, ELT consensed to increase the dollar amount under Level I to \$600,000, increase the dollar amount under Level 2 to \$1,200,000, and increase the dollar amount under Light Switch to \$600,000.

For Goal II, Customer Satisfaction, ELT consensed to adopted the goal as drafted.

For Goal III, Water Quality, ELT consensed to change A to read as follows: "Combined filter effluent turbidity (BEP/CHWTP) for the Period Jan. 1-Dec. 31, 2002 less than or equal to 0.10 ntu, 95% of the time. . . ." Under Goal III, B, change to read, ". . . less than or equal to 0.15 ntu, 95% of the time. . . ." Items C, D, and E were adopted by ELT as drafted.

ELT consensed to adopt Goal IV, Productivity, as drafted.

For Goal V, Human Resources and Organizational Systems, ELT adopted the goal with the following changes: Under Level I, A, change the number of Preventable Vehicular Accidents to "less than or equal to 28;" under Level 2, change the number for the Employee Perception Index to "628 or higher."

Action Items:

Person Responsible:

Deadline:

Prepare final version of 2002 Incentive Plan Goals.

Nora Freeman

Laura provided copies of and the group discussed future agenda items. Laura will e-mail the agenda for the February 11, 2002 ELT meeting.

Minutes

ELT Meeting Minutes

February 11, 2002
9:00 AM to 12:00 PM
Board Room

Leader: Laura Douglas
Facilitator: Nora Freeman (On Call)
Recorder: Joan Malone
Scribe: Karla Teasley
Timekeeper: Steve Hubbs
Attendees: Susan Camp, Laura Douglas, Amber Halloran, Mark Harpe, Greg Heitzman, Steve Hubbs, John Huber, Ellen Mackin, Joan Malone, Bob Miller, Sue Purdy, Karla Teasley, Jim Wehrle
Please Bring: Agenda and Minutes

Agenda Topics:

Review Previous Minutes & Agenda

Laura Douglas

Discussion: Minutes from the February 4, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Review Proposed Changes to COBRA Policy

Ellen Mackin

Discussion: A copy of the revised policy and a memo from Ellen explaining the proposed changes were provided prior to the ELT meeting. Ellen discussed the proposed changes to the COBRA policy. The policy requires minor modifications to clarify COBRA provisions.

Conclusions: ELT consented to the proposed changes.

Action Items:

Person Responsible:

Deadline:

Post revised policy on the Intranet.

Laura Douglas

Newspaper Article , "Knoxville Ranks Near Top in Study of Tap Water"

John Huber

Discussion: Mr. Huber briefly discussed the article.

Conclusions: LWC staff needs to know about the article and be prepared to respond to any questions concerning the article.

Action Items:

Person Responsible:

Deadline:

Get a copy of and analyze the study that is referred to in the article.

GCH/J. Wang

Debit/Credit Card Program

Karla Teasley/Susan Camp

Discussion: Susan Camp provided copies of and the group discussed the Debit & Credit Card Transaction Processing Synopsis dated February 1, 2002. The Debit & Credit Card Transaction Processing option was developed as a result of numerous customer requests for LWC to offer alternative payment methods.

Conclusions: This is not a budgeted item, so we will have to find a way to offset the cost.

Action Items:

Person Responsible:

Deadline:

At the February 25, 2002 ELT meeting, discuss ways to offset the cost of the Debit/Credit Card Program.

ELT

Proposed Revisions to Purchasing Policy

Bob Miller

Discussion: Bob Miller provided copies of and the group discussed the Draft Purchasing Policy dated February 7, 2002.

Conclusions: ELT discussed the policy and consented to several changes. Bob will put the policy in final document format, and ELT will communicate the policy to BSOs/POs.

Action Items:

Person Responsible: Deadline:

Prepare policy in final document format.

Bob Miller/Laura Douglas

Communicate the policy to BSOs/POs.

ELT

Greenbacks Report

Amber Halloran/ Sue Purdy

Discussion: Amber provided copies of and discussed the LWC Financial Highlights for January, 2002. She also provided copies of and discussed the 2002 O&M Budget Comparison to 2001 Actual Expenditures, and LWC January, 2002 Revenue/Usage/Days Billed.

Conclusions: Water consumption in January, 2002 is 294 million gallons lower than a year ago, and 188 million gallons lower than budget. Other Operating Revenue is lower than last year by \$58 thousand and higher than budget by \$64 thousand. O&M expense in January, 2002 is \$274 thousand lower than same period last year, and lower than budget by \$158.2 thousand.

Budget Controls

All

Discussion: This item was deferred to the February 25, 2002 ELT meeting and will be discussed as part of the discussion on 2002 Budget overages.

Conclusions: Items to be discussed on February 25, 2002 regarding 2002 Budget overages are: Health Insurance (\$200,000); Employee Performance Award (\$45,000); Incentive Award (\$115,000); Bankruptcies (\$70,000); Debit/Credit Cards (\$20,000); and Wellhead Protection (\$25,000). These items total \$475,000.

2002 Revenue shortfall will also be discussed at the February 25, 2002 ELT meeting.

Action Items:

Person Responsible: Deadline:

Between now and Feb. 25, ELT members will get with their BSOs, advise them of the \$475,000 overage, and get their BSOs' input on possibilities for budget cuts. ELT members should be prepared to discuss budget cuts at the Feb. 25 meeting.

ELT

Board Items

John Huber

Discussion: The Board will discuss AquaSource (INAAP and Goshen Utilities) and the report from the Public Information/Customer Satisfaction Committee at its monthly meeting on Tuesday, February 12, 2002.

Laura discussed future agenda items. She will e-mail the agenda for the February 18, 2002 ELT meeting.

Minutes

ELT Meeting Minutes

February 18, 2002
9:00 AM to 12:00 PM
Board Room

Leader: Laura Douglas
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Karla Teasley
Timekeeper: Jim Wehrle
Attendees: Laura Douglas, Vince Guenther, Greg Heitzman, John Huber, Don McKay, Bill Meeks, Joan Malone, Bob Miller, Karla Teasley, Jim Wehrle
Please Bring: Agenda and Minutes

Agenda Topics

Review Minutes

Laura Douglas

Discussion: Minutes from the February 11 meeting were approved as submitted. Agenda for today's meeting was discussed and approved.

Security Update

Don McKay

Discussion: Don McKay gave an update on security and reported on the results of the Black & Veatch security assessment.

Conclusions: LWC should respond to the B&V security assessment recommendations as if this were an audit. We should issue a management letter.

We should develop procedures to be taken within 4, 8, and 12 hours after any major disaster.

Action items:	Person responsible:	Deadline:
Prepare response management letter to B&V's security assessment recommendations.	Don McKay/Bob Miller	
Develop procedures to be taken within 4, 8, and 12 hours after any major disaster.	Don McKay	

Legislative Update

Vince Guenther

Discussion: Vince Guenther provided copies of and discussed the Bill Status Report.

Regulatory Compliance

John Huber

Discussion: Mr. Huber expressed concern regarding LWC's regulatory compliance. We must make sure we do everything we can to have zero violations. The group discussed tying "zero violations for regulatory compliance" into the shared goals.

Conclusions: Some issues involved in regulatory compliance are: cultural issues; accountability issues; communication issues; education/training issues; and organizational structure/role issues.

ELT consented to the following statements/questions regarding regulatory compliance:

- LWC has a number of regulatory violations over the past few years. Shouldn't have any—customers expect zero violations.
- What are the consequences or accountabilities that should be associated with the violations? They break the law and community trust.
- Violations are also a barrier to our other strategic objectives (i.e., regionalization).
- Our cumulative record on violations is outside of control limits.

ELT consented to the following draft goal statement/question: "What actions must LWC take to have zero regulatory violations?"

Bob Miller developed the following draft problem statement: "The LWC has X drinking water quality regulatory violations on the EPA website. The Company has also been cited for violations of other regulations. These constitute violations of federal and state laws. Our customers expect full compliance, and violations impair the community trust. Continued violations may become a barrier to regionalization and other strategic objectives."

ELT members will use the draft problem statement and the draft goal statement to get input from the various operating areas on strategies to pursue in obtaining zero violations. Options discussed at today's meeting include: putting a team together; bringing someone in from the outside to do the review or facilitate the process; using the problem-solving model.

Bob Miller/Don McKay should discuss how we can tie this into the Risk Management Plan.

Nora Freeman should attend the February 25 meeting and bring the Problem Solving Model.

Action items:	Person responsible:	Deadline:
Get input from operating areas and come to ELT meeting on February 25 prepared to discuss strategies to pursue in obtaining zero violations.	ELT	
Ask Nora Freeman to attend on February 25 and bring the Problem Solving Model. Ask Nora about other tools to use.	Laura Douglas	

MUW Campaign/Loaned Executive & Fund for the Arts: Rotating Responsibility All

Discussion: This item was deferred to a later ELT meeting.

Laura Douglas discussed agenda items for the February 25, 2002 ELT meeting. Laura will e-mail the agenda.

Minutes

ELT Meeting Minutes

February 25, 2002
9:00 AM to 12:00 PM
Board Room

Leader: Laura Douglas
Facilitator: Katie Farrow
Recorder: Joan Malone
Scribe: Karla Teasley
Timekeeper: Steve Hubbs
Attendees: Laura Douglas, Katie Farrow, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Don McKay, Bill Meeks, Joan Malone, Bob Miller, Karla Teasley, Jim Wehrle, Jami Young
Please Bring: Agenda and Minutes

Agenda Topics

Review Minutes, Agenda & Roles

Laura Douglas

Discussion: Minutes from the February 18 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

A Model for Discussion & Decision Making

Laura Douglas

Discussion: The group discussed approaches LWC might take in dealing with regulatory compliance.

Conclusions: CBSOs/BSOs will deal with system issues. ELT will deal with corporate issues

Some "white spaces" were identified: (1) Corporate issues—we must make regulatory compliance a corporate priority in all areas of the company. Many regulations cross cores/process boundaries, where one area is in compliance and another area is not. (2) Clarify roles—we do not have a clear understanding of the roles of corporate regulatory compliance versus the roles of POs or individual players. We have unclear expectations at each level. (3) Fill in information gaps—make sure people have the information they need.

ELT consented to use the systems-based management approach to deal with regulatory compliance issues.

Mr. Huber pointed out that an environmental audit needs to be a key piece of this. The environmental auditor should be external. We should look for someone who can give us best practices for compliance. Part of the audit should be regulatory compliance.

Action Items:

Person Responsible:

Deadline:

Define the roles of ELT, CBSOs, BSOs, POs and individuals in regulatory compliance.

ELT

Boundaries & Role Clarification

John Huber

Discussion: John Huber gave a "snapshot" of violations.

Conclusions: The group set the following boundaries and role clarifications:

1. Need to report completely, factually and timely in order to fulfill ethical and legal responsibilities.
2. Address issues using systems-based approach and work through the management and processes in place.
3. Clearly assign accountability for regulatory compliance.
4. Individuals/processes should know regulations they are accountable for complying with.
5. Assure we have competencies in place to achieve compliance.
6. Need to have a compliance plan in place (corporate methodology).
7. Have a tracking system in place to monitor compliance plan implementation & reporting.
8. Communication and accountability must be effective when compliance crosses systems and processes.
9. Consider systems, processes and accountabilities within regulating agencies/entities and who we must communicate with for certain issues.
10. If we have a NOV or potential NOV, we must immediately make everyone in the compliance chain aware of the circumstances—individuals, POs, BSOs, CBSOs, CEO, General Counsel, and Manager of Regulatory Affairs.
11. ELT needs to make BSOs aware of the corporate level white spaces and get their perspective on the system level white spaces.
12. We must deal with the most "emotionally inspiring" role in the Company—Regulatory Compliance Manager—better define that role so it is more effective.

Items 1, 2, 10, and 11 are communications items.

ELT consented on the following things we need to do in parallel:

1. Start defining the role of Manager of Regulatory Affairs/Regulatory Compliance.
2. Define scope for the audit.
3. Define what corporate issues ELT needs to deal with.
4. Follow-up with BSOs on what we want them to do. Follow-up by process on regulatory compliance matters affecting their processes, potential gaps in compliance, and white space compliance matters (document).
5. Determine how we track changes in compliance expectations/requirements.

Action Items:	Person Responsible:	Deadline:
Convene group of stakeholders to look at the role of Manager of Regulatory Compliance (Bob Miller, Greg Heitzman, Laura Douglas, Don McKay, Jack Wang, Jim Brammel).	RKM	
Develop a scope of work audit.	RKM/R. LeMaster	
Get BSOs started in identifying issues and root causes.	CBSOs	
Report at the 3/4/02 ELT meeting on timelines for getting this work done.	GCH/RKM	
Get responses from BSOs to problem statement and bring to March 4 ELT meeting.	KOT, GCH, SAH, RKM, JJW	
Present information on environmental regulations/compliance at 3/4/02 ELT meeting.	D. McKay/J. Young	

Response from BSO's to Problem Statement

KOT, GCH, SAH, RKM, JJW

Discussion: This item was deferred to the March 4, 2002 ELT meeting

Final Draft for 2001 Audit

Amber Halloran

Discussion: Amber provided copies of and discussed the final balance sheet and financial statements for year-end 2001.

Laura Douglas discussed agenda items for the March 4, 2002 ELT meeting. Laura will e-mail the agenda.

Minutes

ELT Meeting Minutes

March 4, 2002
9:00 AM to 12:00 PM
Board Room

Leader: Laura Douglas
Facilitator: Nora Freeman (On Call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Billy Meeks
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Billy Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Roger LeMaster, Scott Muhlenbeck
Please Bring: Agenda & Minutes

Agenda Topics:

Review Previous Minutes, Roles & Agenda

Laura Douglas

Discussion: The minutes from the February 25, 2002 ELT meeting were approved with one minor change: under the first Action Item for the discussion on Boundaries and Role Clarification, the phrase "plus 1-2 other BSOs" should be deleted.

The agenda for this meeting was discussed and approved.

Feedback from BSOs

RKM, GCH, KOT, SAH

Discussion: Bob Miller's feedback: The first step should be to develop an Environmental Policy Statement. The Environmental Management Systems and Implementation Guide for Small to Medium (# of employees) Size Utilities says the program works best if the organization adopts ISO 9000 (quality system) and ISO 14000 (regulatory compliance system). Five issues are: regulatory compliance, quality, audit, risk management, and COSO Model of Internal Controls. This is an ELT and Strategic Plan issue. We should establish a subset of tactics to pursue in our Strategic Plan.

Greg Heitzman's feedback: Discussed with Brammell, Wang, Chestnut, Asseff, McCord. Ralph McCord may be a good resource due to his experience in his previous employment. First, we need to get an inventory of regulations (safety regs, underground storage tanks, water quality regs, hazardous materials regs, lab hygiene, etc.) and produce one document containing the listed inventory or a matrix. Second, we should train on the regs at the corporate and operational areas. Third, we need to better define the corporate role and the operational role. Accountability should be at the operational level, and the corporate role should be defined. Fourth, once we get involved, prepare a comprehensive list of standard operating procedures and format for incident reporting. Fifth, benchmark other utilities. Sixth, regulatory compliance should be a priority in our Strategic Plan.

Karla Teasley's feedback: Agrees with Bob Miller regarding a comprehensive quality approach and incorporating into systems-based management. Has concerns about an "interim fix." There are gaps in documentation throughout the company. Need a decentralized approach to compliance with support from corporate level.

Jim Wehrle's feedback: Suggests team be formed to investigate/study COSO, etc., and put a presentation together to present to ELT. When we send compliance data to a regulatory agency regarding an NOV, we should have some confirmation that the information has been received by the agency. Between now and March 15 when we finalize performance appraisal goals, we might want to look at the goals to see if they sufficiently address this issue and possibly modify the goals. How we address HR type regs is an issue—is it under the umbrella or not? The role of Manager of Regulatory Affairs/Regulatory Compliance is an issue for succession planning and empowerment boundaries.

Conclusions: Strategic Plan and operating plans need to bring focus on environmental compliance.

Initial Progress by ELT Compliance Sub-Teams

RKM/GCH

Discussion: Bob Miller provided copies of and discussed "Summary of Regulatory Audit Sub-Process" by Bo Williams and "Sub-Process Synopsis." Bob discussed four key pieces to the sub-process: prepare scope for the audit, conduct the audit, publish findings, and follow-up.

Greg Heitzman reported on defining the role of Manager of Regulatory Affairs/Regulatory Compliance. Greg provided copies of and discussed minutes from "Regulatory Affairs Meeting 28-Feb.-02." Greg discussed gaps and future steps. Karla suggested Ralph McCord be added to this team.

Conclusions: We must decide if the audit will be in-house or from outside source. Do we have the in-house capacity and know-how?

Audits to be considered and prioritized are (7 items): Hazardous Materials Handling, EPA Risk Management Program, SDWA (monitoring, reporting, compliance), Clean Water Act, Clean Air Act, Process Safety Management, OSHA.

These items are scheduled for audits this year: (1) Process Safety Management, (2) EPA Risk Management Program, and (3) Hazardous Materials Handling. The team felt these audits are important to complete but asked the team to consider risks and resulting priorities that may come from other topics.

We should consider how we manage the white spaces within the regulations, how we will work to shape regulations, and what gaps might be present. The current summary does not include managing white spaces of regulatory organizations and how LWC works to shape regs in the regulation development process, and the team agreed to include these topics.

ELT consented that HR regulatory compliance will not be included in the audit schedule, but that we will address HR issues separately.

The tools we can apply are: environmental tools, environmental implementation guide, ISO 1400, ISO 9000. We should develop an Environmental Policy Statement.

This might be integrated into the NLP and the Strategic Plan.

Bob's team for the audit consists of Bob, Roger LeMaster, Don McKay, and Bo Williams. Bob will meet with the team and bring recommendations for long-term and interim solutions. Steve Hubbs will serve as a resource for the team.

ELT consented to add Ralph McCord to the team to define the role of Manager of Regulatory Affairs/Regulatory Compliance. Greg will discuss with the team whether Bo Williams should be a member of the team or serve as a resource to the team.

Greg's team will meet once each week for the next four weeks. They will use the Problem Solving Model and will report to ELT in four weeks.

Timekeeping Audit

Roger LeMaster

Scott Muhlenbeck

Discussion: Roger LeMaster provided copies of and discussed the Timekeeping Audit Report dated February 18, 2002. The flowchart included in Roger's report is the "ideal" model, not the "as is" model.

Jim Wehrle stated our procedure is different from what he's seen in other companies in that we pay a week in advance and we pay weekly.

Conclusions: Our current procedure is cumbersome and presents the potential for abuse.

Jim Wehrle and Bob Miller will put together a subteam (including Bill Meeks to represent the union) and come back to ELT with a draft response to the report and a tracking system. It was recommended that Amber and the new FIN system be brought into this. Jim would like suggestions from ELT members.

CBSOs are empowered to make appropriate interim changes to address immediate items of concern. CBSOs should let Bob and Jim know of any changes.

The Board of Water Works Audit Committee will be made aware of the report.

<i>Action Items:</i>	<i>Person Responsible:</i>	<i>Deadline:</i>
Determine who should own the timekeeping procedure—Accounting or HR. Bob and Jim will discuss and come back to ELT with a recommendation.	JJW/RKM	
Draft a response to each of Roger's recommendations and develop a tracking system.	JJW/RKM/subteam	
Benchmark for best practices.	JJW/RKM/subteam	

Laura Douglas will e-mail agenda for the March 11, 2002 ELT meeting.

Minutes

ELT Meeting Minutes

March 11, 2002
9:00 AM to 12:00 PM
Board Room

Leader: Laura Douglas
Facilitator: Nora Freeman (On Call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Billy Meeks
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Billy Meeks, Bob Miller, Glen Mudd, Karla Teasley, Jim Wehrle, Vince Guenther, Amber Halloran, Don McKay, Sue Purdy
Please Bring: Agenda & Minutes

Agenda Topics:

Review Previous Minutes, Roles & Agenda

Laura Douglas

Discussion: Minutes from the March 4, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Security Update

Don McKay/Glen Mudd

Discussion: Don will get a response to the B&V draft to Laura Douglas by the end of this week. A review of the original scope of work will be part of LWC's evaluation of the draft.

Conclusions: A major concern regarding security is the cost of security guards. Don says our original strategy was for "technology" to replace "heads." This includes electronic detection. Don will discuss with a local professional the most economical way to do this.

We need to finish the fencing and lighting at Cardinal Hill. Once we have this in place, we can make changes and possibly have a roving patrol at Cardinal Hill.

We also need to modify/update the fencing at the CH chlorine site to make it more secure. Some barriers to finishing the fencing have been the weather and a cleaning project with the reservoir. To speed this up, we will push the contractor to finish or find someone who can finish the project. John Huber will send a memo to LWC staff conveying the sense of urgency on getting this work done.

Glen, Laura, and Don plan to meet with Terry Conway who will begin drafting a policy for information release (requests for copies of maps and other information on facilities).

Don or Glen will send another e-mail stressing that everyone must wear the LWC ID badges.

Action Items:	Person Responsible:	Deadline:
Send memo to LWC staff involved in fencing/lighting at Cardinal Hill and CH chlorine site conveying sense of urgency on getting this work done.	John Huber	
Send second e-mail to "everyone" restating the requirement that LWC staff wear ID badges.	D. McKay/G. Mudd	

Legislative Update

Vince Guenther

Discussion: Vince provided copies of and discussed the Legislative Update dated March 11, 2002. Vince's summary included three new bills and the status of the bills which have been discussed in previous reports.

**Distribution of
Performance Ratings**

Jim Wehrle

Discussion: Jim Wehrle provided copies of "LWC Distribution Ratings for 1999 and 2000" and a separate sheet showing the performance ratings for 2001 using the new performance appraisal system.

Conclusions: The percentages for the ratings are consistent across all cores, and we are containing this within the budget restraints. This indicates the new performance appraisal process is working as it is supposed to and as we had hoped it would

ELT consensed to share the percentages on the bottom line only and not to share the actual numbers—share the percentages by core rather than by system.

ELT agreed that no one will have access for input to the goals in the new performance appraisal system except the "controller" of the goal. (There was concern regarding BSOs and POs being able to see what the BSO or CBSO is putting into the system daily.)

**Greenbacks Report/Identification of Cost Over-run
Items**

**Amber Halloran/Sue
Purdy**

Discussion: Amber and Sue provided copies of and discussed the LWC Financial Highlights for February 2002. Amber also distributed copies of the 2002 Budget, February YTD Expected Over Plan Variances.

Conclusions: Regarding Financial Highlights for Feb. for the Balance Sheet: Constructon and Acquisition Fund continues to decline with a current balance of \$11,189,607.

Regarding the Income Statement, some highlights are: Sale of Water is under plan in all categories except Private Fire Services and Free Water; Sick Leave pay-out of \$196,422 was expensed in February and reflected as under applied in Administrative and General Expense; INAAP expenses of \$133,660 were charged to Misc. Income Deductions in February, and legal expenses related to same will be expensed in March.

Regarding the over-run variances, the total is \$502,684 after adjustments were made to the draft "2002 Budget, February YTD Expected Over Plan Variance" which Amber furnished.

We must look for \$1,000,000 worth of expenses to cut using all tools available: last year's discretionary list, last year's successes, and last year's failures. CSBOs will ask the BSOs to come up with ideas, and the CBSOs will report back to ELT on March 25. ELT will discuss the ideas and prioritize to make up \$1 million collectively.

CBSOs should send their ideas for budget cuts to Amber by Friday, March 22, 2002, and she will put into one format.

Action Items:

Person Responsible:

Deadline:

CBSOs meet with BSOs to get suggestions for budget cuts and deliver their ideas to Amber by noon on 3/22/02. Amber will put in one format.

ELT/Amber Halloran

Discuss at 3/25/02 ELT meeting.

ELT

Executive Incentive & Shared Goals

John Huber

Discussion: John reported that he met with the Board's Compensation Committee last week. One of their concerns is the way we have stated the lightswitch goal. The goal can be interpreted in more than one way. Year 2001 net income exceeded budget by \$600,000. Does this mean we achieved our goal? Should this pertain only to the Operating Budget? The Board did agree that we need the lightswitch goal. They want to keep our attention at a high level regarding what it costs to operate the Company.

Conclusions: ELT agreed if net income exceeded budget by \$600,000, we achieved the goal.

We need to clarify the 2001 goal which was worded inconsistently and set the method for this year.

ELT consensed to make the lightswitch goal a goal based on net income and have the actual financial goal pay-out based on net income from operations.

Action Items:

Person Responsible:

Deadline:

Bob Miller will get rewording of the goal to Nora early Tuesday so she can incorporate it into the information which will be presented to the Board at 12:30 p.m.

Bob Miller

Board Agenda Items

John Huber

Discussion: John noted some agenda items for the Board of Water Works meeting on Tuesday: Recommendations for Incentive Awards, Billing and Collections Contract with MSD, RBF Phase III, Summary of CWEP.

Future Agenda Items

Laura Douglas

Discussion: Laura provided copies of list of future agenda items.

Conclusions: Laura will e-mail agenda for the March 18, 2002 ELT meeting.

Action Items:

Person Responsible:

Deadline:

Provide Laura suggestions on items to be added to the list.

ELT

Minutes

ELT Meeting Minutes

March 18, 2002
9:00 AM to 12:00 PM
Board Room

Leader: Laura Douglas
Facilitator: Nora Freeman (On Call)
Recorder: Steve Hubbs
Scribe: Tony Gregroy
Timekeeper: Billy Meeks
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, John Huber, Billy Meeks, Tony Gregory, Ralph McCord, Jim Wehrle, Barbara Crow
Please Bring: Agenda & Minutes

Agenda Topics:

Review Previous Minutes, Roles & Agenda **Laura Douglas**

Discussion: Minutes from the March 11, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and modified to include a topic on E-mail at 10:45.

9:05-9:25 **Employment Status Policy** **Jim Wehrle**

Jim presented a policy change in the LWC employment status policy (R2-36) to bring our policy in line with CERS criteria.

ELT reached consensus on the policy changes as presented and empowered Jim to incorporate a provision for co-op students as appropriate.

Action Items:	Person Responsible:	Deadline:
Investigate the status of co-op students regarding CERS.	Jim Wehrle	4/1/02
Evaluate the current status of contract/part time employees.	Jim Wehrle	

9:25-10:05 **MUW Loaned Executive Rotation** **Laura Douglas**

Laura noted that the objective is to provide a successful MUW program within LWC and select effective persons for the MUW loaned executive rotation. Suggestions included having 4 groups (operations, serving customers, business resources, and administrative support) rotate this role, or have this role added as an assigned responsibility to a particular process. Two specific roles were identified: the loaned executive, and the internal program role. These two roles were discussed as separate roles.

This discussion will be continued when Bob and Karla are available (April 1)

Action Items:	Person Responsible:	Deadline:
ELT will re-consider this in two weeks.	Laura Douglas	04/01/02
Ralph will update Karla regarding this item.	Ralph McCord	

10:20-10:45	Churchill Downs PURE TAP proposal	Barbara Crow
<p>Barbara polled the VPs regarding an extra \$10,000 for 60,000 Pure Tap bottles. The group agreed that we couldn't provide adequate water in bottles, nor empties, in time for the Derby. Because CD is a private for-profit corporation, the group agreed that it must pay for whatever costs were incurred. A subteam (John Ralston, Steve Hubbs, Barbara Crow) will meet with Churchill Downs regarding their concerns with water at Derby.</p> <p>John expressed concern at the risk of this activity, and required that his approval be secured before any activities are pursued.</p>		
<p>Action Items:</p> <p>Crow, Hubbs, and Ralston will meet with CD staff regarding the topic.</p> <p>Any suggestions will be submitted to JLH for approval.</p>		
	Person Responsible:	Deadline:
	Barbara Crow	ASAP
10:45-10:50	Regulatory Compliance	Greg Heitzman
<p>Greg provided a verbal update on the status of the team.</p> <p>The group will report back to ELT on an every-other week basis.</p>		
<p>Action Item:</p> <p>Provide team progress report every-other week</p>		
	Person Responsible:	Deadline:
	Greg Heitzman	04-01-02
10:50-11:20	Open Time	Various
<p>Tony updated the group regarding the failure of the E-mail. At this time, the E-mail is not working at the Third Street office, and will likely be down for the remainder of the day.</p> <p>Greg updated the group regarding the status of security improvements.</p> <p>Jim asked for support for the Diversity roll-out at the Water Tower.</p>		
	Future Agenda Items	Laura Douglas
<p>Discussion: Laura provided copies of the list of future agenda items. The only carry-over item from this meeting is the MUW Loaned Exec and LWC internal program topic (April 1).</p> <p>The ISO topic, and flushing goals, will be handled in the future as an update via e-mail.</p> <p>The NLP III item will be handled as a report distribution.</p> <p>Regarding the Facilities Plan, ELT should be in an "Consult" role, prior to the April 15 steering committee meeting. The executive summary of the current draft of the plan will be distributed to all ELT members.</p> <p>Conclusions: Laura will e-mail the agenda for the March 25, 2002 ELT meeting. 105 minutes will be allocated to the cost containment item. Quarterly Team Assessment will be performed.</p>		
<p>Action Items:</p> <p>Chris will re-distribute the bin list with added items.</p>		
	Person Responsible:	Deadline:
	Laura	

Minutes

ELT Meeting Minutes

March 25, 2002
9:00 AM to 12:00 PM
Board Room

Leader: Laura Douglas
Facilitator: Nora Freeman (On Call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Jim Wehrle
Attendees: Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, Joan Malone, Bob Miller, Karla Teasley, Jim Wehrle, Nora Freeman
Please Bring: Agenda & Minutes
Agenda Topics:

Review Previous Minutes, Roles & Agenda *Laura Douglas*

Discussion: Minutes from the 3/18/02 ELT meeting were approved. Agenda for this meeting was discussed and approved.

Cost Reductions & Budget Control

All

Discussion: Amber Halloran provided copies of and the group discussed the "2002 Proposed Budget Cuts."

Bob Miller prepared a "proposed test" the budget cuts should pass before they are cut from the budget: (1) reduces planned expenses; (2) monitors, measures and reports; (3) no changes to accounting rules; and (4) exercises extreme prudence regarding putting owner's dividend at risk, employee safety at risk, and customer health at risk.

Conclusions: ELT consented to several changes to the list. Amber will prepare a revised list incorporating these changes.

Action Items:	Person Responsible:	Deadline:
Check w/R. LeMaster regarding budget cuts in Internal Audit.	Amber Halloran	
At the 4/8/02 ELT meeting, present revised list of 2002 Proposed Budget Cuts incorporating changes discussed and approved today.	Amber Halloran	

Discussion of New ELT Roles

All

Discussion: Jim Wehrle will take over as Leader of the ELT at the 4/8/02 meeting. Jim will prepare a matrix of proposed ELT roles for the balance of 2002 and present at the 4/8/02 meeting. ELT Leaders have served in the following order: Karla Teasley, Greg Heitzman, Steve Hubbs, Bill Meeks, Bob Miller, Laura Douglas, Jim Wehrle. The leadership role rotates quarterly.

Action Items:	Person Responsible:	Deadline:
Prepare matrix of ELT roles for 2002 and present at 4/8/02 ELT meeting.	Jim Wehrle	

Quarterly Effectiveness Survey

Nora Freeman

Discussion: Nora provided copies of the Team Effectiveness Survey and asked that ELT members complete the survey and return to her today.

Action Items:	Person Responsible:	Deadline:
Complete Team Effectiveness Survey and return to Nora today.	ELT members.	

There will be no ELT meeting on 4/1/02 due to Spring Break. The next ELT meeting is scheduled for 4/8/02, when Jim Wehrle will take over as Leader.

ELT Meeting Minutes April 15, 2002

Roles

Leader: Jim Wehrle
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Ed Chestnut for Greg Heitzman
Attendees: Ed Chestnut, Laura Douglas, Steve Hubbs, John Huber, Roger LeMaster, Joan Malone, Bill Meeks, Bob Miller, Anna Norris, Karla Teasley, Jim Wehrle

Review Minutes and Agenda

Minutes from the March 25, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Team Effectiveness Report—Nora Freeman

Nora distributed and discussed results of the Team Effectiveness survey—First Quarter 2002. The team average is 3.8 for the first quarter.

Nora provided copies of the Facilitator/Observer Report form and the ELT Peer Effectiveness Survey form. She urged the team to use the Facilitator/Observer Report form to focus on areas with low scores.

***ELT agreed to have the TKO use the Facilitator/Observer Report form to provide feedback to the team and to use the Peer Effectiveness Survey. Mr. Wehrle will get clarification on Question 3 of the Peer Effectiveness Survey and communicate to ELT members. ELT members will complete a Peer Effectiveness Survey form for each of their fellow ELT members and provide to Nora by April 24. The results of the survey will be discussed at the April 29, 2002 ELT meeting.**

ELT members agreed that the ELT agenda should be distributed by Thursday of each week for the upcoming ELT meeting and that each ELT agenda should include 15-20 minutes of Open Time.

ELT members agreed that an external evaluation of ELT might be in order to determine what external expectations are, what communications gaps exist, etc.

SOE Certification Report—Jim Wehrle, Nora Freeman

Nora provided copies of and discussed the BSO Audit Report for H2—Supporting Organizational Effectiveness dated April 3, 2002. This is the first certification for this system. The SOE System Advisory Council has responded to the recommendations contained in the report, and Jim Wehrle recommended ELT approve certification.

ELT approved certification for H2.

Greenbacks Report—Amber Halloran, Anna Norris

Amber provided copies of and discussed Financial Highlights for March, 2002. Operations and maintenance expense is under budget by approximately \$400,000 for YTD. This is very good news.

Budget Reduction/Cost Control--All

Amber provided copies of 2002 Proposed Budget Cuts/Expense Reductions, Revised 4/8/02.

The group agreed that since we are approximately \$400,000 under O&M Budget, we should cut the budget more than \$400,000, but less than the \$1 million originally discussed. ELT established a new target budget reduction of \$700,000 and agreed that items which would impact customers should be removed from the list of budget cuts. Of the \$700,000, we have accomplished \$400,000, which leaves \$300,000 additional to achieve.

John Huber will communicate to ELT members items we DO NOT WANT to cut from the budget. Within the next week, ELT members will revise their list of budget cuts and provide to Amber for compilation and distribution to ELT. A new list of budget cuts will be prepared differentiating between what's been cut and what still needs to be cut from the budget.

Mr. Huber noted that we need to differentiate between the Training account and the Travel & Seminars account in the budget.

Diversity Video—Jim Wehrle

Mr. Wehrle distributed and discussed his memo to "Everyone LWC" regarding inaccessible areas during the Diversity filming on April 18 and 19.

ELT Performance Award Recommendation—Bob Miller

Bob Miller provided copies of and discussed ELT Performance Award Recommendation for employees who participated in the accomplishment of significant process improvements in the production of LWC financial statements.

ELT approved Bob recommendations for the awards and agreed to add Amber Halloran to the list of recipients at the rate of \$250. ELT also agreed that Bob will draft a letter of appreciation to Amber for her work in this project, to be signed by each ELT member.

Partnership for Safe Water Training Exercise—John Huber

John Huber noted that Tuesday morning, April 16, LWC will conduct a training exercise at Crescent Hill for the Partnership for Safe Water.

ZPS 48-Inch Main Break—John Huber

Mr. Huber noted we have had to order special parts for the repair of the 48-inch water main at Zorn Avenue, so will need to put this work off until after Derby. Mr. Huber stressed that the work must get started and finished immediately after Derby.

Agenda for April 22, 2002 ELT Meeting—Jim Wehrle

Jim Wehrle will e-mail the agenda for the April 22, 2002 ELT meeting.

BIN List—John Huber

Mr. Huber wants an item added to the BIN list: Think about a management audit. It is likely that the merged City/County government will conduct an audit of LWC.

*Decisions made by ELT and items requiring action are "shadowed" in these minutes.

ELT Meeting Minutes April 22, 2002

Roles

Leader: Jim Wehrle
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Greg Heitzman
Attendees: Shawna Dawson, Laura Douglas, Amber Halloran, Steve Hubbs, John Huber, Aquila Johnson, Joan Malone, Bill Meeks, Bob Miller, Rhonda Plunkett, Karla Teasley, Jim Wehrle

Review Minutes and Agenda

Minutes from the April 15, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Hiring and DBE Report—Rhonda Plunkett

Rhonda provided copies of and discussed the Corporate Diversity Goals and the 1st Quarter 2002 Affirmative Action Goal Results. The Affirmative Action Goals listed the “new” job groups. The column titled “Availability” includes a pool of qualified people in our SMSA per the 1990 census. The 2000 census data will not be available until next year. Rhonda recommends the LWC AA Goals match the Availability column.

When setting the standard for performance, we need to consider feedback from our constituents: the Board of Water Works and the community at large. We also should consider using a different type chart that contains goals with upper and lower control limits.

ELT decided to solicit additional information before setting the goals. We must decide if we want to accommodate utilization that mirrors the community or mirrors the local workforce or establish some other methodology for setting/accomplishing the goals.

*John will check with constituents, then meet with Jim Wehrle and Rhonda to discuss. A revised list of Corporate Diversity Goals will be presented to ELT.

Blue Book/CAR Streamlining—Shawna Dawson, Nora Freeman, Aquila Johnson

Shawna, Nora, and Aquila provided copies of a survey regarding financial reports (Financial Highlights/Greenback, Blue Book/CAR). The outcome of the survey is to decide how we will put the reports together and then go from there.

John stressed the importance of documentation when changes are made to this type of report. These changes have been documented in the Annual Reports, Technical Addendums, etc., in the past.

Karla noted we should use the Intranet to transmit the information contained in these reports when possible.

We should focus on four key constituencies when doing the survey: (1) current management, (2) Sonja Davis as archivist, (3) the IT group, and (4) our constituency (future management).

ELT approved moving forward with the survey, and adding a column ranking from 1-5 to get feedback on which aspects people feel are most important. We also need to think about how we document the changes this will bring about.

Make recommended changes using quality tools, then bring back to ELT for feedback.

Metro United Way and Fund for the Arts—All

LWC needs to name a Loaned Executive and an Employee Coordinator for the MUW Fall Campaign. Iris Underwood was the Loaned Executive for 2001, so is in line to serve as Employee Coordinator for 2002. (See Barbara Crow's schedule dated January 22, 2001.) We will also need a team of people to work with the Employee Coordinator.

LWC should consider ways to impress upon employees how important MUW is—other companies do things such as casual Fridays for those who contribute to MUW. We should have a system or process that is so reliable it will yield success. Bob will document such a process. He will gather historical information on the process and check with Barbara Crow. Bob will ask Barbara to rework the schedule for the coming five years. On the schedule, "Production and Delivery" should be changed to "Operations."

Bob Miller volunteered to serve as Co-Chair with Iris Underwood for the internal campaign. Bob will check with Iris to make sure she will be available to serve as Employee Coordinator with him.

Bob recommends Darrell Rhodes as the Loaned Executive. Greg will check with Jack Wang to see if Darrell's work can be covered while he serves as Loaned Executive and then check with Darrell to see if he is willing to serve as Loaned Executive.

Regarding Funds for the Arts—Greg will check with Diana Cecil to see if she is willing to serve as Fund for the Arts Team Captain.

Recommend Appreciation Award, Restructuring PA/Wage Matrix—Jim Wehrle

Mr. Wehrle provided copies of and discussed the request for recognition award for those who worked to accomplish the restructuring of LWC's performance appraisal and wage matrix systems.

ELT approved the awards recommendation as submitted. Jim Wehrle will draft a letter to those receiving the award. The letter will be signed by each ELT member.

Recommend Appreciation Award, ZPS 48" Emerg. Main Repair—Greg Heitzman

Greg provided copies of and discussed his request for recognition award for those who worked during the ZPS 48-Inch emergency main break response.

ELT approved the awards recommendation as submitted. No VPs will be included in the award. Greg will draft a letter to those receiving the award. The letter will be signed by each ELT member.

John noted his appreciation for the work Greg Heitzman and Steve Hubbs did during the emergency response.

Report on Waterworks Mgmt. Workshop Group Meeting, Oakland, CA—Bob Miller

Bob reported on feedback he received at the recent meeting, including information on boil water advisories after main breaks, how other utilities use regulatory affairs employees, timing of replacement meters, and wages for meter readers,

Agenda for April 22, 2002 ELT Meeting/BIN List—Jim Wehrle

Jim Wehrle will e-mail the agenda for the April 29, 2002 ELT meeting.

ELT members should e-mail Jim their ideas for BIN list items.

*Decisions made by ELT and items requiring action are "shadowed" in these minutes.

ELT Meeting Minutes April 29, 2002

Roles

Leader: Jim Wehrle
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Greg Heitzman
Attendees: Laura Douglas, Steve Hubbs, John Huber, Joan Malone, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Nora Freeman, Rhonda Plunkett, Katie Farrow, Shawna Dawson

Review Minutes and Agenda

Minutes from the April 22, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Plans for Organizational Effectiveness Survey—Katie Farrow

Katie had previously provided copies of the Draft Organizational Effectiveness Index Survey. She gave an overview of the survey, explained how we plan to administer it, and noted we are conducting small focus groups to get feedback on the overall concept before proceeding with a small-scale pilot run. The survey is being designed in response to customer feedback on our existing assessment tools. Katie noted we are working with a prominent consultant in developing the survey. She emphasized this is not a tool for ELT only—it will yield data for everyone. The survey will be conducted in September or October each year.

ELT agreed on the following: The survey should provide space for demographic information, but this information can be left blank if respondents do not feel comfortable providing it. Respondents will be asked to provide process level information.

Bob Miller suggested using a ranking scale of 1 to 10 rather than the 1-5 in the draft.

ELT agreed an article should be put in *NewsLeaks* about the survey. We should explain to employees why we are using two tools this year—the HREI and the Organizational Effectiveness Survey.

First Quarter Goals Assessment—Nora Freeman

Nora provided copies of a notebook titled "2002 Goals" which contains stated goals and first quarter 2002 performance results. Under the Executive Incentive Plan Goals, the Light Switch Goal was not met, but significant progress was made toward achieving it. Goal III-B, the Filter Goal, also was not met. All other Executive Incentive Plan Goals were met.

Nora also discussed first quarter 2002 performance for the President and Vice Presidents Shared Goals and the Corporate Performance Awards.

Peer Assessments—Nora Freeman

Nora handed each ELT member the individual feedback received as a result of the Peer Assessment. Nora/Katie/Jim will check into having someone coach ELT members on their individual assessment concerns if they desire such coaching.

Nora also provided copies of and discussed the ELT Peer Effectiveness Feedback to the third question on the survey: "If you could change one thing about ELT, what would it be?"

An item will be included on the upcoming ELT agenda to get consensus on where we want to go with the survey results. The issues gleaned from the survey results are: (1) Frequency of ELT meetings; (2) Are we focusing on what we should be focusing on? and (3) Is everything coming to the table that should be (are people afraid to speak at the meetings)?

DBE Presentation—Rhonda Plunkett

Rhonda provided copies of and discussed the LWC 2002 M/WBE Spending Outcomes—1st Quarter, 2002. The results are based on a methodology wherein the numerator includes payments to sub-contractors and the denominator includes only current-year spending on multi-year contracts.

ELT approved the new methodology for measuring M/WBE spending. The Total column will be deleted from the report for now. In the column "Type of Procurement," "Capital Program" should read "Capital Construction Program." ELT agreed the term DBE is inconsistent with the terminology M/WBE and that M/WBE terminology be used rather than DBE.

ELT requested that Rhonda have an update included in *NewsLeaks* on the work which has been done and the work in progress regarding AA and M/WBE spending.

Budget Discussion—Bob Miller

Bob provided copies of and discussed the 2002 Proposed Budget Cuts/Expense Reductions, Revised 4/8/02.

A column will be added to the report indicating what portion of the budget cuts have been achieved and what portions are yet to be achieved. The report will also show the revised target budget reduction of \$700,000.

Bob recommends we communicate to frontline employees on Friday of this week or Monday of next week regarding status through April. We should communicate why we are "in the pink" due to RouteSmart, etc. We should provide information on how we monitor the status of our performance on maintaining the budget.

Revised Harassment Policies—Jim Wehrle/Laura Douglas

Jim provided copies of revised policies for Sexual Harassment (R2-02) and Harassment (R2-01). The Sexual Harassment Policy expands on the last paragraph under Item 2, Item 4.0-1, and Item 6.0. The Harassment Policy expands on Item 4.0-1.

ELT approved the modifications to both policies. Under Item 6.0 on both policies, the following phrase should be added to the last sentence: "and will be addressed in a manner consistent with the Employee Code of Conduct."

Metro United Way Loaned Executive—Bob Miller

Bob reported that Darrell Rhodes has agreed to serve as MUW Loan Executive. Total time involved in Darrell's serving as Loaned Executive is approximately 550 hours.

ELT needs to decide where the cost will be charged.

LWC Company-Wide "As-Is" Relationship Chart

Bob provided copies of the chart and asked ELT members to "mark up" or otherwise provide him their recommendations/comments on the chart. This chart will be posted on the Intranet.

Borrowing from Drinking Water State Revolving Loan Fund—Bob Miller

Bob discussed borrowing from the Drinking Water State Revolving Loan Fund. The rates have gotten low enough that we should look into taking advantage of this. We should coordinate this with our existing debt to make sure we don't cause a technical default. The amount involved would be \$2 million at 1.7—1.9% interest.

Ginsberg Empowerment Model—Bob Miller

Bob noted he has three empowerment pilots going using the Ginsberg matrix. He will be glad to help anyone who might need assistance in this area.

Part-Time I and Part-Time II Employees—Jim Wehrle

Jim questioned if part-time employees should be eligible for team recognition awards. LWC now has a policy in effect whereby they are eligible for team awards, but not the Corporate Performance Award.

ELT members will provide Jim input, and ELT will discuss at a future meeting whether to make changes in the policy which would allow part-time employees to receive team recognition awards and Corporate Performance Awards.

Agenda for May 6, 2002 ELT Meeting—Jim Wehrle

Jim Wehrle will e-mail the agenda for the May 6, 2002 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

**ELT Meeting Minutes
May 6, 2002**

Roles

Leader: Jim Wehrle
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Greg Heitzman
Attendees: Susan Camp, Laura Douglas, Steve Hubbs, John Huber, Roger LeMaster, Joan Malone, Scott Muhlenbeck, Bill Meeks, Bob Miller, Jim Wehrle

Review Minutes and Agenda

Minutes from the April 29, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Peer Review Responses—All

Each ELT member made a verbal commitment in response to the feedback they received from the Individual Peer Assessment.

*ELT consensed to do the Peer Assessment once per year, in late April after the Annual Board meeting. Regarding coaching on performance in ELT meetings, ELT members will work in pairs to provide feedback to each other as follows: Meeks/Huber, Heitzman/Hubbs, Teasley/Miller, Douglas/Wehrle. Each pair will decide how often they will provide feedback to each other. Pairs will be switched quarterly for 7 quarters so each ELT member will have the opportunity to work with everyone else on the ELT.

ELT Role Discussion—All

The issues gleaned from the Peer Assessment were: (1) Frequency of ELT meetings/amount of time, (2) Are we focusing on what we should be focusing on? and (3) Is everything coming to the table that should be (are people afraid to speak at the meetings)?

ELT consensed to the following: hold meetings each Monday, but change the time to 9:00-11:30 a.m.; the leader will construct and distribute the agenda prior to the meeting and ELT members will provide feedback prior to the meeting; keep Open Time on the agenda each week to allow for current topics to be brought to the table for discussion; limit presentations to fifteen minutes maximum, then open for Q&A; state desired outcomes on the agenda in more detail.

I-1 Certificaton—Greg Heitzman

Greg provided copies of and discussed the certification documents for I-1, Infrastructure Planning. Greg recommended this system be certified for 2001-2002.

ELT approved the certification with the understanding that the recommendations contained in the documentation be carried forward by Karla Teasley, who is now CBSO for this system.

I-2 Certification—Greg Heitzman

Greg provided copies of and discussed the certification documents for I-2, Facility Design, Construction, and Maintenance. Greg recommended this system be certified for 2001-2002.

ELT approved the certification with the understanding that the recommendations contained in the documentation be carried forward.

48-Inch Main Update—Greg Heitzman

Greg provided copies of and discussed a communication from Jim Brammell dated May 3, 2002 regarding Zorn 48-inch main repair. The cost is estimated to be \$100,000 to make the overall repair.

Open Time

Jim Wehrle thanked Bill Meeks for the work of the union and the DPT in reaching a mutual decision regarding the role of the Union Quality Coordinator. Nora (Katie) and Bill will develop a current job description and will post the interest form. HR will develop standardized interview questions and scoring.

John Huber passed around one of the Pure Tap bottles which were labeled and filled for the Extreme Park. Mr. Huber noted today kicks off National Drinking Water Week, and Mayor Armstrong was presented the 1,000,000th Pure Tap bottle at a press conference held this morning.

Bob Miller reported on a call he had from Moody's rating agency. They are closely monitoring the merger issue as it relates to bonds which might be affected by the merger.

Agenda for May 13, 2002 ELT Meeting—Jim Wehrle

Jim Wehrle will e-mail the agenda for the May 13, 2002 ELT meeting.

Decisions made by ELT and items requiring action are "shadowed" in these minutes.

**ELT Meeting Minutes
May 13, 2002**

Roles

Leader: Jim Wehrle
Facilitator: Katie Farrow (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Greg Heitzman
Attendees: Laura Douglas, Steve Hubbs, John Huber, Joan Malone, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Tony Gregory, Diana Cecil, Roger LeMaster, Scott Muhlenbeck, Barry Kidd (Fund for the Arts)

Review Minutes and Agenda

Minutes from the May 6, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Fund for the Arts—Diana Cecil, Barry Kidd

Diana and Barry provided copies of and discussed a graph showing the breakdown of use of money donated by LWC employees last year. They also provided a handout showing LWC employee giving since 1995 and the percentage change (up or down) from one year to the next. They predict good results this year.

C3 Certification—Karla Teasley, Kevin Grant

Karla and Kevin discussed the certification documentation (copies were provided by e-mail last week). Karla recommended certification of this system.

ELT approved certification with the understanding that the system will move forward on the first two recommendations contained in the Audit Report.

Upcoming Board Meeting—John Huber

Agenda items include the bond rating from Moody's and the Anthem stock transfer issue.

Hiring Goals—Jim Wehrle, Rhonda Plunkett

Rhonda provided copies of and the group discussed the 2002 LWC Hiring Goals, 2002 Hiring Goal Results 1st Quarter, and LWC Hiring Goal Program.

On the document titled 2002 LWC Hiring Goals, in the column titled LWC Target %, under Minorities, Office Support-Clerical, 27.05 should be changed to 24.0. On the document titled 2002 Hiring Goal Results 1st Quarter, a column will be added beside each PA rating which will show the % of LWC target achieved.

Rhonda will attend individual system meetings to explain these documents to the BSOs. She will include in her explanation the background and how we reached these numbers. The BSOs will communicate this information to the POs.

ELT approved the goals with the modification/addition discussed.

Greenbacks—Amber Halloran//Sue Purdy

Amber discussed the LWC Financial Highlights for April, 2002.

Kevin Grant provided copies of and discussed Consumption Analysis for Residential, Commercial and Industrial Customers. Under RouteSmart, after odd months, revenue will be overstated YTD.

Kevin will develop a report/explanation to the Board on what we anticipate to get out of RouteSmart. This will include a goal, the unit cost per meter reading using this system versus not using it, and options for managing meter routes using some method other than Route Smart.

Agenda for May 20, 2002 ELT Meeting—Jim Wehrle

Jim Wehrle will e-mail the agenda for the May 20, 2002 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes May 20, 2002

Roles

Leader: Jim Wehrle
Facilitator: Katie Farrow (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Greg Heitzman
Attendees: Laura Douglas, Steve Hubbs, Joan Malone, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Tony Gregory, Don McKay, Rhonda Plunkett

***Review Minutes and Agenda**

Minutes from the May 13, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Security—Don McKay

Don reported that an LWC team on security (Vince Guenther, Glen Mudd, and Don) submitted an application April 25th to the EPA for a funding grant for additional security work. This is a noncompetitive grant, and LWC is applying for the maximum amount of \$115,000. EPA will not reimburse for amounts spent 90 days prior to receiving the grant. All work under the grant is required to be completed by the end of 2003.

Steve Hubbs noted we need an intrusion device on all elevated tanks. Don said LWC is evaluating intrusion devices for our storage tanks and other facilities.

Review Simplified Hiring Goals Info—Rhonda Plunkett

Rhonda provided copies of and discussed the revised Affirmative Action hiring goals. The Skilled Craft Leaders job group is not included in the hiring goal score because these positions are governed by union seniority provisions.

Discuss Benefits & Acquisition Issues—Jim Wehrle, Jim Smith

It was noted that we need a business model to use as a starting point for employee benefits when we bring in employees of acquisitions such as Goshen and Shepherdsville. We need to document what our benefits are and what we've done in the past. Documents currently available for use in building a business model are the union contract, listings of job categories and pay rates, and the employee handbook. The business model should allow for some flexibility to negotiate.

Mike Sturgeon, Ellen Mackin, and Jim Wehrle will develop a draft business model and bring to ELT for discussion.

Regulatory Process—Greg Heitzman

Greg reported status of work done by the ELT-commissioned team which is looking at the role of Manager of Regulatory Compliance. They have met about six times to look at this process and have broken the job description into key elements using the Ginsberg Empowerment Model as a tool to assist in determining various job duties. One key element is shaping regs and how we will respond to them and determining what the "to be" model would be for this. There is a great deal of work remaining to be done.

Tony Gregory will check with Bob Miller to see if he has anything to contribute regarding developing a scope of work audit (reference the Feb. 25 ELT minutes wherein it states Bob and Roger LeMaster will develop a scope of work audit).

PA Issues—Mike Sturgeon, Jim Wehrle

Mike reported on a glitch found in the PA system. It involves weightings for individual/operating goals and Diversity/MBD goals. Mike says the glitch is simple to fix and directions are forthcoming. We need to decide what weighting to give the Diversity and MBD goals so that the weighting will be near the original 5% each after the PA system compensates for the glitch.

ELT decided to weight Diversity and MBD goals at 9% each, which equals 10.8% for the two. Original weighting for the two was 10%.

Mike will take this to the BSOC (new rating for Diversity and MSD of 9% each, which equals 10.8% for the two combined compared to a 10% as originally determined).

Mike will communicate to everyone the method for entering weightings into the system to compensate for the glitch.

Agenda for June 3, 2002 ELT Meeting—Jim Wehrle

Jim Wehrle will e-mail the agenda for the June 3, 2002 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

**ELT Meeting Minutes
June 10, 2002**

Roles

Leader: Jim Wehrle
Facilitator: Katie Farrow (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Jim Asseff for Greg Heitzman
Attendees: Laura Douglas, John Huber, Joan Malone, Bill Meeks, Bob Miller, Karla Teasley, Jim Wehrle, Jim Asseff, Don McKay, Amber Halloran, Sue Purdy

***Review Minutes and Agenda**

Minutes from the May 20, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Performance Appraisal Issue—Jim Wehrle

Jim provided copies of the scoring for operational goals (re-weighting of goals) to compensate for the PA system "glitch."

Greenbacks & Budget—Amber Halloran and Sue Purdy

Amber provided copies of and discussed the LWC financial Highlights for May, 2002.

On page 9, Top Twenty Users, Fischer Packing, Bob Miller will let the Board know that we are losing Fischer Packing and what this loss will mean to LWC in terms of revenue.

Amber provided copies of and discussed the LWC Consumption/Revenue Analysis and the 2002 Proposed Budget Cuts/Expense Reductions, Revised 6/7/02. The Proposed Budget Cuts/Expense Reductions shows a revised total of \$993,530.

ELT agreed to continue with the budget cuts listed with the exception of Pure Tap purchase, employee outreach, retiree plates, and computer training. These four items will be removed from the list of budget cuts. At the next ELT meeting, the group will discuss other items which may be cut from the budget.

Jim Brammell will update ELT on the status of fuel costs at the next ELT meeting.

Upcoming Board Meeting—John Huber

Two agenda items for the Board of Water Works meeting on June 11 are Evaluated Bids/Alternate Bids and Declaration of the Dividend.

Security Update—Don McKay

Don provided copies of and discussed Level I Physical Security Improvements. The four key elements to security of facilities are: detection, delay, response, and mitigation. Don discussed some items found in the security audit which need to be addressed, all of which are easily corrected, such as removing ladders from towers to eliminate easy access by would-be terrorists.

Four items to be addressed regarding security are: (1) budget, (2) setting priorities, (3) scope, and (4) human resources

Regarding budget, there are no real issues regarding capital budget (fences, lights, doors, etc.), but there are O&M allocation issues. Bob will look at using the Contingency Fund.

Regarding setting priorities, we will use the Ginsberg matrix to set priorities and scope/timing of work.

Regarding scope, Don will work with Sandia Labs to determine issues we need to address. And, as stated above, we will use the Ginsberg matrix to develop scope/timing of work. It is important that we balance the need for secure facilities and operations access with aesthetics and community issues.

Regarding human resources, we need to have dedicated resources for this over the next two years. We need to decide if we will do this in-house or if we will outsource. We might plan to outsource the planning piece of this, but will still need in-house resources to implement and maintain. Don McKay and Jim Asseff say resourcing is covered for work planned for the next 30 days.

Jim Asseff will revise Don's handout to show scheduled completion dates and resourcing prior to the June 24 ELT meeting.

Don will report to ELT on the status of items listed on his handout at the June 24 meeting and then 2-3 weeks after the June 24 meeting..

Agenda for June 24, 2002 ELT Meeting—Jim Wehrle

Jim Wehrle will e-mail the agenda for the June 24, 2002 ELT meeting. There will be no ELT meeting on June 17.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes June 24, 2002

Roles

Leader: Karla Teasley
Facilitator: Katie Farrow (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Laura Douglas
Attendees: Laura Douglas, John Huber, Joan Malone, Bob Miller, Karla Teasley, Don McKay, Jack Wang

***Review Minutes and Agenda**

Minutes from the June 10, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Security Update—Don McKay

Don McKay provided copies of and the group discussed the revised Level I Physical Security Improvements and the Draft LWC Corporate Security matrix. Don noted we will use our current vulnerability assessment in developing a new vulnerability assessment to submit to EPA. If we receive the EPA grant, the cost of labor to prepare the new vulnerability assessment will be reimbursed as part of the grant.

Discuss Additional Budget Cuts—All

The group discussed the 2002 Proposed Budget Cuts/Expense Reductions, revised June 10, 2002. The revised target for budget reductions is \$1.2 million for 2002, which means we are looking for \$300,000 additional in cuts.

Bob Miller will provide additional cuts in Human Resources and Business Resourcing. Bob will also look at reductions in O&M expenses and the Infrastructure Replacement Reserve.

John Huber noted we need to cancel all non-essential travel and go back to the budget and see what else can be cut. We should look at anything that is not related to quality of product or customer service.

The budget for 2003 likely will also be cut, so we need to get the message out that we can't plan to defer items until next year.

ELT members should come to the July 8, 2002 ELT meeting with additional proposed budget cuts.

Open Time—All

AWWA Conference—John Huber.

Mr. Huber reported on discussions held at the conference regarding the long-term contract for operation and maintenance of United Water in Atlanta.

There was considerable discussion at the conference regarding security.

LWC Policies—Laura Douglas, Bob Miller

Laura and Bob will work on the LWC policy revision process. One item to be resolved is how old LWC policies should be before they are revised. LWC policies being posted on the Intranet is still an issue. The LWC policy revision process will be added to the BIN list.

HROE Transition—Bob Miller

HR should provide John Huber copies of the job description for VP of HROE and list of search firms today.

ELT agreed to keep the organizational design of HROE as is and fill the role of VP of HROE as it is now.

John noted that we want to continue ahead with the projects that are currently underway in HROE.

Review BIN LIST—Karla Teasley

The group discussed items for upcoming ELT agendas.

Bob Miller will get the schedule for discussion of the 2003 Budget to Karla so she can include this in upcoming ELT agendas.

Karla will revise the ELT Roles list to reflect the departure of Jim Wehrle.

TKO Report—Laura Douglas

Laura gave the TKO report.

She noted that ELT members should continue the practice of sending someone to represent them at the ELT meetings if they cannot attend

Agenda for July 1, 2002 ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the July 1, 2002 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes July 1, 2002

Roles

Leader: Karla Teasley
Facilitator: Katie Farrow (on call)
Recorder: Steve Hubbs
Scribe: Bob Miller
Timekeeper: Laura Douglas
Attendees: Laura Douglas, John Huber, Steve Hubbs, Bob Miller, Greg Heitzman, Karla Teasley

***Review Minutes and Agenda**

Minutes from the June 24, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved, with open time allocated to discuss an integrated study program (JLH).

ELT Team Effectiveness Survey-Katie Farrow

Katie presented a revised Team Effectiveness Survey form, noting a change in rating system (to match the terminology used in the Performance Appraisal system). (See handouts #1, #2, and #3).

ELT agreed to the format, and agreed to fill out each of the three forms (the new survey, the proposed survey, and the Team Principles Survey) and return them to Katie by July 5, 2002.

Review of 2003 Budget Assumptions and Parameters-Amber Halloran

Amber presented a "starting point" projection for 2003, assuming no increase in budgeted consumption, a 3.2 percent increase in O&M expenses over 2002 FORECAST, and 0.8% over 2002 BUDGET (see handout #4). The group discussed how to best provide the O&M budget parameters for 2003, and suggested using the budget-to-budget comparison.

Bob noted the projected CPI index increase of 2.5%, compared to a proposed rate increase of 3%. Bob noted the proposal to increase the infrastructure reserve back to the 2001 level of \$3.125 million, from \$2.52 million in 2002. He also noted a proposed increase in depreciation and amortization of 7.1% to a level of \$16.8 million.

John asked that we look at the compensation matrix for salaried employees, particularly those in quartile 3 and 4. John also asked that we look at the competency matrix for performance evaluation (Bob will follow up, noting a report pending from HR).

ELT agreed to the parameters provided by Bob and summarized above as a starting point for the 2003 O&M budget. ELT also agreed to have BSOs provide a 0.8 percent 2003 budget (compared to 2002 budget). This 0.8% budget must cover the core activities of the company. BSOs are to note items that are not included in the 0.8% budget.

ELT discussed the issue of number of employees, and if a target for total staff numbers (full time, part time, temps, etc) should be established. Bob will look at current numbers, and this topic will be discussed at the next ELT meeting.

Integrated Study Program-John Huber

John discussed the concept of the integrated study program as an element of the Leadership Institute. The idea is to have BSOs and PO's read current literature and discuss basic leadership concepts in a team format. The focus of this program is to explore new leadership concepts and discuss in small group

settings. The group setting is expected to yield the greatest amount of benefit for this program. John will send a communication to BSOs and PO's to emphasize the importance of the program.

New Water Curriculum-Barbara Crow and Kelly Dearing-Smith

Barbara provided a history of the Pure Tap program at LWC (see handout #5). The program now reaches 20 percent of all of our customers annually, and 50% of those indicate that the program makes them feel more confident in our product (the balance indicated a neutral effect). These are excellent numbers for a customer education program.

Kelly provided the New Water Curriculum to ELT and had us do an activity. The group noted the excellent quality of the program and thanked Kelley for her hard work.

LWC 150th Celebration

ELT discussed the celebration of the 150th anniversary. The group discussed the focus of the celebration relating to the needs of the community in 1854 compared to the needs of the community in 2004. The group agreed to celebrating the 1854 date, and to put it in perspective with the 1860 benchmark for initiating service to customers. Barbara will put together the program and provide a summary to ELT for consideration.

Open Time

Bob suggested that we allocate some ELT time to Activity Based Accounting, and how it will be incorporated into LWC financial systems. (Karla added this topic to the ELT bin list).

Review BIN LIST—Karla Teasley

July 8 2002 ELT meeting agenda topics: An update of the Risk Assessment will be scheduled for the July 8 meeting. The Greenbacks report will be an agenda topic, along with the 2003 budget. John will provide a summary of BWW agenda.

Karla will add the activity-based accounting item to the BIN list.

TKO Report—Laura Douglas

Laura gave the TKO report. The team used time effectively and complimented the New School Curriculum provided by Kelley. The meeting was effective with good participation.

John noted the upcoming facilities committee meeting, and would like to see the agenda when developed.

John also noted an upcoming health costs report to BWW and need to preview it.

John also asked for the agenda for BWW Public Information Committee meeting.

Agenda for July 1, 2002 ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the July 8, 2002 ELT meeting based on the above topics.

<p>*Decisions made by ELT and items requiring action are "shadowed" in these minutes.</p>

**ELT Meeting Minutes
July 8, 2002**

Roles

Leader: Karla Teasley
Facilitator: Katie Farrow (on call)
Recorder: Joan Malone
Scribe: Steve Hubbs
Timekeeper: Laura Douglas
Attendees: Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Bill Meeks, Sue Purdy, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the July 1, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Review Greenbacks Report—Amber Halloran

Amber provided copies of and discussed the LWC Financial Highlights for June, 2002.

At the July 15 ELT meeting, Amber will report on total water billed and total revenue month by month by billing cycle for even months versus odd months, January through June, 2002. She will report to ELT on the procedure for accounting for free water. Amber and Sue will report on the chemical budget versus actual expenditures for chemicals.

Additional Proposed Budget Cuts for 2002—Amber Halloran

Amber provided copies of and the group discussed the 2002 Proposed Budget Cuts/Expense Reductions, Revised 7/5/02. The revised list of cuts total \$882,530 versus target of \$1,200,000.

ELT members will ask all BSOs to look at the data, especially the labor data, and evaluate from a net income perspective. We should evaluate the numbers we have and make sure they are correct before we commit to additional cuts. The \$1,200,000 target was driven by the revenue shortfall. Amber will look at the revenue status to help establish an appropriate target. The updated data from the BSOs should be submitted to Amber by Friday, July 12. ELT will look at the evaluated data at the July 15 meeting.

Additional Budget Discussion—O&M for 2003—Amber Halloran

Amber will bring updated recommendations for the 2003 budget to the July 15 ELT meeting. ELT members should be prepared to discuss positions to be filled and then decide what the consequences would be if we do not fill specific positions. Amber will provide a breakdown of position vacancies by system.

Review Board Agenda—Karla Teasley

Agenda items for the Board meeting on Tuesday, July 9, 2002, include the proposed settlement on Southern Pipeline issues and security issues (Simplex Card System).

Review BIN List—Karla Teasley

The group discussed items for the ELT meetings.

Agenda for July, 15, 2002 ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the July 15, 2002 ELT meeting.

***Decisions made by ELT and items requiring action are shadowed in these minutes.**

**ELT Meeting Minutes
July 15, 2002**

Roles

Leader: Bill Meeks for Karla Teasley
Facilitator: Katie Farrow (on call)
Recorder: Joan Malone
Scribe: Steve Hubbs
Timekeeper: Laura Douglas
Attendees: Steve Cooper (representing Karla Teasley), Laura Douglas, Tony Gregory, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Bill Meeks, Bob Miller

***Review Minutes and Agenda**

Minutes from the July 8, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Additional Proposed Budget Cuts for 2002—Bob Miller, Amber Halloran

Amber provided copies of and the group discussed the 2002 Proposed Budget Cuts/Expense Reductions revised 7/15/02, which now totals \$1,010,014. Significant unbudgeted O&M costs for 2002 total \$412,975, of which \$122,000 has already been expensed.

Amber also provided copies of Detailed List of FTE Vacancies by System—Office as of June 30, 2002 and Detailed List of FTE Vacancies by System—Union as of June 30, 2002.

ELT consensed to the following regarding the vacancies:

<u>System</u>	<u># of Vacancies</u>	<u>Position</u>	<u>ELT's Decision</u>
C1	2	Customer Service Clerk I	Fill
C3	1	Customer Service Clerk I	*Hold—S. Cooper will discuss with Teasley/Grant.
11	3	Engineering Technician Business Planner I Business Planner II	Fill Not a vacancy—Larry Bond is filling. *Hold—S. Cooper will discuss with Teasley/Brammell.
14	1	Serv. Appl. Engineering Clerk	Fill
12	1	Electrical Engineer	Fill
15	1	Survey Technician	Filled with full-time employee.
C2	2	Customer Service Clerk I Dispatcher	*Hold—S. Cooper will discuss with Teasley/Grant. This position may be moving to C3. Fill
P1	10	Instrument Technician PO-Maintaining Water Prod. Production Coordinator Water Quality Analyst 2 Distri. Wtr. Qual. Coord. Wtr. Qual. Assurance Spec. PO-Provid. Qual/Safety Assur. Office Coordinator Engineering Clerk	Fill by end of 2002. Filled Fill by end of 2002. Fill by end of 2002. Fill asap. Fill by end of 2002. Fill by end of 2002. Fill Fill
R0	1	Business Planner	*Hold—one person may be able to handle R0 and 11.

<u>System</u>	<u># of Vacancies</u>	<u>Position</u>	<u>ELT's Decision</u>
R5	1	Claim Service Rep.	Fill

Steve Cooper added one vacancy to the list:

I3	1	Resource coordinator	*Hold—may be able to reallocate resources.
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***Hold until September 1. At that time, make a case for filling in 2002, budgeting or 2003, or dropping.**

Regarding union vacancies, the list totals 7 employees. In addition, there are two upcoming retirements, for a total of 9 union vacancies. We will take in three employees from Goshen, which leaves 6 vacancies. ELT consensed to fill the 6 positions over the next 6 months.

Amber will incorporate the "Holds" into the list of budget cuts and bring back to ELT at the 7/22/02 meeting. Updated information on retirements/retirement replacements will also be discussed at the 7/22/02 ELT meeting.

2003 O&M Budget Discussion—Bob Miller, Amber Halloran

Amber provided copies of and the group discussed the Budget 2003—Possible Scenarios. ELT's objective is to consider and select Scenario 1, 2, or 3.

ELT agreed to stay with Scenario 1 and noted that in order to achieve 0.8% 2003 Budget, there must be a reduction in the 502 FTEs. We will look at the 502 number and come back after further analysis to determine the appropriate number of employees (probably 480-485). The appropriate number will be achieved through attrition.

System Certification—R4 (Information Technology)—Bob Miller, Tony Gregory

Bob and Tony distributed copies of and discussed R4's System Certification Follow-up.

ELT consensed to Bob's recommendation that R4 be certified with the commitment that process flowcharts be created within 4 months. Bob Miller will follow on the creation of the flowcharts.

Review BIN List—All

The group discussed upcoming ELT agendas and items on the BIN list.

Agenda for July 22, 2002 ELT Meeting—Bill Meels

Bill Meeks will discuss the agenda for the July 22 ELT meeting with Karla Teasley. Karla will e-mail the agenda.

*Decisions made by ELT and items requiring action are "shadowed" in these minutes.

**ELT Meeting Minutes
July 22, 2002**

Roles

Leader: Karla Teasley
Facilitator: Katie Farrow (on call)
Recorder: Joan Malone
Scribe: Steve Hubbs
Timekeeper: Laura Douglas
Attendees: Jim Brammell, Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Roger LeMaster, Joan Malone, Bill Meeks, Bob Miller, Scott Muhlenbeck, Mike Sturgeon, Karla Teasley

***Review Minutes and Agenda**

Minutes from the July 15, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

System Certification—R3 (Supplying Financial Resources)—Bob Miller, Amber Halloran

Bob and Amber provided copies of and discussed the certification documents for R3—Supplying Financial Resources. Bob recommended certification for this system.

ELT approved certification for R3—Supplying Financial Resources—with the understanding that the recommendations contained in the certification documents will be implemented into the 2002 Operating Plans. Bob will follow on implementing the recommendations.

Facilities Plan—John Huber

John Huber discussed the 20-year Facilities Plan. We should get information regarding the Facilities Plan ready and decide if we want to solicit media coverage or just be ready to discuss if we are approached. We need to let our audiences know we are continuing to look to the future—the \$915,000,000 Facilities Plan includes infrastructure replacement program, advanced treatment technology, focus on customer and customer outcomes, and dealing with growth. We must explain, with appropriate information put in the appropriate context, that we are able to make this investment in the community with rate increases in the 3.0-3.5% range. Bob recommended creating a one-page document for the August Board meeting identifying key themes/issues in the Facilities Plan and key constituency groups. We also need to identify communication tools and who at LWC would be responsible for communicating the information.

Karla will work with Barbara Crow and come back to ELT in about two weeks to discuss.

System Certification—C2 (Managing Distribution Operations)—Greg Heitzman, Jim Brammell

Greg and Jim distributed certification documents for C2—Managing Distribution Operations. Greg recommended certification for this system.

ELT approved certification for C2 with the understanding that Greg will follow regarding implementation of recommendation into the 2002 Operating Plans.

This system has several processes that are considered best practices. Greg noted we should define procedures for profiling and communicating information regarding systems which have best practices.

System Certification—H1 (Supplying Human Resources)—Bob Miller, Mike Sturgeon

Bob and Mike furnished copies of and the group discussed the SHR Response to System Certification Findings. Bob recommended certification for this system.

ELT approved certification for H1 with the understanding that Bob will provide a supplemental report on the status of Recommendations 5 and 7 in 3-6 months and that other recommendations will be implemented into the 2002 Operating Plans.

Open Time (Procurement Process)—Bob Miller

Bob noted that Mary Whitlock has resigned. Bob will get information out on how her process will be managed until this position is filled. Bob says he is working closely with Legal to make improvements in the procurement process.

Review Bin List—All

The group discussed upcoming ELT agendas and items on the BIN list.

Agenda for July 29, 2002 ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the July 29, 2002 ELT meeting.

*Decisions made by ELT and items requiring action are “shadowed” in these minutes.

**ELT Meeting Minutes
July 29, 2002**

Roles

Leader: Karla Teasley
Facilitator: Katie Farrow (on call)
Recorder: Joan Malone
Scribe:
Timekeeper: Laura Douglas
Attendees: Jim Brammell (for Greg Heitzman), Barbara Crow, Shawna Dawson, Laura Douglas, Amber Halloran, John Huber, Roger LeMaster, Joan Malone, Bill Meeks, Bob Miller, Scott Muhlenbeck, Karla Teasley

***Review Minutes and Agenda**

Minutes from the July 22, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Risk Assessment and the COSO Model—Don McKay, Roger LeMaster, Scott Muhlenbeck

Don McKay provided copies of and discussed his slide presentation "Enterprise Risk Management, The LWC Approach." Roger LeMaster also provided copies of and discussed the COSO Components of Internal Control and the LWC Internal Control Questionnaire. The bottom line of risk management is to maintain the viability of the enterprise.

The LWC Internal Control Questionnaire is broken down into the five pieces of the COSO Model. Roger LeMaster will administer the questionnaire to the SACs (anonymously) and hopes to have the assessments and a report ready by the end of September. The results of the questionnaire will give insights into perceptions within the systems regarding risk and will be used in setting the audit plan for next year.

Facilities Plan Communication—Barbara Crow

Barbara provided copies of and discussed Draft 1 of Communicating the LWC 20-Year Plan. The main purpose of the communication is to keep key audiences in the loop regarding what we are doing at LWC.

Bob Miller will get with Barbara Crow on breaking the total \$912,000,000 into annual or five-year cost increments.

Barbara will continue to work on the communication piece and report to ELT.

Budget Discussion—Bob Miller, Amber Halloran

Amber provided copies of and discussed the vacancies as of July 26, 2002 and LWC Staffing Actual/Forecast. The list of vacancies includes recent and upcoming retirements, but there are additional upcoming retirements which should be added to the list.

The CBSOs will review positions within their cores and get any changes to the list to Amber by Thursday, August 1, 2002. Amber will prepare a new list of vacancies, reconcile the list with HR, and send a revised list to ELT on Friday, August 2, 2002. The list will be current as of July 31, 2002.

ELT Goals—Karla Teasley, Shawna Denny

Karla provided copies of and discussed the second quarter performance for Executive Incentive Goals, Shared President and Vice President Goals, and Corporate Performance Award Goals. For the Executive Incentive Goals, the Light Switch Goal has not been met, but we are moving in the right direction.

John Huber, Karla Teasley, Greg Heitzman, and Jim Smith will meet to discuss performance on Goal A of the President and Vice President Shared Goals. They will analyze the lagging capital program expenditures and determine if the forecast is appropriately spread across the year. They will report to ELT on their findings.

Karla will work with Bob and Amber and provide an update on process changes and stat codes on the way we track work. There is a gap between needs and actual.

Regarding Cost of Risk, there is a significant gap between what we feel our capabilities should be and what they are. Karla will set agenda time in August or September to get Don McKay's insight and discuss.

Review Bin List—All

The group discussed items on the BIN list and future agenda items.

Agenda for August 5, 2002 ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the August 5, 2002, 2002 ELT meeting.

<p>*Decisions made by ELT and items requiring action are "shadowed" in these minutes.</p>
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ELT Meeting Minutes August 5, 2002

Roles

Leader: Bill Meeks for Karla Teasley
Facilitator: Katie Farrow (on call)
Recorder: Joan Malone
Scribe:
Timekeeper: Laura Douglas
Attendees: Laura Douglas, Katie Farrow, Kevin Grant (representing Karla Teasley), Amber Halloran (representing Bob Miller), Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Don McKay, Roger LeMaster, Bill Meeks, Glen Mudd, Scott Muhlenbeck

***Review Minutes and Agenda**

Minutes from the July 29, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Discuss Level I Physical Security Improvements—Don McKay

Don says we are continuing to work on the security matrix.

The EPA grant has been approved—the amount is \$115,000, which is the standard amount. This grant money will be used to provide training on approved methodology for vulnerability assessments in October in Indianapolis. Jim Asseff, Jim Brammell, Jack Wang, Jim Smith, Don McKay and Glen Mudd will attend this AWWA-sponsored training.

Glen Mudd reported that the Simplex project (controlled access to facilities/buildings) was bid last week, and bids are in the acceptable range. If approved by the Board, work will begin September 1 and should be completed in 90 days.

2002 Internal Audit Process—Roger LeMaster, Scott Muhlenbeck

Roger provided copies of and discussed the LWC Internal Audit 2002 Progress Report dated July 31, 2002. He discussed what Internal Audit has done year to date and what they plan to do during the remainder of 2002.

John Huber noted that the information contained in this report will be helpful to the Quality Office when they prepare The Next Level Plan III.

ELT Team Effectiveness Survey—Katie Farrow

Katie Farrow provided copies of and discussed the results of the Team Effectiveness Survey—Quarterly Comparison for ELT; the Team Effectiveness Survey for Second Quarter, 2002; and the Team Principles Survey for ELT. Five of seven ELT members responded to the surveys.

The average for the Team Effectiveness Survey for the second quarter was 3.8, which indicates a high performing team.

The Team Effectiveness Survey Quarterly Comparison results and the Team Principles Survey results show that the team should focus on processes to make decisions.

The next surveys should be administered at the end of an ELT meeting or at another time when all seven ELT members can respond to the surveys.

Open Time—All

John Huber provided a corrected copy of the 2002 Corporate Performance Award—2nd Quarter Update.

Amber (representing Bob Miller at this meeting) will check with Bob to see if he wants to bring a different BSO from HROE to the ELT meetings to serve as the HROE representative to ELT until a VP for HROE is hired.

Steve Hubbs discussed visitors from the Ukraine who will be here next week. Steve visited the Ukraine recently, toured their water system, and made recommendations to them.

Greg Heitzman reported that pumpage for the past week was in the high 170 million to low 180 million gallons per day due to the hot, dry weather. Greg and Karla will contact golf courses, subdivisions, and others who irrigate to see if they can take LWC water into their lakes and pump from there as needed rather than have several golf courses/subdivisions/others take from our system at 4:00 or 5:00 a.m. each day.

Bill Meeks has been working with the National AFL-CIO. LWC is being used as a case study on our Union Management Partnership. This case study is similar to the study Cornell did in the recent past.

Bill also discussed the upcoming golf scramble to raise money for the LWC Metro United Way campaign. Local 1683 has a team and the Company has a team.

Amber will check with Bob Miller regarding Iris Underwood serving with him as Co-Chair of the LWC MUW Campaign. (Iris is retiring from LWC this week.)

Review Bin List—All

The group discussed items on the BIN list and future agenda items.

Agenda for August 12, 2002 ELT Meeting—Bill Meeks

Bill or Karla will e-mail the agenda for the August 12, 2002, 2002 ELT meeting.

PLEASE NOTE THE AUGUST 12 ELT MEETING WILL BE HELD IN THE KENTUCKY RIVER ROOM FROM 10:30 A.M. TO 12:30 P.M.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

**ELT Meeting Minutes
August 12, 2002**

Roles

Leader: Karla Teasley
Facilitator: Katie Farrow (on call)
Recorder: Joan Malone
Scribe:
Timekeeper: Laura Douglas
Attendees: Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Bill Meeks, Bob Miller, Karla Teasley

***Review Minutes and Agenda**

Minutes from the August 5, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Open Time—Steve Hubbs

Steve introduced visitors from the Ukraine who are here as part of a partnership exchange program. They will be meeting with various key staff members at LWC during the next few days. Karla and other ELT members explained to the visitors what the Executive Leadership Team consists of and what issues the ELT deals with, such as strategic issues, corporate goals, reviewing policies to ensure consistency throughout the company, and overseeing the quality management system.

Board Agenda—Laura Douglas

Agenda items for tomorrow's Board of Water Works meeting include the Facilities Plan 2002-2021, Allmond Avenue paving contract, and a report on the first meeting of the Goshen Utilities Board.

Greenbacks Report—Amber Halloran

Amber provided copies of and discussed the LWC Financial Highlights for July, 2002. She briefly discussed two new one-page reports she will distribute each month prior to finalizing the LWC Financial Highlights. Distribution of these reports--the financial year to date data, and the financial results for the month--will allow time for comments/changes before the Financial Highlights report is finalized.

On page 12 of the Financial Highlights for July, 2002, Amber will research chemical over plan variance and provide a report to ELT.

Amber will provide reporting by core for the preliminary engineering account.

Amber will provide a report on how we account for free water we provide the City and how we account for water used at LWC plant(s). She will complete research on how water delivered to mains is calculated and potential for subtracting from water delivered to mains then billing as free water.

Review Bin List—All

The group discussed items on the BIN list and future agenda items.

Agenda for August 19, 2002 ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the August 19, 2002 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes August 19, 2002

Roles

Leader: Karla Teasley
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Steve Hubbs
Timekeeper: Jamie Young for Laura Douglas
Attendees: James Bates, Terry Conway, Tony Gregory, Greg Heitzman, Steve Hubbs, John Huber, Dan Lambert, Roger LeMaster, Joan Malone, Bill Meeks, Bob Miller, Jim Smith, Karla Teasley, Jack Wang

***Review Minutes and Agenda**

Minutes from the August 12, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

GIS Update—James Bates, Dan Lambert

James Bates provided copies of and discussed "Project #00-479, AM/FM/GIS Project Overview and Demonstration." James noted that GRW is developing three software applications for LWC: (1) new mapping application, (2) a valve card application, and (3) a web browser application.

ELT requested that James provide the following: (1) updated AM/FM/GIS project timeline for ELT, (2) outline of data maintenance and ownership for facility data. James will provide recommendations for LWC GIS data collection for facility information to Karla Teasley to share with ELT.

System Certification—P1 (Managing Water Quality/Production)—Greg Heitzman, Jack Wang, Roger LeMaster

Greg Heitzman provided copies of and discussed the certification documentation for P1—Water Quality and Production. Jack Wang discussed the recommendations in the certification documentation.

ELT reached consensus with Greg's recommendation that the system not be certified at this time. P1 will proceed to address the audit findings, and Internal Audit will conduct a system certification review in January, 2003. For 2002 Shared President/VP Goals, this means a four rating is the maximum achievable for Goal D—Increase Operational Performance through Process Improvement.

Open Time—All

Manager of Regulatory Affairs Role—John Huber

John Huber noted that since Bo Williams has retired, we need to fill the role he played in working with the Emergency Management authorities and staffing during emergencies. Bob Miller responded that Glen Mudd will be assigned to fill this role. Training will be provided to bring Glen up to speed.

Working with Fire Departments re Automated Mapping and Facilities Management—John Huber

John Huber noted we need to make sure we are working with the fire departments regarding automated mapping and facilities management.

Review Bin List—All

The group discussed items on the BIN list and future agenda items.

Agenda for August 26, 2002 ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the August 26, 2002 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes August 26 2002

Roles

Leader: Karla Teasley
Facilitator: Nora Freeman (on call)
Recorder: Steve Hubbs
Scribe: Steve Hubbs
Timekeeper: Laura Douglas
Attendees: Greg Heitzman, Steve Hubbs, Roger LeMaster, Bill Meeks, Bob Miller, Jim Smith, Karla Teasley

***Review Minutes and Agenda**

Minutes from the August 19, 2002 ELT meeting was approved as submitted. Agenda for this meeting was discussed and approved.

Summary of O&M and Capital Budgeting Processes

Amber discussed the Preliminary O&M Budget Presentations to be used to present budgets (attachment 1). The increases that may result from LRO are not included yet in the budgeting. ELT will determine the process to follow for budget approval at the beginning of the process (late Tuesday of early Thursday as ELTs review begins). Wednesday, September 5 was reserved for additional time for ELT to discuss the budget as needed. Karla will lead this process with assistance from Bob.

Jim presented a summary of the 2003 capital budget. The 2003 budget is now estimated at \$81 million. ELT discussed the long-range impact of the capital program on rates, and how the capital plan is balanced between maintaining our existing customer base, expanding our customer base, and projects that "save" money versus capital projects that will result in needs for rate increases. Jim will lead a future discussion on this with ELT on a February 2003 timeline, with focus of using this as input to the 2004 capital budget.

Update on ISO team activities

Steve distributed the ISO team's current documentation on the ISO workplan for Section 4 (Quality Management System) (attachment 2). The team has completed work through section 4.1 and is nearly complete with 4.2.

ELT agreed that the ISO team will come back to ELT in November 2002 with the team's work on a Quality Management System. The team will target having section 4 complete (identifying those items that LWC has and those that it does not have).

Affirmative Action Goals

Rhonda distributed the 2nd Quarter hiring goals results (attachment 3), noting that because of the low number of hires made in 2002, we have gone from a "1" rating to a "5" rating. She also distributed the 2002 hiring goal summary as background to goal attainment.

ELT agreed to continue with the goals as stated for 2002, and to consider improvements for 2003.

Review Bin List—All

The group discussed items on the BIN list and future agenda items. The following topics will be on the agenda:

- Greenback report (shared information)
- Board Agenda (shared information)
- Goshen update (shared information)

The topic of corporate policy review will be considered for the September 16 meeting,

Agenda for September 9, 2002 ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the September 9 ELT meeting. She noted that September will be the last month in the rotation

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes September 9, 2002

Roles

Leader: Karla Teasley
Facilitator: Nora Freeman (on call)
Recorder: Steve Hubbs
Scribe: Steve Hubbs
Timekeeper: -
Attendees: Greg Heitzman, Steve Hubbs, Bob Miller, Karla Teasley, John Huber
Billy Meeks (10:00 am)
Staff: Amber Halloran, Sue Purdy, Rhonda Brown, Angela Harris, Jim Smith

***Review Minutes and Agenda**

Minutes from the August 26, 2002 ELT meeting was approved as submitted. Agenda for this meeting was discussed and approved.

Greenbacks Report

Amber provided the Greenbacks report, noting that there has been some mis-reporting of plant usage and water in lieu of taxes. This has no monetary impact, and will be further explored in the following months. Net income continues strong at \$1.54 million over plan.

ELT discussed the decrease in commercial sales, and requested further analysis of this sector. Amber will explore (as time allows) the customer accounts to determine if this downturn is a result of the loss of accounts, or less consumption across all accounts, or some combination of effects.

Unaccounted-for water continues to be somewhat high, partially as a result of high consumption in August with this water being still unread on the meters.

Sue distributed a report used to allocate budgeted expenses and revenue through the year (attachment 1). She noted that because of RouteSmart, the 5-year averages are no longer being used to estimate revenue. Rather, a calculated allocation based on anticipated meter reading is being used to allocate the planned revenue stream.

Corporate Dress Code

Rhonda and Angela distributed and discussed the dress code policy dated 8/28/2002. ELT discussed the proposed policy, and recommended minor changes regarding effective date (January 13, 2003), application to union employees while in training, and further definition of appropriate dress for Fridays. The policy was approved by ELT with noted exceptions and clarifications.

Goshen Update

Jim Smith updated ELT on the current operational difficulties with the Goshen system. Oldham County Water District has cut off the northern feed to Goshen because of their own shortage of water, causing a deficit in water supply in Goshen. Several construction activities will provide supply options within the next few weeks. The operations group will proceed to balance risk elements and communication activities.

There has been an increase in call volume from the newly acquired system. The customer response to the two recent boil water notices has been mostly positive. A number of checks were lost between AquaSource and LWC as a result of a ripped UPS package, resulting in a number of late payment notices going out. Our first billing is ready to go.

The schedule for fees and the main extension policy need to be solidified, and the quarterly meeting with the Goshen advisory board is proposed for late October/early November will likely cover these issues.

Updated facilities information is being expedited, with hydrants, valves, and key facilities identified and logged.

Review of Board Meeting Agenda

Mobile dispatch is on the Agenda, and staff is prepared to present benefits provided to customers as a result of this program. A verbal update of the Bullitt County AMR system will also be presented to the Board at this meeting. The Annual Inspection report was not distributed to the BWW members prior to the meeting except for an executive summary. The deadline for submitting this report is October 31, along with the annual budget (two months before the end of the fiscal year). This item will be postponed until the October meeting.

Review Bin List—All

No items added to the BIN list.

Agenda for September 9, 2002 ELT Meeting—Karla Teasley

Karla will review the Bin List and provide an agenda for the September 16 meeting, including a substantial amount of time for O&M budget review (90 minutes) and a discussion of Corporate policies.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes September 16, 2002

Roles

Leader: Karla Teasley
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Steve Hubbs
Timekeeper: Laura Douglas
Attendees: Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Bob Miller, Sue Purdy, Karla Teasley

***Review Minutes and Agenda**

Steve Hubbs will provide revised minutes for the September 9, 2002 ELT meeting. Agenda for this meeting was discussed and approved.

2003 O&M Budget Review—Bob Miller, Amber Halloran, Sue Purdy

Amber provided copies of and discussed the following: LWC LRO Analysis, 2003 Budget, September 16, 2002; 2003 Estimated Changes in Sources and Uses of Revenue; 2003 Budgeted Water Consumption by Class; KT Surcharge/Rate Differential, 2003 Revenue Projections; 2003 Budget (with 3% Rate Increase), Comparison of Revenue under Existing Rates Based on 6/30/02 Consumption Distribution; LWC New Structure, 2003 Operating and Maintenance Budget; LWC 2003 Preliminary Budget Scenarios for Increased Operations & Maintenance; and Additional Items Requested above 0.8% Target Budget.

Amber recommended we continue to capitalize interest on loans in 2003. She will provide additional information on this.

Regarding Additional Items Requested above 0.8% Target Budget, the group agreed to fund items through Item 19.

ELT agreed to identify Item 17 on the list as a pilot project and that the project is for one crew. It requires an implementation plan and approval, and we should determine which process will conduct the pilot. ELT tentatively approved this, but the program itself needs to be approved. The business case says we must be sure we can do this through the pilot program and document that we can meet/exceed the pilot program.

The cost for Item 21 will be absorbed into the warehouse overhead. A proposal would be brought to ELT for consideration.

We need to break Item 18 into two items: (1) \$10,000 for Developing Bid Package for Lagoon, and (2) \$140,000 for Lagoon Clearing if money is available.

ELT would also like additional information on Items 2, 5, 6, 11, 13, and 19. Information on these items should be provided to Amber by Thursday, September 19.

Amber will update the FTE sheet.

ELT approved the recommendation on the 2003 O&M Budget. This will go to the Board for their approval.

ELT Discussion of Corporate Policies—Bob Miller, Laura Douglas

Laura provided copies of and discussed the "as is" flow charge for Policy Revision and Development Process.

ELT agreed we should contract with My Virtual Corporation to get LWC policies finalized in PDF format and posted on the Intranet by the first of the year. The project will include policies which are now in draft format and policies scheduled for revision. Laura noted we are not able to do this in-house because we cannot take staff away from their other duties to focus on getting it completed by the first of the year.

ELT agreed with Bob Miller's request that the HR policies scheduled to be finalized and policies scheduled to be reviewed for revisions be deferred until after the first of the year so HR can concentrate on finalizing the Employee Handbook update and distribution. Bob will communicate to HR that the Employee Handbook should be completed in two months so that they can begin working the policies.

Laura will provide ELT a list of existing policies with implementation dates and projected revision dates at the September 30 meeting.

The General Counsel is the owner of the policy process. Laura will discuss with Roger LeMaster Internal Audit's assistance in updating the policy review process and the policy approval process—the process should be monitored for gaps. John also will discuss with Roger how Internal Audit can be involved in monitoring the policy approval/revision process.

ELT agreed that the Timekeeping Policy should be standard for all systems.

This item--report on Intranet posting of corporate policies (LMD and RKM)--will be added to the BIN list for after the first of the year. The goal is to have the policies posted on the Intranet by January 1, 2003.

Open Time

Bob Miller noted that the existing Dress Code Policy deals with how we appear to customers. Should we add a second piece to the policy on how employees should behave toward customers? ELT agreed that the BSOs should deal with this. This should be a fundamental part of our corporate culture.

Bob also noted that HR will not be the "hemline police" for the Dress Code Policy. It is up to the POs/BSOs to monitor the Dress Code Policy within their processes/systems. He also noted that "slouched trousers" is not included in the Dress Code Policy but should be communicated to employees by the POs/BSOs.

Review Bin List—All

The group discussed items on the BIN list and future agenda items.

Agenda for September 23, 2002 ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the September 23, 2002 ELT meeting.

*Decisions made by ELT and items requiring action are "shadowed" in these minutes.

ELT Meeting Minutes September 23, 2002

Roles

Leader: Karla Teasley
Facilitator: Nora Freeman (on call)
Recorder: Bill Meeks
Scribe: None
Timekeeper: None
Attendees: Kate Farrow, Nora Freeman, Kevin Grant, Greg Heitzman, John Huber, Roger LeMaster, Bill Meeks, Bob Miller, Scott Muhlenbeck, Mike Sturgeon, Karla Teasley, Jami Young
Absent: Laura Douglas, Steve Hubbs

***Review Minutes and Agenda**

Minutes from the September 16 meeting were reviewed and approved, as was the agenda for today's meeting.

Certification and NLP

Nora presented ideas for ELT's consideration. Business System recertifications will be made in 2003-2004.

Discussions ensued on:

- Elements to remain the same
- Elements that will receive more or changed emphasis
- New elements
- Deleted elements

Greg and Billy believe in the Partnership Agreement between Local 1683 and the Company on system with union employees.

Greg believes NWT Charters should be required, standard operating procedure. Where does this fit in the audit plan.

Measures – Results versus activity measures. Need to get a handle on empowerment. Does it apply at the process or the system level.

Set some minimal expectations for documentation standards.

Nora and Roger will take these ideas for system recertification cycle of 2003-2004 cycle to BSOs for input. That input along with proposed changes will be brought back for ELT consensus.

Affirmative Action Program

Rhonda shared information about our current Affirmative Action Plan. ELT members agreed to read and get with Rhonda if information is needed.

RouteSmart Analysis and Metrics

Kevin and Mike shared information on RouteSmart and what has taken place as of today.

Review Bin List—All

The group discussed items on the BIN list and future agenda items.

Timekeeper Report

There was no timekeeper at today's meeting, as Laura Douglas was absent.

Agenda for September 30, 2002 ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the September 30, 2002 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes **September 30, 2002**

Roles

Leader: Karla Teasley
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Steve Hubbs
Timekeeper: Laura Douglas
Attendees: Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Bill Meeks, Bob Miller, Rengao Song, Karla Teasley, Jack Wang

***Review Minutes and Agenda**

Minutes from the September 23, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Taste and Odor Issues and Increased Costs—Jack Wang, Rengao Song

Jack Wang provided copies of and discussed a memorandum regarding taste and odor treatment and cost, a timeline of taste and odor events at LWC during September, 2002, and information on the McGuire Environmental Consultants AWWARF project "Water Utility Self-Assessment for the Management of Aesthetic Issues." LWC scored 82% on the self-assessment survey, which is very good.

We need to determine the cost to address storage and pumping issues, to train operators, and how the cost will impact our capital construction program. We can decide treatment strategy based on cost.

ELT agreed to conduct a preliminary engineering evaluation for two-stage dosing of carbon at CH and continue to have 10 ppt as goal, but design so we could control carbon down to 5 ppt.

Activity-Based Costing—Amber Halloran, Bob Miller

Amber provided copies of and discussed an information sheet on activity-based costing which included definition, components, operational involvement, and accounting involvement. Activity-based costing will be a management tool for day-to-day operations. Bob Miller noted this is a cost allocation method. He also noted this is the armor we need to be competitive with other utilities.

The timeline if LWC adopts activity-based costing is around the fourth quarter of 2003 after the FINS is complete.

LWC should conduct research to determine areas of vulnerability in activity-based costing. Greg suggested we consider some type of training, including basic accounting/financial fundamentals, possibly as part of the LWC Leadership Institute.

Corporate Policies Update—Laura Douglas

Laura provided copies of and discussed a list of LWC policies and most recent revision dates. Policy review is scheduled on a three-year basis. Legal advises the policy administrator, the BSO, and the CBSO when it is time to review a policy. The policy administrator, with input from the BSO and CBSO, determines if the policy should be revised or remain as is.

Laura is working with Internal Audit to determine the best method for ensuring that policies are reviewed as scheduled and that we are "working the process," pointing out gaps, etc.

Laura will also work with Internal Audit to get their perspective on corporate definitions for “policies” versus “procedures.”

ELT Team Effectiveness Survey—Karla Teasley

Karla provided each ELT member a Team Effectiveness Survey form.

ELT members should complete the form and return to Nora Freeman by October 2. Nora will collate and report the results of the survey at an upcoming ELT meeting.

Open Time—John Huber

John noted that both LWC treatment plants have chlorine and ammonia and are in residential areas. We need to continue to make sure we have appropriate controls, and also think ahead and look at alternatives (chemicals with less risk). LWC should complete a study and have a recommendation for implementation, possibly having CH2M Hill or B&V negotiate a specific scope of work, or if we can fast track this through the procurement process, we should do that.

Laura suggested we should have a study underway or a recommendation received when we get to merged government.

Greg, Laura, and Bob will discuss the timeframe to act on this and evaluate alternatives for procurement and report to ELT.

Review Bin List—All

The group discussed items on the BIN list and future agenda items.

Agenda for October 7, 2002 ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the October 7, 2002 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

**ELT Meeting Minutes
October 7, 2002**

Roles

Leader: Greg Heitzman
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bill Meeks
Timekeeper: Bob Miller
Attendees: Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Don McKay, Joan Malone, Bill Meeks, Bob Miller, Sue Purdy, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the September 30, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Review Greenbacks Report & Review Operating Issues/Budgets—Amber Halloran

Amber provided copies of and discussed the LWC Financial Highlights for September, 2002; a list of Commercial Consumption (by premise) for 2002 YTD Compared to 2001 YTD; and 2002 Proposed Budget Cuts/Expense Reductions, Revised 10/4/02.

Regarding Financial Highlights, Amber will investigate Contractual Services (Page 12, Summary of O&M Expenses) to see why this is up \$814,841 over 2001.

Regarding Commercial Consumption (by premise), Amber will investigate free water account corrections. Vince Guenther should attend the ELT meeting when Amber's findings are discussed. Amber will also investigate the distinction between industrial and commercial customers.

Regarding 2002 Proposed Budget Cuts/Expense Reductions, the CBSOs will take this information to the BSOs and get updated information on 2002 cuts to Sue Purdy this week. This item will be discussed at October 14 or October 21 ELT meeting.

Discuss Draft Travel Policy—Amber Halloran

Amber provided copies of and discussed the draft Travel Policy, the draft Request for Travel Authorization & Reconciliation form, and the current Travel and Expense Reimbursement Policy. Changes included in the draft are use of procurement cards, changes in the approval process, and payment for lunches on trips which do not include overnight stays. The revised Travel Policy will require "one up" approval on all travel, with BSO approval for up to \$2,500, CBSO for travel over \$2,500, and President for travel out of country. Employees should provide a summary of their travel which will be kept on file.

Regarding rental cars, Amber noted Don McKay wants to include more discussion on insurance. All rental vehicles must be approved by the CBSO in advance of travel. CBSOs will now approve all rental cars prior to travel. Rental cars should only be used when more economical than public transportation or taxi commuting.

ELT agreed to the following regarding lunches for one-day or one-half day seminars/conferences: If travel is for an all-day seminar or conference or half day seminar that extends thru a breakfast, lunch, or dinner period, the meals will be reimbursed by the Company. If travel is for a seminar or conference less than one half day, meals will not be provided. Meals included with the seminar/conference fees are acceptable.

CBSOs and BSOs should encourage employees to use procurement cards rather than cash when traveling on LWC business. Each procurement card receipt should be retained with documentation of purpose and person's involved, and submitted to accounting on a monthly basis.

REVISED

The CBSOs will get input from the BSOs on the draft and provide this information to Amber by Friday, October 18. Amber will then make changes to the draft as discussed and include input from the BSOs. She will format the policy using the policy template and bring the final draft to ELT for approval.

Review Board Meeting Agenda—John Huber

Agenda items for the Tuesday, October 8, Board meeting include introducing the 2003 Preliminary Budget to the Board and discussing the Annual Inspection Report.

ELT Activity on Risk Assessment Discussion—Don McKay, ELT

Don McKay has been discussing risk assessment with all 15 systems. The systems are not identifying a lot of new risks, but have made some changes in ranking of risks. Don proposes a facilitated session in-house wherein we analyze the risks by system and attach weightings to see how we are managing risks. Each system, as part of this, will be updating their risk management plan.

Greg will work with Don to schedule the two special facilitated ELT sessions on Risk Management for November or December.

Nora and Roger will work with Don on establishing risk management expectations (Risk Management Plan, Risk Matrix, Risk Assessment) for future certification.

Open Time

Metro United Way Campaign—Bob Miller

Bob requested the following from ELT members:

- (1) He wants access to employees' time so they can work on the MUW team. He needs a few more team members.
- (2) He wants a commitment from ELT members to encourage employees to attend the MUW presentations. He wants ELT members to get the message out that you don't have to contribute to MUW, but we want you to attend the 15-30 minute MUW presentation and hear the message.
- (3) He requested that ELT members attend the MUW Leadership Breakfast October 18 at MUW's office.
- (4) He encouraged ELT members to participate in/attend the two tapping contests: Men's Tapping Team versus ELT at Allmond Avenue on Tuesday, October 29, at 7:00 a.m.; and Women's Tapping Team versus a team of BSOs on Thursday, October 31, at noon.

Kentucky-American Water Company—John Huber

John Huber noted that the dialogue in Lexington on the possible sale of KAWC is heating up. We will provide requested information, but we do not want to take one side or the other on this issue.

Review Bin List—All

The group discussed items on the BIN list and future agenda items.

Agenda for October 14, 2002 ELT Meeting—Greg Heitzman

Greg will e-mail the agenda for the October 14, 2002 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes October 14, 2002

Roles

Leader: Greg Heitzman
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bill Meeks
Timekeeper: Bob Miller
Attendees: Laura Douglas, Katie Farrow, Nora Freeman, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Bill Meeks, Bob Miller, Johnnie Rice, Karla Teasley

***Review Minutes and Agenda**

The minutes from October 7, 2002, ELT meeting were amended as follows:

Under Discuss Draft Travel Policy, Paragraph 2, third sentence, change "CBSO's" to "CBSOs."
Under Discuss Draft Travel Policy, Paragraph 2, third line, correct spelling of "transportation."

Under ELT Activity on Risk Assessment Discussion, Paragraph 2 should read "Greg will work with Don to schedule the two special facilitated ELT sessions on Risk Management for November or December."

Under Agenda for October 14, 2002 ELT Meeting, change "Karla Teasley" to "Greg Heitzman."

Agenda for this meeting was discussed and approved.

Organizational Effectiveness Index (OEI)—Katie Farrow

Katie discussed the final version of the OEI, which will replace the Team Based Assessment, Systems-Based Assessment, and SAC Assessment. Next year it will also replace the Employee Perceptions Survey. The survey is a bottom-up evaluation. Data from the survey will be broken down into company data, core data, system data, and process data, and will be used to target areas for improvements at the system, process, and individual levels. It will also be used in setting Executive Incentive Goals, Corporate Performance Award Goals, Operating Plans, and individual performance appraisals where appropriate.

Employee participation in the survey will not be mandatory, but employees should be encouraged to complete the survey. The percentage of participation to judge the survey successful is 95% of employees completing the survey.

ELT approved the roll-out and long-term use of the OEI survey.

As encouragement for employees to complete the survey, CBSOs, BSOs, and POs should let employees know that time has been set aside for them to complete the survey.

ELT will review the data when the survey is completed, then decide how to roll the information out to employees.

ELT Team Effectiveness Survey-Next Steps—Karla Teasley, Nora Freeman

Nora provided copies of the ELT Team Effectiveness Survey for third quarter, 2002. The team average for the third quarter is 4.0.

Greg asked if there were any areas ELT wants him to focus on during his term as Team Leader. John Huber suggested following up on the two items which scored the lowest: Balanced Workload and Dealing with Conflict in Meetings.

Review Cost Reduction Strategy—Amber Halloran, Bob Miller

Amber provided copies of and discussed the 2002 Proposed Budget Cuts/Expense Reductions, Revised 10/14/02. We are \$794,738 under budget and are on target for our \$1 million in budget cuts for 2002. This includes the total contingency.

The dividend for 2002 is still above the budgeted amount. We should think about ways to increase the dividend to the City in 2003.

ELT agreed to retain the target of \$1 million for budget cuts based on everything but allocated costs. The target would have been \$1.1 million if we had included allocated costs.

Bob and Amber will take the information on budget cuts and determine if we will exceed the expectations we gave the Board.

Amber will provide an updated version of the budget cuts based on today's discussion. This item will be discussed on a monthly basis for the remainder of 2002.

Open Time--All

Education Conference—Bill Meeks

Bill reported on a fall education conference he attended recently. Bill says the conference basically was "anti-privatization."

Waterworks Management Workshop Group Meeting—Greg Heitzman

Greg provided copies of the agenda for the upcoming meeting in Chicago. Greg will distribute copies of the agenda to those who should provide answers to the various questions. He needs responses by Friday, October 18.

Photo Album—Bob Miller

Bob has a picture album of some LWC employees. The pictures were taken as far back as 1985. He will pass the album around to ELT members.

EMA/Northern KY regarding CIS Options—Karla Teasley

EMA is working with Northern Kentucky on CIS options. They may outsource and may contact us on partnering with them on billing and CIS. Orcom is our vendor and would have to be a key player on anything we might do with Northern Kentucky regarding billing/CIS.

Agenda Items for Special Board Meeting Scheduled for October 30—Laura Douglas, John Huber

Agenda items include the 2003 Budget, the FINS bid, and possibly a discussion on property for a storage tank on Tucker Station Road.

Review Bin List—All

The group discussed items on the BIN list and future agenda items.

Agenda for October 21, 2002 ELT Meeting—Greg Heitzman

Greg will e-mail the agenda for the October 21, 2002 ELT meeting.

*Decisions made by ELT and items requiring action are "shadowed" in these minutes.

**ELT Meeting Minutes
October 21, 2002**

Roles

Leader: Greg Heitzman
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bill Meeks
Timekeeper: Bob Miller
Attendees: Steve Cooper, Laura Douglas, Greg Heitzman, Steve Hubbs, John Huber, Mike Magee, Joan Malone, Bill Meeks, Bob Miller, Karla Teasley

***Review Minutes and Agenda**

Minutes from the October 14, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

13 Natural Work Team Process Improvement—Steve Cooper, Mike Magee

Bill Meeks and Mike Magee provided copies of and discussed the Process Analysis Redesign for I3.4, Capital Construction Group. The Redesign introduces a pipe collar/sleeve designed to fit over new water main installations at the point where service taps will be made to transfer or renew existing services. The collar eliminates the need to dig under the pipe to wrap chain around for the tapping machine and reduces the time it takes to make a tap by 33 percent, at a cost savings of approximately \$34.00 per service. The only added cost for this process redesign is the pipe collar (8" collar @ \$40.00, and one-half of this cost is recouped because the top half can be used on another service). Based on 2001 statistics, the company would realize a savings of \$10,200 per year on average. Mike's crew is the only LWC crew now using the collar. Mike is now ordering the collars on an as-needed basis.

Intangible savings include the collar keeping the polywrap in place and undamaged, and keeping the pipe from being damaged.

Laura Douglas expressed concern that we should be cautious about making statements about products as was made in the **Public Works** article regarding the collar/sleeve. Jenguard did contact Mike and asked if we would do the article. The article could be construed as LWC endorsing Jenguard and gives the appearance that we prefer this product over other similar products. We should make a decision regarding under what circumstances we would want to put an article in a magazine. We could have done an article on the process itself rather than naming the product.

Karla Teasley, Bill Meeks, and Steve Cooper will prepare a proposal for ELT approval on recognition reward for the Mainstreamers—13.4 Capital Construction Group for their work on this PAR.

Laura Douglas will discuss with Barbara Crow and Bill Meeks will discuss with Mike Magee a procedure to follow when writing articles like the one which appeared in **Public Works** so that LWC would not appear to be endorsing a particular product.

ELT tapping Team for MUW—Greg Heitzman

The tapping team contests are scheduled for October 29 at 7:30 a.m. at Allmond Ave. (ELT versus Men's Tapping Team and December 31, at Noon at Third Street (BSOC versus Women's Tapping Team).

Greg, Bob, Steve and Bill will represent ELT in the October 29 contest. Karla and Laura will attend as coaches/timekeepers. Team members should arrive at 7:00 a.m. The contest will begin at 7:30 a.m.

Bill Meeks and Greg Heitzman will provide information on practice sessions.

Open Time—Bob Miller

Metro United Way—Bob asked ELT members to relay to the BSOs that we need them to encourage their employees to participate in the campaign this year.

Procurement Card Usage—Bob stated the procurement card process has been in place a little over two years and is working fine. The process has been audited with good results. Two important measures of the process are accuracy and timeliness. Our procurement card bill for the past month is over \$200,000 for the first time. Bob found nothing in this bill that looked questionable. Using the procurement card process rather than the PAI system saves time in getting invoices paid. Bob noted we must make sure we have controls and are continually monitoring the use of procurement cards.

We should communicate to the Board and Audit Committee on status of the procurement card process, and we may need to rethink what is included in the list of vouchers we provide to the Board.

Performance Appraisals—Bob said there is still work to be done on the PA system. Some people have not put their reviews into the computer, and some people have put the reviews in, but the goals do not add up to 100 percent (the goals are not weighted properly), so the system cannot give a final rating. The biggest complaint about the PA system is that the system is slow.

Bob encourages everyone to use their own language if the PA system standard language does not fit a particular situation.

He also encourages managers and employees to use the Development Plans and Comments portions of the PA system, even though these tools are optional. During the interim reviews, let employees know this is where they are right now, and they still have time to improve their rating.

Bob wants to make sure everyone gets the reviews into the system and make sure the system generates a final rating.

Bob will follow-up and focus on improvements to the PA system, including the speed of the system.

CBSOs and BSOs should communicate to their employees that OEI results will be rolled into competencies.

Review Bin List—All

The group discussed items on the BIN list and future agenda items.

Agenda for October 28, 2002 ELT Meeting—Greg Heitzman

Greg will e-mail the agenda for the October 28, 2002 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

**ELT Meeting Minutes
October 28, 2002**

Roles

Leader: Greg Heitzman
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Steve Hubbs
Timekeeper: Karla Teasley
Attendees: Laura Douglas, Nora Freeman, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Karla Teasley

***Review Minutes and Agenda**

Minutes from the October 21, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Third Quarter Goals Review (Executive Incentive, ELT Shared, Corporate Performance Award)—ELT

Nora provided copies of and discussed the third quarter update for Executive Incentive Plan Goals, Shared President/Vice President Goals, and Corporate Performance Award Goals. Under Executive Incentive Plan Goals, we met the Light Switch Goal for the third quarter of 2002.

Under Goal V of Executive Incentive Plan Goals, Greg will check with Don McKay on definitions for preventable versus nonpreventable vehicular accidents and who currently tracks the actual data for this goal to see if there is a change in the process which would contribute to an increase or decrease in the numbers reported.

The CBSOs will cover the third quarter results with the BSOs, and Nora will also discuss the results in an upcoming BSOC meeting.

Nora provided copies of an outline titled Core Operation Improvements to be used as a guideline for identifying/improving operations (processes). Greg will work with Nora to create a template for operational (process) improvements to help standardize these and begin benchmarking in the industry.

Nora also provided copies of The Corporate Achievements Report for Third Quarter 2002.

ELT accepted the third quarter results for the goals with one change: Regarding certification under Goal D for President/Vice President Shared Goals, Nora will amend the report to show that P1 system was not certified in 2002.

Discuss 2003 Goals—Greg Heitzman

The group discussed shared goals for 2003. For 2002, goals were weighted as follows:

Competencies	40%
Diversity	10%
Shared Goals	20%
Individual Goals	<u>30%</u>
Total	100%

ELT agreed to leave the percentages as is for 2003, if changes to the software can be made to allow round percentages of 40, 10, 20, and 30 for a total of 100 percent. Greg will work with Bob Miller on this.

ELT will decide in January, after year-end results are in, where the OEI fits into the (competencies) goals for 2003.

The group discussed having a FINS goal to replace the ATT goal. Greg will get feedback from Bob before a decision is made on this.

ELT agreed to adjust Goal D under Shared Goals to show the number of certifications Roger has targeted for 2003. We must consider certification, process improvements, and quality management system structure (ISO or equivalent) when setting this goal.

Regarding Goal E under Shared Goals, Control Cost of Risk, we should consider getting an update of risk management plans when setting this goal.

ELT will finalize the 2003 goals in a future ELT meeting, before end of year.

Special Board Meeting Scheduled for October 30—John Huber

Agenda items include award of contract for FINS project, tank site property negotiation, and 2003 Budget.

Waterworks Management Workshop Group Meeting--Greg Heitzman

Greg provided copies of and discussed items from the Waterworks Management Workshop Group meeting which he and Bob attended in Chicago last week.

Review Bin List—All

The group discussed items on the BIN list and future agenda items.

Agenda for November 4, 2002 ELT Meeting—Greg Heitzman

Greg will e-mail the agenda for the November 4, 2002 ELT meeting.

<p>*Decisions made by ELT and items requiring action are "shadowed" these minutes.</p>

ELT Meeting Minutes November 4, 2002

Roles

Leader: Greg Heitzman
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bill Meeks
Timekeeper: Bill Meeks for Bob Miller
Attendees: Steve Cooper, Laura Douglas, Katie Farrow, Nora Freeman, Amber Halloran (for Bob Miller), Greg Heitzman, Steve Hubbs, John Huber, Ralph McCord, Joan Malone, Bill Meeks, Karla Teasley

***Review Minutes and Agenda**

Minutes from the October 28, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

NLP II Future Direction—Nora Freeman

Nora and ELT members discussed updating the NLP II. ELT agreed an update is needed for the plan to provide direction over the next several years. Nora suggested a timeframe for the update of three years—mid-2003 to mid-2006. She suggested that during the last year (mid-2005 to mid-2006), ELT might work on a completely new NLP. The name of the updated plan and the timeframe covered will be determined when the update is completed.

ELT agreed the update would cover six elements:

1. Accountability/Empowerment
2. Learning Organization & Training
3. Risk Assessment/Risk Management (COSO Model)
4. System-Based Management and Certification
5. Organization Structure/Role Review
6. Partnership with Employees

The six elements fit under the four pillars of LWC's Total Quality Organization: Systems-Based Management, Quality of Work Life, Empowerment, and Partnership among Employees.

There are two deliverables on the update at this time: (1) plan/timeframe, and (2) shared understanding of what this is all about and specifics of what we intend to achieve.

Each ELT member should volunteer to work on one of the six elements. ELT members will let Nora know which element they wish to work on. Greg will work with Nora and bring an outline/framework for the update to ELT in two weeks.

Serving Customers/Business Development Restructuring—Steve Cooper/ Ralph McCord

Ralph and Steve provided copies of and discussed Process Synopsis for (1) New Service Installations, and (2) Capital Pipeline Construction. These process activities were previously considered Union Pilots and Karla, Steve, and Ralph advised ELT these activities have been integrated into daily operations and are currently managed as Processes. ELT discussed the role of Resource Coordinator leading a self-directed work team versus a Process Owner leading a Process or Natural Work Team. The Senior Compensation Committee will determine if the title "Resource Coordinator" will be changed to "Process Owner" for these work areas. Mr. Huber noted that if these pilots are renamed as processes, the

processes must be competitive and the boundary conditions and expectations must be clear. They must maintain flexibility for variable levels of work load activity and have effective measures in place.

Karla will take the input received today and address the concerns expressed by ELT. Karla, Steve, and Ralph will meet with Mr. Huber to discuss the role of Process Owner vs. Resource Coordinator.

Open Time

NWT Recognition—Karla Teasley

Karla provided copies of "ELT Approved Appreciation" which recommended an award to employees in the 13.4 Process for their work in evaluating and determining the benefit of using a lightweight, two-piece collar/sleeve designed to fit over new water main installations at the point where service taps will be made to transfer or renew existing services.

Karla recommended an award of \$150.00 per employee on the team for a total award cost of approximately \$2,400.00. The annual estimated savings exceeds \$2,400.00.

ELT approved the recommended award with the understanding that Karla will add the following reasoning as the basis for the award: the process reduces O&M and Capital costs, assures quality of installation and integrity of poly-wrap, and increases customer satisfaction by returning customers to service in a shorter period of time. This process improvement will be tracked over six months to determine the actual savings.

CDBG Funds Grant—Karla Teasley

Karla reported on an article by Tom Barr which appeared in **Pioneer News** wherein Representative Belcher stated funds for CDBG have been granted. LWC had applied for a \$1 million grant.

After formal notification is received at LWC, Karla will schedule a special Bullitt County Advisory Board meeting to determine how the funds will be allocated.

Health Insurance Cost Increase—John Huber

John reported we had budgeted for an increase in health insurance costs of about 20 percent for 2003. Humana's quote for 2003 has been received and reflects a 27 percent increase, which amounts to \$120,000—\$140,000 additional per year.

We will go into the marketplace for additional quotes and will negotiate further with Humana, which may result in something lower than the 27 percent increase.

Greg will arrange for Don McKay to attend an upcoming ELT meeting to discuss health insurance costs.

Review Bin List—All

ELT members will e-mail any new items for the BIN list to Greg.

Agenda for November 11, 2002 ELT Meeting—Greg Heitzman

Greg will e-mail the agenda for the November 11, 2002 ELT meeting.

<p>*Decisions made by ELT and items requiring action are "shadowed" in these minutes.</p>

ELT Meeting Minutes November 11, 2002

Roles

Leader: Greg Heitzman
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe:
Timekeeper: Karla Teasley/Bob Miller
Attendees: Laura Douglas, Amber Halloran, Greg Heitzman, John Huber, Joan Malone, Bob Miller, Sue Purdy, Karla Teasley

Agenda

The meeting began at 9:05 am, with Greg and Karla in attendance. The decision was made to proceed with the agenda as prepared and review minutes when Bob, John and Laura arrive for a quorum. Bill and Steve advised in advance they would not be able to attend the ELT meeting. Bob, Laura and John arrived by 10:00 am, during presentation of the first agenda item.

Greenbacks Report and Cost Reduction Strategy—Amber Halloran

Amber Halloran provided copies of and discussed the LWC Financial Highlights for October, 2002. The major area of concern was the swing of O&M costs from a position of \$683,000 under budget in September to \$359,000 under budget in October. Net Income exceeds budget by \$2.1 million, due to the high sales period from August through October.

ELT agreed we should begin to ID potential O&M expenses that may be eligible for the contingency. Potential Contingency Fund items for 2002 are: (1) \$205,000 for the 48-inch main repair at ZPS; (2) \$150,000 PAC expense for T&O control; and (3) \$200,000 potential write-offs for bad debt.

On Page 9, Top 20 Production Facilities, Item 11, Sue will provide the LG&E location of meter.

On Page 23, Summary of O&M Expenses, under Materials and Supplies and Contractual Services, Amber will provide a breakdown on the variances—actual versus budget—for October. She will provide this information before the Tuesday Board meeting.

Review Minutes

Minutes from the November 4, 2002 ELT meeting were approved as submitted.

LWC and Goshen Board Meeting Update—John Huber/Greg Heitzman

Agenda items for the Board of Water Works meeting include discussion of the acquisition of Shepherdsville, minutes from the last Compensation Committee meeting, and RBF. Discussion of the FINS proposal may be deferred to another Board meeting, if staff is not able to get input from Ms. Wendy Welsh, prior to the Board meeting. Ms. Welsh and Mr. Connor will not be attending the November Board meeting.

Agenda items for the Goshen Board meeting include discussion of proposed changes in rules, capital improvements which have been completed, and capital improvements scheduled for the future.

Corporate Definition of Policy and Procedure—Laura Douglas/Roger LeMaster

Roger provided copies of and discussed the following documents: definitions of “Policy” and “Procedure,” quality manual and quality procedure examples, and a Statement of Policy on Public Water Supply Matters published by AWWA.

ELT agreed to adopt the definitions of “policy” and “procedure” as presented by Roger. “Policy” is defined as “what” we do and “why” we do it. It establishes the framework within which we operate to meet corporate objectives and sets the standards, the guidelines, or rules that we must follow. “Procedure” is defined as “how” we do it and includes the steps we follow to meet policy requirements, how we comply with the business rules, and how we reach our strategic goals and objectives. Policies incorporate strategic goals and objectives and can be modified on a corporate level to meet changes in law or operations, or to meet strategic needs. Procedures can change on an operating level to meet customer needs.

Laura and Roger will identify potential areas where we may need Corporate or Board policies and an outline of how we will develop the policies. They will identify potential gaps in our current corporate policies. Their findings will be added to a future ELT agenda.

Review Bin List—All

The group discussed items on the BIN list and future agenda items. The Organizational Effectiveness Survey, the Internal Customer Satisfaction Index results need to be added to ELT agenda or a meeting set up for review by ELT and BSO’s. Greg will coordinate these items on the Bin List

Agenda for November 18, 2002 ELT Meeting—Greg Heitzman

Greg will e-mail the agenda for the November 18, 2002 ELT meeting.

*Decisions made by ELT and items requiring action are “shadowed” in these minutes.

ELT Meeting Minutes November 18, 2002

Roles

Leader: Greg Heitzman
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bill Meeks
Timekeeper: Bob Miller
Attendees: Laura Douglas, Katie Farrow, Nora Freeman, Vince Guenther, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Ralph McCord, Bill Meeks, Bob Miller, Johnnie Rice, Karla Teasley

***Review Minutes and Agenda**

Minutes from the November 11, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Growth Limitations in Jefferson County—Ralph McCord

Ralph discussed a map of areas near Bullitt County above 565 elevation in the 660-pressure plane where we cannot provide 40 psi. but have proposed development plans for pressure zone extensions. Ralph also discussed a map of the 860 pressure zone with elevations above 755 which showed areas where 40 psi can not be maintained. The purpose of Ralph's discussion was to get feedback on how we want to work proceed for areas that meet the minimum KDOW requirement for 30 psi, but fall less than 40 psi static water pressure. This issue has become an increasing customer concern, as a result of low flow conservation fixtures and our Distribution Water Quality strategy to cycle all storage tanks 30% volume for water turnover. The tank cycling causes hydraulic grade in the 660 Pressure System to fall to 650 feet in certain areas (SW Jefferson and Bullitt County) and to 810 on the 860 Pressure System (between Taylorsville Rd and Bardstown Rd, near Snyder Freeway). Ralph pointed out his analysis is a static evaluation with certain assumptions on hydraulic grade, and Jim Smith is working on a dynamic model, that will provide more accurate delineation of where the marginal pressure areas are located.

Interim solutions are to: (1) continue to allow areas with static water pressure between 30 and 40 psi to develop with a goal to provide 40 psi in design; (2) identify any projects in the Facilities Plan that resolve the low pressure areas and proceed to implement these projects; (3) develop a communication plan with developers and elected officials to identify areas with marginal pressure (< 40 psi).

Long Term we need relook at our design standards (40 psi target, 30 psi minimum) and determine if a change should be made, considering a design standard of 50 psi; not allowing development until a minimum of 40 psi (or higher) is available; review current development code to determine if pressure requirement should be established in the development code; impact on the Facility Plan if design charges or policy changes are made.

Vince and Ralph will prepare a communication to the Planning & Zoning Commission, home builders, and appropriate public officials identifying areas of concern.

Jim Smith will come to ELT in January when additional work is completed, for ELT to determine if design or policy changes regarding development should be changed.

NLP Future Direction—Greg Heitzman, Nora Freeman

Nora provided copies of Draft NLP Update—Abbreviated Outline and Draft NLP Update—Comprehensive Outline the NLP Update—Abbreviated Outline identifies six areas in the existing NLP document that need updating. ELT identified team leaders, potential team members, and discussed the scope for each of the six areas. Steve presented a draft flowchart for accomplishing sections of the Abbreviated Outline.

Greg and Nora will take the input received today and update the Abbreviated Outline and distribute by the end of this week or next week. Team leaders will let Nora know by the end of this week that their team members will be. If no name is available, the team leader will list as “BSO” or “PO.” Each team will start work on a deliverable in the coming weeks after teams have been established.

Regarding the Comprehensive Outline, the orange print indicates information that is included on the Abbreviated Outline scope and has been assigned. The blue print indicates areas that require updating, but have not been assigned to a team. Greg will add discussion of these gaps to a future ELT agenda.

Nora and Greg will prepare Steve’s draft flowchart in final form, identify items on the Comprehensive Outline which should be added to the Abbreviated Outline, and prepare a timeline for discussion at future ELT meeting (next 2 weeks)

Open Time

Jack Segell—John Huber

John reported that Board Member Jack Segell is in the hospital undergoing medical tests.

Economy—John Huber

John noted that most companies are looking at their benefit programs from top to bottom during this economic downturn.

We should communicate to LWC employees what is going on in the marketplace.

Lake in the Woods/South Hill Apartments—John Huber

At last week’s Board meeting, the Board discussed two apartment complexes—Lake in the Woods and South Hill Apartments—which together owe LWC over \$160,000 for water and sewer service. If/when we discontinue service, we need to give adequate notice to the tenants so they can work out relocation plans before the water is shut off. This involves 180 families.

LWC should: (1) take steps to limit our liability, and (2) do so in a way that we consider the needs of the tenants who must find other housing. ELT members should provide any comments or suggestions they have to John, Laura, or Karla. John, Laura, and Karla will meet to determine appropriate action to be taken.

Metro United Way—Bob Miller

Total giving by LWC employees was \$59,500. This amount does not include a \$5,000 gift from Indiana-American Water Company which was matched by the Brown Foundation for a total of \$10,000. We had an increase in the number of participants and Core Share Givers. Total LWC fund raising will exceed \$69,000. John acknowledged the hard work by Bob for the Team leader role, the Metro United Way team members for organizing the rollout and events, Laura for her Board participation, Bill for his Union and Committee participation; and ELT members and employees for their Leadership Level giving.

Next year we should get benchmarking data from MUW and use that to improve participation. How we can position ourselves for the 2003 MUW Employee Campaign will be discussed at a future ELT meeting. Greg will work with Barbara for an ELT presentation on future campaign roles.

PTO for BSOs/POs—Bob Miller

Bob advised ELT that we have varying levels of PTO for LWC management (BSO/PO), based on when the person was hired and the number of service years. He suggested we relook at this practice and determine if a minimum level of PTO should be established for managers in the company (i.e. 3 weeks or 4 weeks) .

ELT members will provide Bob feedback, and Bob will decide if any proposed changes should be recommended to ELT.

Review Bin List—All

The group discussed items on the BIN list and future agenda items.

Agenda for November 25, 2002 ELT Meeting—Greg Heitzman

Greg will e-mail the agenda for the November 25, 2002 ELT meeting.

Greg asked ELT members to advise him by Friday, November 22, of any PTO they have planned through January 5, 2003 and if they have backup scheduled to attend ELT meetings in their absence.

ELT members should let Greg know if they prefer to have the regular Monday ELT meetings extended or if they would prefer to have special ELT meetings scheduled to discuss goals and NLP.

TKO Report – Bill Meeks

Started few minutes late, had to extend time for several agenda items to complete, did review bin list, balanced participation.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes November 25, 2002

Roles

Leader: Greg Heitzman
Facilitator: Nora Freeman (on call)
Recorder: Steve Hubbs
Scribe:
Timekeeper: Bob Miller
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, Bob Miller, Karla Teasley, Barbara Crow, Amber Halloran

***Review Minutes and Agenda**

Minutes from the November 18, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Corporate Donation Policy

Barbara Crow presented the Corporate Charitable Donation Policy to ELT for discussion. ELT accepted the recommendations with the following modifications:

Section 3.3 would be modified to indicate that any Vice-President may recommend purchase of tickets to fundraising events (currently reads "Treasurer can recommend..."). Barbara will take the policy to John for his input, specifically if he would like the Corporate Treasurer (or other) to have a role in the approval process. **Barbara Crow will redraft the Policy and forward to Laura Douglas and John Huber for approval and formatting.**

Future Metro United Way and Fund for the Arts Campaigns

ELT also discussed the Rotating Campaign Chair concept, and re-affirmed this strategy for providing high-level participation in the MUW campaign. The group recommended that the rotation schedule for MUW Chair (internal LWC campaign) include all Vice-Presidents, and that the Union President play an active role in this campaign. The MUW Loaned Executive and Fund for the Arts Chair will rotate through the Core Business Systems as is currently practiced. The LWC "Water for People" campaign will also added to the summary of Corporate Campaigns, but does not require a Campaign Chair.

Barbara will pull together a one-page summary on the Corporate Fund Raising Campaigns (MUW, FFA, WFP) for final approval by ELT next meeting (December 2, 2002).

Travel Policy

Amber Halloran provided a modified Travel Policy for consideration. The group discussed what travel would be covered under this policy, with focus on travel requiring reimbursement of expenses.

Suggested modifications include:

- All travel reimbursement requires BSO approval
- Travel in excess of \$2500 requires BSO and CBSO approval
- VP travel in excess of \$500 requires approval of CEO or designee

The policy will include only the overriding concepts for travel (reasonable, approved, no financial loss or gain by traveler), followed by procedure for the detailed elements (acceptable expenses/amounts, receipts).

The group recommended that this policy/procedure activity be pursued according to the recently adopted concept of differentiation between policy and procedure.

ELT targeted this policy and procedure for approval in December 2002, to cover all travel starting in 2003.

Vacation Schedule-Christmas 2002

Greg will assemble a listing of availability for VPs and the President during December and distribute by e-mail.

Agenda for December 2, 2002 ELT Meeting—Greg Heitzman

Greg will e-mail the agenda for the December 2, 2002 ELT meeting. Items to be considered include:

- Ethics questionnaire report back
- Internal control questionnaire report back
- NPL Future Direction update

TKO Report – Laura for Bob

Good meeting, extended time for Travel Policy discussion 10 minutes, ended 10 minutes beyond schedule.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes**

REvised

**ELT Meeting Minutes
December 2, 2002**

Roles

Leader: Greg Heitzman
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bill Meeks
Timekeeper: Bob Miller
Attendees: Barbara Crow, Laura Douglas, Katie Farrow, Nora Freeman, Greg Heitzman, Steve Hubbs, John Huber, Roger LeMaster, Joan Malone, Scott Muhlenbeck, Bill Meeks, Bob Miller, Karla Teasley

***Review Minutes and Agenda**

Minutes from the November 25, 2002 ELT meeting were approved with the following correction:

The last sentence of the second paragraph under "Corporate Donation Policy" should read, "Barbara Crow will redraft the policy and forward to Laura Douglas and John Huber for approval and formatting."

The agenda for this meeting was discussed and approved.

MUW, FFA Campaign—Greg Heitzman, Barbara Crow

Barbara provided copies of the updated draft Corporate Charitable Donations Policy C1-01 with changes noted in red.

John Huber would like to review the draft policy further before it is finalized.

ELT approved the Corporate Campaign Rotation schedule contained in the draft policy.

Internal Control Questionnaire—Roger LeMaster, Scott Muhlenbeck

Roger and Scott provided copies of and discussed the LWC 2002 Internal Control Evaluation—Total Company Observations. The evaluation identified issues regarding communications; recruitment, training, and development; and performance appraisal.

Roger will compile the results of the evaluation by Business System so ELT can check for trends.

Question 7 will be omitted or reworded in future Internal Control Evaluations to reflect a more accurate understanding of the question.

Question 15 needs follow-up to make sure the organization allows for efficient flow of information. This question may be tied in with Question 5.

Roger will isolate all questions regarding communication between systems. We continue to have a gap in communications between employees and need to dissect this information from the evaluation.

ELT will consider the findings from the evaluation when we do the Internal Satisfaction Index and the Organizational Effectiveness Index.

Greg will add this item to the BIN list for discussion in January to determine appropriate actions to take.

2002 Ethics Questionnaire—Roger LeMaster

Roger and Scott provided copies of and discussed the Code of Conduct and Performance and Code of Ethics Questionnaire and Compliance Certification document. This questionnaire will be administered twice per year. Employees who fail to complete the survey may be subject to disciplinary action.

REvised

ELT approved the roll-out of the questionnaire. Roger will prepare a final version incorporating changes discussed by ELT today and make the questionnaire available to the BSOs by January 2, 2003. He will have a session with the BSOC and the Union E-Board to explain the questionnaire. The BSOs will be responsible for having the questionnaires completed by employees in their systems. Roll-outs will be scheduled in January by BSOs. The goal is to have the questionnaires completed and returned by February 1, 2003.

Employees will return the completed questionnaires to Roger in sealed envelopes.

NLP II Future Direction—Greg Heitzman, Nora Freeman

Nora provided updated copies of the Draft NLP Update—Comprehensive Outline, the Proposed NLP Update—Abbreviated Outline, and the NLP Update Flowchart. On the Comprehensive Outline, the items in orange print indicate information that is included on the Abbreviated Outline. The blue print indicates areas that ELT will look at today to determine if these items should be moved to the Abbreviated Outline.

Nora will prepare a new outline incorporating items discussed today, organized by section.

Each team will start work on a deliverable in the coming weeks as soon as the teams have been established.

The group discussed taking a modular approach and spreading deliverables out over calendar year 2003. Nora and Greg will put together a proposed approach, schedule and bring to the next ELT meeting with a draft timeline.

Open Time

PTO for BSOs/POs—Bob Miller

Bob Miller wants time on an upcoming ELT meeting to discuss proposed changes to PTO for BSOs and POs.

ELT members can express any concerns to Bob, and Bob will prepare a proposal for ELT's consideration. This will be added to the BIN list.

Measurement System for LWC—Bob Miller

Bob will meet with Laura McCormick of Indianapolis Water Company this week to discuss their measurement system. This is in preparation for a communication to ELT and ultimately to the Board of Water Work on measurement systems for LWC.

Update on Lake in the Woods/South Hills Apartments—Laura Douglas

Laura gave an update on the two apartments complexes. January 10, 2003 is the date LWC has scheduled to discontinue service. The attorney for the apartment owner does not want us to contact any of the tenants directly to notify them of the turn-off. He says he plans to get an injunction to bar the turn-off.

Bids—Greg Heitzman

Bids for Payne Plant Improvements were received one and one-half weeks ago. The low bidder on the dollar amount is not certified as a local WBE entity Greg is working with Laura and Bob on the approach and recommendation regarding this bid.

Vesco Engineering submitted a bid for design bid work on the Crescent Hill Coagulation #7 Rebuild. They indicated they have a patent on the design, and they are accusing us of infringing on their design copyright on the basis of intellectual property rights. Vesco did submit a bid, however their bid amount exceeded their prequalification limit, and Vesco was not the low dollar bid submitted. Laura is working with Vesco attorney regarding the design copyright claim.

REvised

Review Bin List—All

The group discussed items on the BIN list and future agenda items.

Agenda for December 9, 2002 ELT Meeting—Greg Heitzman

Greg will e-mail the agenda for the December 9, 2002 ELT meeting. Reminder of Special ELT Goals Meeting on December 9, 2002. Greg will provide box lunch at Noon, meeting to follow.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes December 9, 2002

Roles

Leader: Greg Heitzman
Facilitator: Nora Freeman (on call)
Recorder: Steve Hubbs
Scribe:
Timekeeper: Bob Miller
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, Bob Miller, Karla Teasley, Sue Purdy, Amber Halloran, Jim Smith, Anna Norris

***Review Minutes and Agenda**

Minutes from the December 2, 2002 ELT meeting were reviewed and modified to strike the last line in the item on "Update on Lake in Woods..." The agenda for this meeting was discussed and approved with additions to open topics from Bob on a communication from Indianapolis and an update from Laura on the Lake in the Woods account.

Katie introduced Jonathon Berkeley as the recently appointed Union Quality Coordinator.

Greenbacks Financial Report

Amber noted that the unpaid account from Lake in the Woods is currently addressed in the income statement, and is reflected in the bottom line. The net income remains strong at \$2.5 million over plan, but down from \$3.6 over plan from last month. Amber believes this is mostly the result of monthly allocation of income and expense in the budget. John expressed concern that the non-irrigation consumption patterns be closely followed, and that we consider December costs closely and understand the dynamics as we approach the end of the financial year.

Amber advised she has invoiced Jefferson County for the final \$500,000 commitment for the Jefferson County Extension Program.

John noted that for the Countywide Extension Program, LWC should provide a final summary accounting of the program in comparison to initial plan and provide this to Jefferson County officials. Karla will follow-up with Alan Arbuckle to make sure this is summarized in his final report on the Countywide Extension Program.

Board Meeting Agenda

Attendance will be a concern in upcoming months, and the December meeting has been rescheduled to December 20 to accommodate Board members schedules.

Rate increases for 2003 will be presented to the Board for approval. The rate for minimum bill will be increased from \$3.25 to \$3.50 per month to reflect the actual cost of service. Other adjustments for cost of service need to be considered in future years.

The bids for the BEPWTP upgrades were competitive, but there is an issue with the certification of a WBE supplier submitted by the low bidder, Judy Construction. Greg, Bob, and Laura have reviewed the situation and recommendation is to award the contract to Judy Construction contingent upon receipt of the WBE certification documents.

The CHFP flocculator rebuild contract will also be brought to the Board for consideration, but legal issue has been raised regarding the intellectual property rights on the design. These issues will hopefully be addressed prior to the December 20 meeting. At this time, there is no decision from the Bids and Awards committee on this project.

Capital Program Status

Amber noted that we had a significant over-commitment in the capital program for 2003 compared to budget, but that the cash flow for individual projects has been re-evaluated by project managers, and now the commitment is within \$1 million of plan. Amber also noted that significant effort has been made to move projects through the project status codes and close out projects in a timely fashion.

Jim Smith discussed the work in progress on tracking the capital program. Amber distributed a summary of dollars expended by Status Code through September and November 2002. Better definition of the process and adherence to process across the various process owners is needed to improve overall project tracking and closing.

John pointed out that the importance of process is that it defines both the empowerment boundary of the project manager and the control mechanism for the expenditure of capital funds. The process owners are both suppliers and customers of the financial process for tracking project progress and controlling the overall process. The historical aspect of this process goes back to the 1970's capital program and the Board's concern that the expenditure of capital funds be effectively controlled and managed.

John emphasized the importance of value engineering for all projects to assure that the capital program yields maximum value. Our capital program will likely be an item reviewed by the new metro government financial management transition group.

Open Time Items

Indianapolis WW Communications Regarding Incentive Criteria for Contract-Miller

Bob discussed the contract communications criteria for the Indianapolis Water Works, which is weighted at 35% for Customer Satisfaction, 30% for Water Quality (including T&O), 10% for Capital Asset replacement, 5% for capital investment adjustment, 10% for Technical O&M issues, and 10% for miscellaneous issues. Bob noted that some of the individual items seem to be non-strategic. Their goals include that they apply for ISO certification in 2003, be certified by 2004, and ISO 14000 2005.

Laura noted that the Lake in the Woods receiver has offered to pay \$6,000 on the past due amounts and \$3,000 for December, subject to future adjustment. The total number of tenants impacted is 35 as opposed to the previously stated number of 180. The current outstanding amount due is approximately \$188,000, of which \$95,000 is due LWC (balance to MSD). Laura and Karla are working toward resolution, however plan is to turn off service on January 10, 2003 if an agreement is not made.

Agenda for December 16, 2002

Items to be included for the Dec 16 meeting include: NLP III Update; Review of the Accident Policy; and the OEI survey Results. Karla and Steve advised that they would not be in town on December 30.

TKO Report – Bob

Good meeting, good discussion. The group affirmed the desire to maintain open time on each agenda as an open communication forum.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes**

ELT Meeting Minutes December 16, 2002

Roles

Leader: Greg Heitzman
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bill Meeks
Timekeeper: Bob Miller
Attendees: John Anderson, Sandra Beyerle, Laura Douglas (11:05 a.m.), Kate Farrow, Nora Freeman, Bonnie Gimbel, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Don McKay, Bill Meeks, Bob Miller, Glen Mudd, Karla Teasley

***Review Minutes and Agenda**

Minutes from the December 9, 2002 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

NLP II Update--Nora Freeman

Nora provided copies of and discussed the Next Level Plan Update--Inclusive Outline, the NLP Update Subteam Project Guideline, the NLP Update Project Staging, and the NLP Update Project Overview. The NLP Update--Inclusive Outline includes the previous NLP Abbreviated Outline and the previous NLP Comprehensive Outline. The group discussed the status of the nine teams.

Team Leaders should provide Nora the names of their team members this week.

Nora will make revisions to the "package" as discussed today and circulate new drafts by the end of this week.

Accident Policy Approval--Don McKay

Don McKay provided copies of and discussed the draft Vehicular/Mobile Equipment Accident Policy. The biggest change to the policy (previously named the Vehicular Accident Policy) is the addition of Item 3.6--Mobile Equipment.

Sandy Beyerle noted awareness and training regarding the accident policy are the biggest issues in reporting accidents.

Sandy will make revisions to the draft policy as discussed below and e-mail the redraft to ELT members. This item will be discussed by ELT in January, 2003.

- Define mobile equipment versus licensed equipment.
- Define vehicular accident and mobile equipment accident.
- Under Item 3.5, trucks are not mentioned.
- Under Item 4.4d, it should be noted that the police do not always respond to accident.
- Under Item 5.4, drug testing should be referenced.
- Under Item 5.5, LWC should track the point system for one year to get an idea of the magnitude.
- Under Item 5.6, Assessment Action Matrix for Disciplinary Action, 4th Frequency, Bob wants us to look at disciplinary actions other than employee training at employee's own expense.
- Under Item 5.6, Assessment Action Matrix for Disciplinary Action, 5th Frequency, discipline for 13+ points is termination. Before we terminate an employee, there should be some step to remove their driving privileges. One possibility is to remove driving privileges at 3rd or 4th Frequency rather than wait until 5th Frequency and terminate.

ELT members agreed the policy should be as consistent with the Code of Conduct Policy as possible.

ELT agreed the team reviewing/revising this policy should meet with Bill Meeks to get the union's perspective.

New Hire Orientation Process--Bonnie Gimbel

Bonnie provided copies of and discussed the New Hire Orientation Needs Analysis--Structure, Findings, and Recommendations, December, 2002.

Bonnie had four recommendations:

1. Use checklists--helps to prepare, improves consistency, and reduces duplication.
2. Reduce company-wide orientation to one day--improves timeliness.
3. Use LWC Intranet--reduces information overload and is always accessible.
4. Conduct evaluations--improves entire process.

The team Bonnie is working with may also look at a reduced version of orientation for temps and part-time employees.

ELT members should provide their feedback to Bonnie on her four recommendations.

Bonnie will form a cross functional team to look at the four recommendations and develop a communication package and resource strategy. She'll incorporate ELT's input and bring back to ELT the first part of February as shared information. Implementation would be in February.

Open Time

Recognition for LWC Employees Who Worked to Transition Goshen into LWC --Karla Teasley

Karla asked for input on what might be appropriate recognition for LWC employees who worked to transition Goshen into LWC. (For the KT transition, we did ELT recognition.) The recognition could be on several levels, depending on the level of involvement, and should be awarded before the end of 2002 or in early January, 2003.

ELT members should provide Karla names of persons in their cores who worked on the transition.

Karla will prepare a proposal for ELT to review.

Greg will provide Karla information on what was done on the 48-inch main repair so she can use that as a comparison as she prepares her proposal.

Lake in the Woods/South Hills Apartments Update--Laura Douglas

Laura reported on the status of legal actions regarding turn-off of water at the apartment complexes

Review Bin List--All

The following item will be added to the BIN list: Follow-up on results of empowerment pilots in 2003.

Agenda for December 23, 2002 ELT Meeting--Greg Heitzman

Greg will e-mail the agenda for the December 23, 2002 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

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**ELT Meeting Minutes
January 6, 2003**

Roles

Leader: Greg Heitzman
Facilitator: Nora Freeman (on call)
Recorder: Steve Hubbs
Scribe:
Timekeeper: Karla Teasley
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, Bob Miller, Karla Teasley, Amber Halloran, Vince Guenther

***Review Minutes and Agenda**

Agenda for January 6, 2003

The meeting agenda was developed by Greg Heitzman and was reviewed and approved.

Travel Policy

Amber presented the draft **Travel and Expense Reimbursement Policy**, updated from the previous ELT guidance. The policy was reduced to key policy issues, and details were remanded to a procedures document attached. The team discussed the definition of travel, and asked Amber to consider changes to section 4.2 regarding when an employee must turn in a travel authorization. Amber will make this adjustment and forward the final policy to John for final approval. The team also asked that Amber have the procedures section on approval match whatever changes made to the policy.

ELT also asked Amber to provide a monthly report on travel, listing who, where, and cost.

Metro Louisville Government

Vince provided two handouts on the Mayor's Leadership team, his cabinet, and the new Metro Council. He provided a brief overview of Deputy mayors, Cabinet members, and Council members. He asked that ELT become familiar with the Council members in their particular district. He provided examples of graphics available for meetings with the Council members showing areas with pressures at or below 40 psi. ELT members are expected to share this information with their staff.

Mayor Abramson is expected to announce that Bud Schardein will be assuming the role of Executive Director of MSD.

Fourth Quarter Performance and ELT Effectiveness Survey

Greg provided three handouts: a schedule of team roles, an accounting of ELT time in the past 3 months, and a listing of items dealt with by ELT in the past quarter.

The team discussed the topics handled by ELT over the last quarter, and questioned if it is addressing the proper items. The team recognized the need for improved communication, and the role the ELT has in providing this communication.

Steve will lead the team for the next quarter, and Billy volunteered to be TKO.

Nora distributed the Team Effectiveness Survey, which is to be returned to Nora by Wednesday.

OPEN TIME

Karla distributed the CSI results for the 4th Quarter, which indicated a significant drop for the quarter, led by the residential non-service rating for water quality. The possible causes of the drop included the taste and odor event of this year, and the overall national phsysc regarding economy, and the potential for war.

It was noted that the trend towards decreases in ratings wasn't universal in all segments, and that we shouldn't assume the results are driven by external factors.

Karla will get details from this quarter and look for details that might help explain the drop in the CSI for the quarter. She will also ask Bob Hurd if there are any national trends that might explain the drop.

TKO Report – Karla

Good meeting, good discussion, no blocking behavior.

NEXT MEETING TOPICS

The following were discussed in pulling together the next agenda (January 13, 2003).

No meeting January 20.-look for special topic meeting.

Greenbacks...delay until next meeting

OEI survey results

FINS Project Manager from Solbourne

Move regs sub-team to later meeting.

Finish Goals by 4th week January

Steve and Greg will develop the next agenda for next week.

BIN LIST:

ELT needs to define the process for approving Procedures that accompany Policies, similar to the one presented to ELT on Travel January 6, 2003.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes**

ELT Meeting Minutes January 13, 2003

Roles

Leader: Steve Hubbs
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bill Meeks
Timekeeper: Bob Miller
Attendees: Laura Douglas, Kate Farrow, Nora Freeman, Tony Gregory, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Bill Meeks, Bob Miller, Johnnie Rice, Karla Teasley, Henry Lindborg and Bill Zierdt (National Institute for Quality Improvement), Walt Pounds and Sue Burman (Solbourne),

***Review Minutes and Agenda**

Minutes from the January 6, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Minutes from the December 16, 2002 ELT meeting were approved at the January 6, 2003 ELT meeting.

OEI Survey Results--Katie Farrow

Katie introduced Dr. Henry Lindborg and Mr. Bill Zierdt (National Institute for Quality Improvement). Katie provided copies of a magazine article written by Dr. Lindborg, the Organizational Effectiveness Index Report, and a copy of Dr. Lindborg's slide presentation to ELT explaining the results of the OEI Survey.

Dr. Lindborg and Mr. Zierdt noted the OEI survey instrument is for "good" companies who are working to get better--it's not for "sick" companies. They both consider LWC a very strong company and noted that most comments received on the survey were not negative--the comments expressed concerns or suggestions.

Recommendations resulting from the survey are:

- Build on strengths
- Pursue opportunities: consistent application of policy (senior management)
cross-functional cooperation (all)
- Interpret results across the organization
- Develop metrics over time (useful measures)

The consultants recommended picking some sub-elements to work on rather than working on the recommendations as a whole.

Results of the survey will be presented to employees in late January through the BSOs and POs and in *NewsLeaks*.

FINS Project Update and Meeting Solbourne PM--Amber Halloran

Amber introduced Walt Pounds and Sue Burman from Solbourne. She provided copies of and discussed the Implementation Roadmap for the FINS project. LWC currently is finishing the Readiness Phase and is working into the Process Design Phase. The "go live" date is scheduled for September 29, 2003. Amber noted that everyone's support is critical to the implementation of the project

ELT Effectiveness Survey Results--Nora Freeman

Nora provided copies of and discussed the 2002 Fourth Quarter ELT Team Effectiveness Survey results. The team average was 4.0, which is consistent with the third quarter 2002 results. These results confirm this is a high functioning team.

Opportunities for improvement would be in Removing/Resolving Barriers, Decision-Making Process, and Dealing with Conflict in Meetings.

Open Time

January 14, 2003 Board Meeting--John Huber

Agenda items for the Board meeting include discussion of the following: completion of the main replacement project in the central business district, issues regarding the clean and line contract, work at Crescent Hill on flocculators and clarifiers, and adding a module for timekeeping and payroll to the FINS project.

Review Bin List--All

The group discussed items for the BIN list.

Agenda for Tuesday, 1/21/03, Meeting (Monday, 1/20/03, is a Holiday)--Steve Hubbs

Steve will e-mail the agenda for the January 21, 2003 ELT meeting. The agenda will focus primarily on finalizing goals for 2003. Review and approval of the attendance policy for 2003 may be included on the January 21 agenda. If not, it will be included in an upcoming ELT meeting.

Steve will review the status of the 2003 goals to date and provide a strawman for the January 21 meeting.

*Decisions made by ELT and items requiring action are "shadowed" in these minutes.

ELT Meeting Minutes
January 21, 2003

Roles

Leader: Steve Hubbs
Facilitator: Nora Freeman (on call)
Recorder: Bob Miller
Timekeeper: Bill Meeks
Attendees: Steve Hubbs, Bob Miller, Bill Meeks, Karla Teasley, Laura Douglas, Susan Lehmann, John Huber, Greg Heitzman, Nora Freeman, Ellen Mackin, Rhonda Plunkett.

Minutes Approved:

Minutes from the January 13, 2003 ELT meeting were reviewed and approved as submitted. Agenda for this meeting was discussed and approved.

Changes to Attendance Policy: Ellen Mackin distributed a draft Attendance Policy (attached). She noted that the criteria for a Perfect Attendance should be for union and non-exempt employees. She also noted that leave approved under FMLA does not affect eligibility for a perfect attendance bonus. The revised Attendance Policy was approved by ELT.

Changes to Holiday Leave Policy: Ellen Mackin distributed a draft Holiday Leave Policy (attached). She noted that the provision for holiday pay has been clarified to specify requirements for holidays occurring while an employee is in an unpaid status. Bill Meeks and Greg Heitzman extensively discussed paragraph 3.10 regarding official religious holidays to clarify the existing policy language. The revised Holiday Leave Policy was approved by ELT.

Proposed 2003 Diversity Goal Program: Rhonda Plunkett distributed a handout on the Proposed 2003 Diversity Goal Program (attached). She noted that the tables reviewed at the previous meeting were discarded because they did not add to the clarity or fairness of the goal. She also noted that the target percentage established for an underutilized group will constitute a 3 on a 5-point scale. Rhonda also distributed a handout on the 2003 LWC Hiring Goals. She noted items marked with a question mark, indicating job groups less than one percent under utilized. The ELT decided to use a target of 15% over minority availability. The ELT also chose to use a strict test for underutilization by a straight comparison of current LWC statistics versus the LWC target. The ELT adopted the 2003 Diversity Goals as presented.

Proposed 2003 MBE/WBE Goals: Rhonda Plunkett distributed Third Quarter M/WBE Spending Outcomes YTD. She recommended that the 2003 Goals use the same measurement criteria as in 2002, noting that many of the planned improvements regarding the Evaluated Bid Pilot were under consideration for legal feasibility. The ELT adopted the 2003 MBE/WBE Goals as presented. The ELT also requested that the recommendation to update the Evaluated Bid Pilot be prepared by the end of March for implementation by the end of June.

Review of Draft 2003 President and Vice Presidents' Shared Goals: Nora Freeman distributed a copy of the Draft 2003 Shared Goals (attached). Steve Hubbs distributed a draft 2003 Advanced Treatment Technology Goals. Nora Freeman distributed a copy of an email from Don McKay with a draft 2003 Cost of Risk Goal (attached). The ELT changed the Revenue Goal by rounding the measurement criteria for rating levels of 4 and 5. The ELT changed the Cost of Risk Goal by revising the measurement criteria to reflect Don McKay's recommendations. The Draft 2003 Shared Goals were accepted by the ELT as revised.

Review of Draft 2003 Incentive Plan Goals: Nora Freeman distributed the draft Incentive Plan goals (attached). The lightswitch goal of budget plus \$750,000 was confirmed. Karla Teasley recommended that the Overall Customer Satisfaction Index Goals should be revised to reflect 2002 year end results. Bob Hurd has recommended that Level I should be 835 and that Level II should be 845 (same as 2002). The draft 2003 Incentive Plan Goals were accepted by the ELT as revised.

Review of 2003 Corporate Performance Award: Nora Freeman distributed the draft 2003 Corporate Performance Award. The ELT accepted the draft 2003 Corporate Performance Award as submitted.

Consideration of Financial Information System Implementation as a 2003 Goal: The ELT extensively discussed alternatives for consideration of the FINS Implementation as a 2003 goal. John Huber emphasized the importance of executive commitment to the successful implementation of the project. After careful consideration, the ELT did not include the FINS project in the 2003 Goals.

Open Time Discussions: Greg Heitzman reviewed main break counts and pumpage statistics. Bob Miller reported on unaudited financial results for 2002.

Next Agenda Topics: The bin list was reviewed for agenda topics for the January 27, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

**ELT Meeting Minutes
January 27, 2003**

Roles

Leader: Greg Heitzman for Steve Hubbs
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bill Meeks
Timekeeper: Bob Miller
Attendees: Laura Douglas, Nora Freeman, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Joan Malone, Bill Meeks, Bob Miller, Sue Purdy, Karla Teasley

***Review Minutes and Agenda**

Minutes from the January 21, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

A follow-up to the January 21 meeting: Susan will follow up with Mike Sturgeon regarding the Attendance Policy approved by ELT to make sure the policy is consistent with the union contract.

Greenbacks and Year-End Financial Report--Amber Halloran

Amber provided copies of and discussed the LWC Financial Highlights for December, 2002.

Sale of water year-to-date revenue is over budget \$2,041,728. Other operating revenue is under budget for 2002 due to lower Miscellaneous Service Revenues.

Amber will follow-up on the following:

1. Prepare a schedule of bonds and the status for Mr. Huber.
2. Work with Kent Horrell to understand the fuel adjustment from LG&E.
3. Analyze Commercial and Industrial usage and assumptions for 2002 Budget.
4. Look at stat code for B. E. Payne Improvement project (stat 2 or 3 in final December status report)
5. Footnote Shepherdsville customers in customer count data.
6. Prepare comparison of part-time employees 2001/2002.

Goals Weighting Discussion--Greg Heitzman/Bob Miller

The group agreed to keep the weightings for 2003 goals the same as they were in 2002:

<u>Goal</u>	<u>Weighting</u>	<u>Weighting to be Entered into PA System</u>
Competencies	40%	40%
Diversity: AA	5%	8%
MBD	5%	8%
Shared Goals	20%	30%
Individual Goals	30%	54%
Total	100%	140%

It should be communicated to employees that we are using the same weightings for 2003 that we used in 2002 and expectations for competency for all non-union employees and for the diversity goal for management (VP,BSO,PO).

Susan will work with HR and do some training on the PA system. She will look for ways to make the system more user friendly. She will get feedback from users regarding opportunities to improve the PA system for potential changes in the PA system for 2004 goals. ELT will discuss weightings for 2004 goals and any changes to the PA during the last quarter of 2003.

Open Time

System P1 2002 Budget Performance--Greg Heitzman

Greg provided copies of and discussed System P1--Managing Water Quality and Production--Fourth Quarter 2002 Operating Performance Results and a memo from Kent Horrell to File regarding Power Costs. These documents provided details on unbudgeted spending in P1, some of which would be eligible for funding by the contingency.

Distribution System Work Volume--January 24-27--Greg Heitzman

Greg provided copies of and discussed a memo from Jim Brammell to Greg regarding Distribution System Work Volume--January 24-27, 2003. It was noted that we need to follow up on the fire hydrant availability information. The Company is currently in Level 1 Emergency for winter response, using extend days to handle the peak workload levels. Staff is evaluating the need to move to Level 2 Emergency, which would shift C2 operations to 12 hour day and night shifts.

Update on Lake in the Woods--Laura Douglas

Laura advised that the judge did not remove the injunction which would allow LWC to shut off water supply to the apartments.

Letter from State Government Contracts Review Committee--Laura Douglas

Laura reported on a letter she received from Bret Yount of the KY House and Senate stating that LWC should submit to the State Government Contracts Review Committee all applications for Personal Services Contracts for the past year. The letter stated that agencies of state government and government entities must ask permission from this committee for Personal Services Contracts. Laura noted LWC has never asked this committee for permission to contract nor has MSD or the City of Louisville. She noted this could be some fall out from the recent bid controversy regarding the B. E. Payne contract. Laura says that LWC's position in this matter will be that we are not required to seek permission from this committee regarding contracts. Laura says no timeframe for response was stated in the letter--she thinks a response within 30 days would be timely.

Review Bin List--All

Review results of President/VP shared goals will be discussed at an upcoming meeting, possibly the February 3 meeting.

Agenda for February 3, 2003 ELT Meeting--Steve Hubbs

Greg will work with Steve on an agenda for the February 3 meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

**Executive Leadership Team
Meeting Minutes
February 3, 2003**

Attendees: Steve Hubbs (Leader), Bob Miller (Recorder) Billy Meeks (Timekeeper), Greg Heitzman, Susan Lehmann, Laura Douglas, John Huber, Karla Teasley, Amber Halloran.

Minutes Reviewed and Approved: The minutes from January 27, 2003 were reviewed and approved. ELT discussed the performance appraisal matrix for 2003.

2002 Cost Reduction Strategy: Amber Halloran distributed a report titled "2002 Proposed Budget Cuts/Expense Reductions" (attached). ELT reviewed the year end results on a core-by-core basis. As of October 2002, ELT anticipated year-end actual O&M expenses of approximately \$800,000 under budget. Actual results were \$315,700 under budget. Key expenditures that resulted in not reaching the target were:

- Performance award payments
- Damage claims
- Bankruptcy and bad debt expense
- Zorn Avenue 48" main break
- PAC for taste and odor control
- Fuel adjustment for pumping power costs

ELT agreed to review 2002 expense items to identify those that are appropriate to charge against the contingency. ELT identified these expense items for 2003 that may affect budget performance:

- Fuel costs for vehicles
- Powdered activated carbon
- Transmission main breaks
- Performance awards
- Bankruptcies and bad debt expense

2002 Goals Review: Nora Freeman distributed Fourth Quarter Results for the Incentive Plan, the Shared President and Vice President Goals, and the Corporate Performance Award. The results for the Incentive Plan Goals resulted in 8.1 out of 10.0 for the Vice Presidents, and 6.075 out of 7.5 for the Business System Owners. The results for the Shared Goals averaged 3.38 out of 5.0 using the computed numbers and averaged 3.6 out of 5.0 using the rounded numbers. The results for the Corporate Performance Award resulted in 70.83 out of 100.00.

Nora Freeman also distributed a schedule for 2003 ELT Goal Reporting (attached).

Open Time Discussions: Greg Heitzman provided a handout of winter emergency status (attached). Breaks are now less than 10 a day, thus we are stepping down off of Level 2 status emergency. There were 190 main breaks during January 2003.

Susan Lehmann provided a handout for ICS/OEI suggestions for follow up by ELT (see attached). ELT agreed with this recommendation. She also noted that LWC will begin recruiting for the BSO-Human Resources position this week.

End

ELT Meeting Minutes February 10, 2003

Roles

Leader: Steve Hubbs
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bill Meeks
Timekeeper: Bob Miller
Attendees: Laura Douglas, Janet Fiandaca, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Bill Meeks, Bob Miller, Karla Teasley

***Review Minutes and Agenda**

Minutes from the February 3, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

John had one note regarding rating for the shared goal of Increase Operational Performance. The goal states that if all systems are not recertified by December 31, 2002, 2002 performance rating for this goal will be 1. John plans to waive this since only one system was not recertified, and this system could have recertified, but devoted attention to other priority items. ELT agreed to an overall rating for the Increase Operational Performance goal of 4.

Nora Freeman will change the 2002 performance rating for Increase Operational Performance shared goal to 4.

Policies Posting on Intranet--Laura Douglas

Laura distributed copies of and discussed the LWC Policy Database which shows the current status of all LWC policies. Of the policies not entered into the Intranet, some are in the process of revision/approval, and some need to be formatted for inclusion on the Intranet.

Binders will not be maintained in the future. Each core will decide how it will provide employees access to the policies on the Intranet. CBSOs will communicate this information to BSOs, and this will also be communicated in NewsLeaks.

Janet Fiandaca is the LWC Policy Administrator who will be responsible for maintaining the LWC Policy Database (includes all electronic, computer and hard copies of the policies). Her duties include following up and preparing memorandum to the appropriate System Owner when a policy is up for review; preparing revisions to the old policies upon the System Owner's request; submitting the revised policy to Laura Douglas for review; preparing copies of the revised policies for ELT's review and posting the official copy of the policies on the Intranet. Janet will submit an article in NewsLeaks that will provide employees information on how they can access the Policies via the LWC Intranet.

LWC Budget Contingency--Bob Miller

Bob discussed the tests used to determine if an expense is appropriate for identification as a Contingent expense:

- The expense must be externally-driven.
- The expense must not be controllable by management.
- The expense must be unanticipated.
- The expense must be not appropriate for budgeting.

ELT identified the following items from 2002 that would be eligible for funding from the Contingency:

- | | |
|--|-----------------|
| • Zorn Avenue 48" raw water main break | \$197,000 |
| • Additional power cost due to fuel adjustment | \$150,000 |
| • Carbon for taste and odor treatment | \$140,000 |
| • Additional bankruptcy expense | <u>\$80,000</u> |
| • Total | \$567,000 |

The 2002 Annual Operating Budget included a Contingency of \$565,000.

Board Meeting--John Huber

Agenda items include Income Expense Summary from December, 2002, Ohio River Bridge and Environmental Impact Statement, Payne Plant bids, and discussion of Crescent Hill clarifier and Flocculator improvements.

Open Time

New Compensation Matrix--Susan Lehmann

The new Compensation Matrix was communicated to all nonunion employees on February 7. Market movement is 3%. The rating scale for 2002 performance has changed.

ELT should continue efforts to communicate external elements of our compensation program regarding market movement, CPI information, etc. We should let employees know this is reviewed annually.

ELT Employee Forums--Susan Lehmann

John Anderson is scheduling the forums for 2003 and is seeking input on attendance and format.

ELT agreed to continue with the forums and work on how to make them more dynamic. One possibility is to pick specific topics to focus on and also have an open forum. Topics of discussion will depend on the group being included in the meeting. John noted that interaction between employees is as important as interaction between employees and the Vice Presidents.

Change in Management at the KY Division of Water--Greg Heitzman

Greg reported that Secretary Bickford, who passed away this past year, was replaced by Hank List. Hank List will fill the remainder of Secretary Bickford's term. Jack Wilson, who retired from the Division of Water, is replaced by Jeff Pratt, who reports to Hank List.

Greg says he was told Vicki Ray was relieved of her duties and is being put into another area with the state. He was told all branch managers were relieved of their duties. Greg says there are a lot of changes going on in state government.

Jack Wang will contact Mike Mudd to find out what impact these changes will make. Greg will get current organization charts and more information on the changes from Vince Guenther, and possibly schedule a meeting with Mike Mudd and appropriate key staff at LWC. We'll need to build new relationships.

Security at LWC--Greg Heitzman

Greg provided copies of and discussed a Threat Advisory received from the US EPA Office of Water which provided information on suggested measures under Threat Level Orange. Bob says we have the same drills for Level Orange we do for Level Yellow. We should look at something between Yellow and Orange that we might want to change.

Bob and Greg will follow-up with Don McKay, then ELT will make a decision on whether we should make any changes in our security procedure.

Greg will contact the Division of Water and discuss emergency plans regarding terrorism.

Bill Meeks will continue to communicate to employees regarding status of security.

WEF Conference--Bob Miller

Bob reported that he and Rhonda Plunkett will make a presentation at the WEF Conference on Diversity at LWC.

Review Bin List--All

The group discussed items for the Bin List and items for the February 17 ELT agenda.

Agenda for February 17, ELT Meeting--Steve Hubbs

Steve will e-mail the agenda for the February 17, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes February 17, 2003

Roles

Leader: Steve Hubbs
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe:
Timekeeper: Bob Miller for Bill Meeks
Attendees: Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Joan Malone, Bob Miller, Anna Norris, Karla Teasley

***Review Minutes and Agenda**

Minutes from the February 10, 2003 ELT meeting were approved with one change: Change the third paragraph under "Policies Posting on Intranet--Laura Douglas" to read as follows:

Janet Fiandaca is the LWC Policy Administrator who will be responsible for maintaining the LWC Policy Database (includes all electronic, computer, and hard copies of the policies). Her duties include following up and preparing memorandum to the appropriate System Owner when a policy is up for review, preparing revisions to the old policies upon the System Owner's request, submitting the revised policy to Laura Douglas for review, preparing copies of the revised policies for ELT's review, and posting the official copy of the policies on the Intranet. Janet will submit an article in **NewsLeaks** within the next two weeks which will provide employees information on how they can access the policies via the LWC Intranet.

Agenda for this meeting was discussed and approved.

Greenback Reports--Amber Halloran

Amber provided copies of and discussed the LWC 2002 Net Income Unaudited dated February 17, 2003; 2003 Revenue budget; and LWC Financial Highlights for January, 2003.

Water revenue through January, 2003 was \$1.5 million higher than last year and \$528,000 higher than budget. Other Operating Revenue was lower than last year by \$74,000 and lower than budget by \$29,000. The O&M expense in January, 2003 was \$574,000 higher than same period last year, and higher than budget by \$316,000.

After discussion of the above-listed documents, follow-up was requested as follows:

- Prepare income statement for Goshen (Amber).
- Review Lake in the Woods/South Hill Apartment accrual monthly (Amber).
- Confirm with Billing any changes to revenue on cycle changes (Anna).
- Add actual revenue to charts for tracking (Anna).
- Develop new reporting for Sale of Water (Group).
- Review with plant increased water usage at B. E. Payne Plant (Amber/Kevin).
- Make a decision regarding whether to accrue bonus pay-outs for the Executive Incentive Plan and the LWC Corporate Performance Award in 2002 and advise ELT (Bob, Amber, Audit Committee).
- John Huber says we should ask ourselves if the Light Switch Goal for the Executive Incentive Plan Goals is okay. John will discuss this with the Board's Compensation Committee.

NLP III Status Update--Focus on SPT Items--Steve Hubbs/ELT Sub-Team Leaders

Steve Hubbs provided copies of and discussed the Next Level Plan Update--Inclusive Outline, Revised December 16, 2002.

Greg says the System Certification Team, the only team with a deliverable due by the end of Q1, is on target.

Karla Teasley reported that the Corporate, System and Process Measures Team will evaluate strategic measures and look for gaps when compared to other utilities. They will make recommendations to the SPT regarding the family of strategic measures.

Susan Lehmann will participate on the Organizational Structure Team, the Learning Organization/Training and Development Team, and possibly other teams.

Susan asked to be copied in on all team activity reports regarding NLP III.

The NLP III Inclusive Outline will be updated quarterly.

Open Time

Portland, Oregon Regionalization--Bob Miller

Bob says Portland Oregon is in the final stages of regionalization. They'll put together "lessons learned" and will share this with us.

Bluegrass Water Consortium--Greg Heitzman

Jim Smith is attending a meeting of this group and will provide a report. LWC's position on this is that we are a third party observer and are not involved in the consortium. We are not taking a position on this.

This item will be added to the BIN list.

Terrorism--Code Orange--Bob Miller

Bob noted we are adding additional roving security to go from site to site.

ELT agreed we should have extensive drilling for employees on contamination of the distribution system and telephone customer service (including Radio Room personnel). Bob will talk to Don McKay about terrorism and drills.

It was noted that all CBSOs, BSOs, and POs should have their employees' home telephone numbers.

Winter Emergency--Greg Heitzman

Greg provided copies of and discussed several graphs and charts which showed activity in the areas listed below during the winter emergency period (January 26, 2003 to February 3, 2003).

- | | |
|---------------------------------------|----------------------------------|
| - Main Breaks per Day | - Emergency Turn Off Requests |
| - Main Breaks and Joint Leaks per Day | - No Water Complaints |
| - Fire Hydrants Out of Service | - Total Hours Worked |
| - Fire Hydrants Serviced | - Total Units Worked and Backlog |

Oldham County Water District--Steve Hubbs

Tom Davis (Chair of the Oldham County Water Supply Advisory Committee) approached LWC regarding information on nitrate. Rengao Song referred them to Dr Minear at U. of Illinois as an expert on nitrate. This involves OCWD's right to deny development in the wellhead protection area.

Review Bin List--All

The group discussed items on the BIN List and items for the February 24 ELT meeting.

Agenda for February 24, 2003 ELT Meeting--Steve Hubbs

Steve will e-mail the agenda for the February 24, 2003 ELT meeting.

*Decisions made by ELT and items requiring action are "shadowed" in these minutes.

ELT Meeting Minutes
February 24, 2003
(Revised)

Roles

Leader: Steve Hubbs
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bill Meeks
Timekeeper: Bob Miller
Attendees: Barbara Crow, Laura Douglas, Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Roger LeMaster, Joan Malone, Bill Meeks, Bob Miller, Scott Muhlenbeck, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the February 17, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Follow-Up on Internal Control Questionnaire after ICS & OEI Results--R. LeMaster

Roger provided copies of and the group discussed a document titled "Internal Control Questionnaire Highlights, Executive Leadership Team, February 24, 2003."

Greg Heitzman requested that Scott and Roger "dissect" the responses under Opportunities for Improvement into the percentages of responses which were 5, 4, 3, 2, and 1 in addition to the average of the scores provided. This might allow us to look at the data in a different way and would give us a higher indication of where we should look. Then we can come back and focus on these four areas—we might prioritize in importance regarding which issues to deal with.

John Huber says we must address the gaps in Section 1--Control Environment, quickly.

We need to put together tools to deal with the issues. Susan Lehmann says two focus groups have been held and we can schedule more if necessary.

Each NLP III team leader can look at Control Environment and Opportunities for Improvement to see if there are issues they can address in their work.

Discussion on this topic will continue up next week's ELT meeting.

LWC 150th Anniversary Celebration--B. Crow

Barbara Crow provided copies of and discussed the outline to ELT regarding LWC 150th Anniversary Celebration.

This will be a year-long event in 2004 and would enhance typical events such as National Drinking Water Week. We also would do something special on the exact date in 1854 when LWC was chartered.

Barbara will add elected officials to the list of Possible Partners in Projects.

All the actual planning must be done in 2003, but Barbara will look at the budget again to see what can be funded in 2003 and what can be funded in 2004 and report back to ELT.

ELT members should forward any ideas they have regarding the celebration to Barbara.

Open Time

Program with Dental Society, "Smile Kentucky"--Barbara Crow

Barbara reported on the Dental Society Outreach Program. LWC participated in the program, under which volunteer dentists went to schools, picked 300 of the worst dental cases, and treated these cases.

The program culminated in a dinner last week. The Dental Society noted how impressed it was with the work LWC staff did on this project.

Board of Water Works Compensation Committee Meeting--John Huber

John Huber reported on the meeting of the Compensation Committee last week. The Committee was presented with six sets of data: 2002 performance on the Executive Incentive Plan Award, 2002 performance on Employee Performance Award, 2002 performance on President/Vice Presidents Shared Goals, 2003 Employee Performance Award Goals, 2003 Executive Incentive Plan Award Goals, and 2003 President/Vice President Shared Goals.

The Committee accepted the 2003 Executive Incentive Plan Goals, the 2003 President/Vice President Shared Goals, and the 2003 Employee Performance Award Goals as presented.

The Committee concurred on the 2002 Employee Performance Award as presented in the measures. For the 2002 Executive Incentive Plan Goals, they determined we met the Light Switch Goal.

One topic of discussion was whether the Employee Performance Award and Executive Incentive Award should be accrued in the year earned rather than in the year the award is paid. Based on the conversation, staff looked at accounting rules and the basis on how these goals were created. We recommended that the Performance Award be accrued in the year earned (2002). For the Executive Incentive Award, payment is made entirely at the Board's discretion--the award is paid during the year it is approved and the payment of the award will not be accrued.

The Compensation Committee will recommend to the full Board that we make award for the Employee Performance Award and accrue in 2002, and that we make award for the Executive Incentive Plan Award and accrue in 2003.

"Cost of Being Poor"--John Huber

John Huber noted there is a program under way titled "Cost of Being Poor" which will work on solutions to the poor often ending up paying more for goods and services because they have a more difficult time obtaining the goods and services. With the economy down and social welfare changes being made, we are seeing more and more of this problem. An example is LWC's turn-on fee of \$20 in addition to late charges and bad check charge if applicable. John wants everyone to be aware of this and keep rates as affordable as possible. We also must keep our adjustment policy liberal.

"Pick the Best Water Filter"--Laura Douglas

Laura noted there will be a series on the local TV news on how to "pick the best water filter."

Karla will ask Barbara Crow or Kelley Dearing-Smith to check on this.

Lake in the Woods--Laura Douglas

Laura reported that LG&E has turned off electricity at the apartment complex. Most of the tenants are moving out. This creates a possibility of water pipes freezing. We contacted the lawyers for the receiver telling them we were enjoined and could not turn the water off.

ELT members noted we might recommend to the receiver that valves to vacant apartments be turned off.

Review Bin List--All

Items for Bin List and agenda for March 3, 2003 meeting were discussed.

One item for discuss on March 3 is compensation raises for 2003 (staying within budget).

Agenda for March 3, 2003 ELT Meeting--Steve Hubbs

Steve will e-mail the agenda for the March 3, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes
March 3, 2003 (revised)

Roles

Leader: Steve Hubbs
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bill Meeks
Timekeeper: Karla Teasley
Attendees: Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Joan Malone, Don McKay, Bob Miller, Rhonda Plunkett, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the February 24, 2003 ELT meeting were approved with the following change: Under Open Time, "Board of Water Works Compensation Committee Meeting--John Huber," change the last sentence in the fourth paragraph to read: "For the Executive Incentive Award, payment is made entirely at the Board's discretion--the award is paid during the year it is approved and payment of the award will not be accrued."

Agenda for this meeting was discussed and approved.

Follow-Up on Internal Control Questionnaire Process--Susan Lehmann

The purpose of today's discussion on Internal Control Questionnaire process is to develop an action plan for going forward.

ELT members agreed on three key items to cover during the next three months: (1) Question 24.6--Policies and procedures are applied consistently and fairly; (2) Question 22.9--LWC systems cooperate well with one another (communication); and (3) Question 20.3--LWC removes barriers that get in the way of progress. (Regarding barriers, we should determine the difference between internal controls, which are fully appropriate, and actual barriers.)

ELT appointed a subteam to work with Roger to create a list of approaches to work on the three items. The subteam will consist of Susan, Greg, Steve, Roger, and John if John is available, and will report to ELT by mid April. They will review and link the data and identify items that belong to ELT and items that belong to BSOs. They will also identify longer range items and items to integrate into NLP III.

Discussion on Timing of Expenditures and Profits--Bob Miller, Amber Halloran

Amber provided copies of and discussed "Principles of Accounting" and "LWC audit Approach." Discussion included how journal entries are recorded and issues involving timing of entries. The auditors look at all payments of "unrecorded liability." We must match this to revenues in the month services are provided. They also look closely at records retention. Amber noted LWC is governed by principles of accounting. One principle is matching bonuses in the year earned.

Regulations Sub-Team Update--Greg Heitzman/Don McKay

Greg discussed "Regulatory Compliance for Environment, Health, Safety and Water Quality Process Empowerment and Accountability Matrix, November 14, 2003 Version" and "LWC Proposed Regulatory Compliance Model Revised 2/27/03." Don noted we are looking at a process that would consist of three people: the PO, one assisting staff member, and Mike Holt.

Don will make the following additions/changes:

- Under Item 1 of the Regulatory Compliance Model, add one bullet: Notification (per Ginsburg Model) to management of impacted area (CBS and BSO).
- Under the first bullet of Item 3 of the Regulatory Compliance Model, Don will add Ralph McCord to represent Karla's CBS.
- Under Sections 1 and 2 of the Empowerment and Accountability Matrix, Don will include the role of auditor in Sections 1 and 2--he will footnote Roger's role in auditing.
- Under Item 3 of the Matrix, Don will make a separate item for NOV's.

John noted LWC's Public Information area needs to be involved in the communications piece of this.

Jack Wang should establish a relationship with the enforcement people at the Division of Water and Drinking Water Branch. Jack can check with MSD on who they are communicating with.

The ELT agreed this model will be exclusive to Environment, Health, Safety, and Water Quality, although some areas may overlap such as HR, Finance, etc.

Bob, Don and Greg will meet to make revisions and recommendation for adoption. Greg will bring back to ELT in one month.

MBD Program Benchmarking--Rhonda Plunkett

Rhonda provided copies of and discussed the "Comparison of Small, Disadvantaged, Minority and Women Owned Business Utilization Programs." There are two types of programs: (1) M/W/HBE, and (2) DBE. ELT needs a recommendation by the end of March and implementation by the end of the second quarter.

We will choose city's model or a DBE model. Laura noted it is good to have a program consistent with the City's program.

Greg noted we should define what constitutes a good faith effort. This will drive the amount of resources needed to determine if a good faith effort was provided. Laura noted we need to get more information on the City's performance with this program. How does good faith effort translate to spending. The City's good faith effort is not tied to cost.

Follow-up items: (1) ELT members will provide input to Rhonda asap; (2) Rhonda will bring a recommendation to ELT on March 24; (3) include on ELT agenda March 24 following SPT retreat--identify key measures and provide general policy we will follow.

Open Time

Vulnerability Assessment Update--Don McKay

Don McKay gave an update on vulnerability assessment. The team is on schedule for the 12 items in the assessment--they are working on Item 9 now. Don is pleased with how interested the group is in doing this work, and he thinks the work product will be good.

FINS Project--Bob Miller

Bob encouraged ELT members to read the article on the front page of NewsLeaks this week regarding implementation of FINS.

Client Representation Letter--Bob Miller

Bob briefly discussed the Client Representation Letter LWC sent to the external auditors.

Review Bin List--All

The group discussed items for the BIN List.

Agenda for March 10, 2003 ELT Meeting--Steve Hubbs

Steve will e-mail the agenda for the March 10, 2003 ELT meeting.

<p>*Decisions made by ELT and items requiring action are "shadowed" in these minutes.</p>
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**Executive Leadership Team
Meeting Minutes
March 10, 2003**

Attendees: Steve Hubbs (Leader), Bob Miller (Recorder), Bill Meeks (TKO), John Huber, Karla Teasley, Laura Douglas, Susan Lehmann, Greg Heitzman, Amber Halloran, Sue Purdy, Nora Freeman, Jonathan Berkley, Kate Farrow, Jim Smith

Meeting Minutes: The minutes from March 3, 2003, were reviewed. The ELT removed the action item under "Discussion on Timing of Expenditures and Profits." The minutes were approved as changed.

Greenbacks Report: Amber Halloran first reviewed follow up items from the previous month's Greenbacks Report. Each of those matters has been successfully resolved. Amber then reviewed the financial highlights for February 2003.

- Sale of water revenue is over budget by \$729,352.
- Operations and Maintenance expense is over budget by \$261,860.
- Net income is over budget by \$82,993.
- Additional winter-related cleanup expenses are expected to show up in March 2003.
- The Budget Process will follow up on certain expense items.

No further action is required.

Organizational Effectiveness Index Focus Group Update: Kate Farrow distributed "2002 Organizational Effectiveness Index: Focus Group Findings" and "2002 Organizational Effectiveness Index: Suggested Strategies for ELT." Kate reviewed these suggested strategies:

- Create incentives for systems to cooperate with one another.
- Consider a comprehensive analysis of business systems for proper alignment.
- Promote resource sharing across systems and processes.
- Clarify the entire policy process
- Address and clarify hierarchical aspects of organization structures.

The ELT agreed to review this matter further at a later ELT meeting.

Growth Policy for New Growth: Jim Smith displayed a map showing areas with potentially low service pressure. The KYDOW requires a minimum of 30 PSI. Jim discussed capital

Executive Leadership Team
Meeting Minutes
March 10, 2003
Page 2

improvements needed to improve these areas to 50 PSI over the next three years. Planned actions are:

- Perform revamp of plan review process.
- Provide low pressure information to potential customers
- Update PSI construction design standard.

Board of Water Works Update: John Huber emphasized the need to streamline presentations at the Board of Water Works meeting tomorrow.

ELT Meeting Minutes
March 24, 2003
CORRECTED

Roles

Leader: Steve Hubbs
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Bill Meeks
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Joan Malone, Bill Meeks, Bob Miller, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the March 10, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

MBD Team Recommendation--Rhonda Plunkett

This item was deferred to the 3/31/03 ELT meeting. Laura and her staff have met with the team and will review the recommendation before it is brought to ELT on March 31.

Bob Miller reminded ELT that the MBD Team will discuss three alternatives and present their recommendation from the three alternatives. Their recommendation may be a blended approach from the three alternatives. There are three things we must keep in mind: (1) We do not want to adopt anything our legal team cannot endorse. (2) The solution has to be a practical solution, good public policy/practice, and it would be good to have seen it work successfully elsewhere. (3) It must successfully help us achieve our goals.

Review Recommendations from OEI Survey--Hubbs/ELT

This item will be discussed at the April 14 ELT meeting when ELT will evaluate the recommendations and decide what actions to take on the following issues:

Unequally applied policies
Communications
Cooperation between processes, systems, and cores

Review ELT BIN List from SPT Retreat--Steve Hubbs

Steve provided copies of and the group discussed the BIN List from the SP retreat. The BIN List consisted of the following items:

- **Concept of ownership/accountability using PO/BSO/CBSO titles. Address in NLP II Update work.**

This relates to empowerment and how we define roles and set expectations for the roles. We also want to reduce barriers and perceptions created by titles.

This task will be assigned to a appropriate NLP II update subteams as follows: organizational issues to the "Organizational Structure and QMS subteams (**Hubbs**); empowerment issues to the "Empowerment and Accountability subteam (**Douglas**); and training issues to the "Learning Organization / Training and Development" subteam (**Huber**)

We also could follow-up with more focus groups to identify issues and intended results regarding organizational issues such as employee development, empowerment, and organization.

- **Near strengths--risk management concepts adoptive of COSO Model of Internal Controls, level of cooperation from operating areas for business process re-engineering, the work Nora's group is doing providing assistance on change management capabilities.**

No action required.

- **Project and monitor rate differential for acquired systems when increasing LWC rates annually.**

This falls in the areas of Financial Planning and Karla Teasley/Jim Smith.

- **Performance management process. *The group decided this is an ELT item.***

There are a number of issues with the current process. HR is working to assemble a list of issues and recommendations for improvements which should be ready in early May.

Laura noted that employees think the Performance Management system is tied to the budget. These are two distinct processes but they are linked. We need a tool to rectify when Performance Managements do not match the budget so it does not appear we are inappropriately appraising employees to meet the budget.

ELT members should provide Susan input on any issues they see with the Performance Management system.

Susan will circulate articles and information on Performance Management systems to ELT members.

This item will be discussed at ELT in early to mid-May.

Open Time

APWA Rodeo--Karla Teasley

Steve Cooper is looking for people who are interested in participating in the APWA Rodeo in May. ELT members should contact Karla or Steve for details within the next couple of weeks if interested in participating.

Article in NewsLeaks re FINS Implementation "LWC's Readiness for Change"--Bob Miller

Johnnie Rice conducted a survey to assess employees' state of readiness for change. Bob says communication, training and leadership commitment were some of the key issues noted in the survey results and most of the suggestions or issues identified by the survey have already been addressed.

Other Issues re Implementation of FINS--Bob Miller

Bob will bring to ELT issues which could require ELT and possibly Board approval. One example is the refunding contracts process. FINS is scheduled to go live in Sept.

Team Effectiveness Survey--Steve Hubbs

Steve handled out Team Effectiveness Survey forms and requested that ELT members complete and return the forms to Nora Freeman by March 26, 2003.

Review BIN List--All

BIN List items and agenda items for upcoming ELT meetings were discussed.

Agenda for March 31, 2003 ELT Meeting--Steve Hubbs

Steve will e-mail the agenda for the March 31, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes March 31, 2003

Roles

Leader: Bill Meeks for Steve Hubbs
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Susan Lehmann
Attendees: Steve Cooper (for Karla Teasley), Laura Douglas, Greg Heitzman, John Huber, Susan Lehmann, Joan Malone, Bill Meeks, Bob Miller, Rhonda Plunkett

***Review Minutes and Agenda--Bill Meeks**

Minutes from the March 24, 2003 ELT meeting were approved with the following changes:

- Under Roles: Timekeeper was Bill Meeks. Scribe was Bob Miller.
- Under "Review ELT BIN List from SPT Retreat," third bullet, all references to "Performance Appraisal" or "PA" should be changed to "Performance Management."

Agenda for this meeting was discussed and approved.

MBD Team Recommendation--Rhonda Plunkett

Rhonda provided copies of and discussed the LWC MBD Team Recommendation for Evaluated Bid Pilot Replacement, and the Invitation for Bids Policy for Louisville/Jefferson County Metro Government.

If LWC adopts the City's policy, we will establish a Implementation Team to adapt the City's plan for use at LWC and do a pilot using a specific group of projects to see how it works.

Bob Miller wants input from ELT members on three concerns/suggestions:

- Bid says advertise 14 days before bid opening. Will bidders need more time?
- Should we put Invitations to Bid on the Internet?
- Should we post bid results on the Internet?

ELT agreed to adopt 15/5 percent for M/WBE program goals, the same as the City's program goals.

Rhonda's recommendation included hiring one FTE. In the coming three months, Rhonda's team will provide more details on the proposed role to see if we need the FTE or if this can be integrated into other roles at LWC.

Rhonda will report to ELT at the end of April and again at the end of May on the status of:

- Bid language changes
- Policy language changes
- Contract orientation
- Job duties for proposed new role

Brainstorm Ideas for Better Inter-System--All

This item will be rescheduled for a meeting when every ELT member is present.

Bob encouraged ELT members to look at methods of communicating such as in the LWC Rewards & Recognition program--look at how we have communicated in the past.

Greg thinks we need a structured way to put issues on the table and ideas for dealing with the issues.

Bill Meeks and Susan Lehmann will get with Katie and Nora to decide what we want from this discussion. They will ID a deliverable and tell us how to get there.

This will be added to the ELT agenda to be discussed within one month.

Structural Discussion--Greg Heitzman

Greg presented a proposal for reorganization of I2 process. ELT members provided their input.

ELT Quarterly Team Effectiveness Survey--Bill Meeks

Bill Meeks provided copies of the ELT Team Effectiveness Survey results for the first quarter, 2003 and ELT Team Effectiveness Results Quarterly Comparison. The results are very consistent with results from prior surveys. The team average was 4.0.

Bill will add to the BIN List discussion on documenting an ELT decision-making process. ELT must decide if there is a need to document a decision-making process, and if so, establish boundaries for decision making versus notifying versus implementing.

Review Bin List—All

The group discussed items for the BIN List and the agenda for April 7, 2003.

Agenda for April 7, 2003 ELT Meeting—Bill Meeks

Steve will e-mail the agenda for the April 7, 2003 ELT meeting.

<p>*Decisions made by ELT and items requiring action are "shadowed" in these minutes.</p>
--

ELT Meeting Minutes April 7, 2003

Roles

Leader: Bill Meeks
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Susan Lehmann
Attendees: Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Joan Malone, Bill Meeks, Bob Miller, Anna Norris, Johnnie Rice, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the March 31, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Greenbacks Report--Amber Halloran, Anna Norris

Amber provided copies of and discussed the LWC Financial Highlights for March, 2003 and the 2004 Budget Accelerated Schedule.

Action items as a result of the discussion of financial highlights are:

- Irrigation report:
 - Note that irrigation consumption and revenue is tied to accounts classified as irrigation in E-CIS
 - Note y-axis scale on graph
- Additional analysis on expenses:
 - Fuel--rate/volume analysis
 - Power
 - Materials/supplies
 - Contractual services

ELT approved the 2004 Budget Accelerated Schedule.

FINS Project Update--Bob Miller, Amber Halloran

Bob says the 6-phase FINS project is successfully underway. Phase 2 is due for completion by April 11. The team is very satisfied with Solbourne's implementation methodologies.

The key messages Bob wants to send are:

- (1) The project should be completed on time and at budget.
- (2) It has been successful so far.
- (3) A lot of things will be happening over the next several months that involve changes, some of which will be policy management changes. One example is developer refunding contracts, including bringing recommendations to ELT and then to the Board of Water Works to buy out old contracts and implement a new process. (We must make it attractive to everyone to buy out the old contracts.)

Johnnie Rice encouraged ELT members to share any comments they receive with her, Amber, or Bob.

Board Agenda Review--John Huber

The Annual Board meeting is Tuesday, April 8, followed by the regular monthly Board meeting. Agenda items include a report from the Board's Compensation Committee, the litigation report (in closed session), and discussion of a backhoe bid.

Open Time

LWC Annual Report for 2002--John Huber

John distributed copies of the LWC 2002 Annual Report which has just been received.

Bluegrass Pipeline--Greg Heitzman

Greg reported that the Bluegrass Water Supply Consortium has invited us to an informal discussion regarding a water pipeline and supply from Louisville.

Karla will schedule a meeting with Bob and Greg to discuss if we want to "show up to answer questions" or if we want to prepare a presentation.

Project Budget Sheet Changes--John Huber

John noted he is getting a lot of project budget sheet changes that have been approved by BSOs. We need to set boundary conditions under which BSOs can authorize project budget sheet changes--for dollar/percentage amounts and project scope. The practice has been that BSOs can approve increases of 10% or less. Changes of more than 10% are considered on a case-by-case basis and taken to the Board if appropriate. There is no documentation for this practice.

Bob Miller will look at internal controls and see where the gap or loophole exists.

Karla will schedule a meeting of Bob, Greg, Karla and Laura to decide appropriate boundary conditions. This will be presented to the Board for review at the May Board meeting.

Wholesale Rate Case Study by PSC--John Huber

LWC will be taking a wholesale rate case to the PSC this year. We need to decide what process and outside support we will use in preparing the rate case. The PSC determines whether the rate case is streamline versus full blown depending on the amount of the increase and feedback they get from the customers. LWC's increase is 10%, but we have not decided how we will phase the increase in.

Laura will check into recent wholesale rate cases and what the percentage increases have been.

Karla will check with Jim Smith and Patti Sheehan to set up communications to customers. We want to advise our wholesale customers well in advance of the increase.

Bullitt County Mapping Costs--John Huber

Amber will allocate costs to appropriate accounts.

John will discuss this with Laura.

BSO Positions Filled--Susan Lehmann

Susan will announce later today that the two BSO positions (BSO of SHR and BSO of Diversity) have been filled.

Contingency Fund for Winter-Related Expenses--Bob Miller

Bob reported that at the March, 2003 Board meeting, Greg distributed a letter from Jim Brammell regarding Winter Operations wherein an estimate was presented for winter-related costs over and above budget levels. Total estimated additional cost was \$283,000. Bob is recommending that this estimate be validated by Accounting and Distribution management, and the finalized amount be moved from the Contingency Fund to the C2 budget in April.

There was also discussion on whether this would be a change from how these items were handled in the past.

ELT agreed to validate these costs in Accounting and Distribution. Once the costs are validated, Bob Miller will discuss with John Huber moving from the Contingency Fund to the C2 budget.

Need for Cost Reduction Based on Known and Estimated Unbudgeted Costs--Bob Miller

Bob asked CBSOs to make a list and quantify unbudgeted costs that are \$30,000 or higher, and we will look at where we are in two weeks.

CBSOs should communicate to BSOs that this is coming due to costs beyond our control.

Bob encouraged ELT members to look at their cost reductions from last year and have their BSOs look at unbudgeted expenses.

Review Bin List--All

The group discussed items for the BIN list and items for the April 14, 2003 ELT agenda.

Agenda for April 14, 2003 ELT Meeting--Bill Meeks

Bill will e-mail the agenda for the April 14, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes
April 14, 2003

Roles

Leader: Bill Meeks
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Susan Lehmann
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Ellen Mackin, Joan Malone, Bill Meeks, Bob Miller, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the April 7, 2003 ELT meeting were approved with the following revision:

Under Open Time, Need for Cost Reduction Based on Known and Estimated Unbudgeted Costs, delete first paragraph. Second paragraph should read, "CBSOs should communicate to BSOs that cost reductions may be coming due to costs beyond our control."

Agenda for this meeting was discussed and approved.

Performance Appraisal Update--Ellen Mackin, Susan Lehmann

Ellen provided copies of and discussed the Organizational Summary of Performance Ratings and Annual Increases. There was an increase in rating levels for 2002 performance over 2001 performance--from 0 outstanding ratings for 2001 performance to 5 approved outstanding ratings for 2002 performance. Movement of people absorbed most of the cost for higher ratings.

ELT should discuss how to reflect employee discipline. Some ratings may have taken discipline into account and lowered the performance score and others did not include discipline in the performance rating. Susan will work on a process so that everyone is evaluated the same way.

Ellen will combine New Technology with Operations and the President's Office with HROE on the Organizational Summary and discuss the revised Summary with ELT before sharing with BSOs.

Ellen distributed a list of issues raised in focus groups. ELT members should provide feedback and additional issues to Ellen by Thursday of this week.

Open Time

Death of LWC Employee, Larry Reid, and Attendance at His Funeral--John Huber

ELT agreed to allow POs to deal with this on a case-by-case basis taking into account the employee's relationship to Larry. Hours of absence would be between 11:00 a.m. and 2:00 p.m. The two processes most closely involved are Middletown and the Capital Crew. This would be excused time off--not PTO--and would be charged to the home account.

Karla will discuss this with Steve Cooper and Ralph McCord.

Employees attending the funeral may use company vehicles, but should be encouraged to carpool.

Metro Council Adopted New Ethics Code--John Huber

John noted an article in a recent edition of the newspaper regarding the Metro Council adopting a new ethics code.

Laura will look at this to see if the new code applies to LWC and/or to the Board of Water Works.

We should be thinking about our ethics policy and decide if we want to align ours to the code adopted by the Metro Council.

This item will be added to the BIN List.

Open Records Request--Laura Douglas

We received an Open Records Request regarding our vulnerability assessment. Laura plans to deny the request.

John noted that any request of this type should be referred to Laura.

Bob will ask Don McKay to contact Disaster and Emergency Services to let them know we received this request and to see if they received such a request.

ORSANCO Meeting--John Huber

John reported on the ORSANCO meeting he attended in Cincinnati, OH last week where monitoring of TMDL (Total Maximum Daily Loading) compounds was discussed.

Conversion of End User Access Data Bases--Bob Miller

Bob will send an e-mail on this. There might be a simple solution such as IT loading Access 97 in addition to the 2000 version on a PC.

This will be included in an upcoming ELT agenda

Southfield Apartments, Injunction Preventing Us from Turning off Water Service--Laura Douglas

Laura reported this is back in Judge Clayton's Court today. She says even if we get a favorable opinion from the Judge, we may not want to shut the water off until May 1, since the tenants have been told they must vacate by May 1.

Review Bin List--All

The group discussed items for the BIN List and the agenda for the April 21, 2003 ELT meeting

Agenda for April 21, 2003 ELT Meeting--Bill Meeks

Bill will e-mail the agenda for the April 21, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes
April 21, 2003

Roles

Leader: Bill Meeks
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Susan Lehmann
Attendees: Laura Douglas, Tony Gregory, Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Ellen Mackin, Joan Malone, Bill Meeks, Bob Miller, Karla Teasley

***Review Minutes and Agenda**

Minutes from the April 14, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Report on NLP Recertification Sub-Team--Greg Heitzman

Greg provided copies of and discussed the Draft 2003-04 Business System Recertification Documentation Checklist. The process for recertification will be a random process unless management intervention is necessary or unless a critical element is involved. Roger will give 30 days notice to each system prior to recertification and will also discuss with the CBSO prior to the recertification. Roger will begin the process in May. BSOs have been briefed on the process.

ELT adopted the checklist with the changes suggested for Recertification:

Under Section 2, Item 4, reword as follows: "Plans and Actions to Address Organizational Effectiveness Index Survey System Summary (Reviewed Annually)."

Under Section 6, add an item: "Validate Internal Customer/Supplier Links with Relationship Charts."

Under Section 3 of the NLP update, an item needs to be added as follows: "Development of Background Information on Quality of Work Life for NLP Document."

Greg will make the changes discussed today and bring the document back to ELT within the next two weeks.

ELT Recognition--Karla Teasley

Karla provided copies of a list of employees involved in the Goshen acquisition for whom she is recommending monetary recognition. She recommended a two-tier approach--one tier for the key team players who were heavily involved in either negotiating the acquisition or who were heavily involved in operation and sampling after the acquisition. The second tier consists of those employee who reprioritized their work and put forth extra effort to get the work done in addition to their regular work.

ELT approved the recognition and gave Karla the discretion to change the list as appropriate.

Karla will present the awards with a letter of appreciation.

Susan Lehmann and ELT will look at ways to recognize groups for which monetary recognition would not be appropriate.

Update/Discussion of IT Plan--Bob Miller, Tony Gregory

Bob provided copies of and Tony discussed the IT Strategic Plan 2004-2006 Executive Summary and the LWC GIS Project and Integration Timeline. Business Continuity/Disaster Recovery under Key Strategies on Page 8 is the newest item in the Plan.

Action items resulting from the discussion are:

- In addition to a business plan, we also need a framework of where we've been.
- We need snapshots of our business partners and how we can use them to our maximum benefit.
- We need further discussion on the security system and its tie-in to SCADA.
- We need to discuss how organizational alignment will support the IT Strategic Plan.
- Look at whether plant maintenance becomes part of work management system scope or if we should maintain that as a separate application for management.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the April 28, 2003 ELT meeting.

Agenda for April 28, 2003 ELT Meeting—Bill Meeks

Bill will e-mail the agenda for the April 28, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes April 28, 2003

Roles

Leader: Karla Teasley
Facilitator: Nora Freeman (on call)
Recorder: Steve Hubbs
Scribe: Bob Miller
Timekeeper: Susan Lehmann
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, John Huber,
Susan Lehmann, Tom Cushing, Bob Miller, Karla Teasley

***Review Minutes and Agenda**

Minutes from the April 21, 2003 ELT meeting were reviewed and modified regarding the NLP Recertification agenda item (posted in corporate file). The agenda for this meeting was discussed and approved, with open items added on the Kentucky Supreme Court ruling, items from the Dirty Dozen meeting.

Open Time Agenda Items

The **Kentucky Supreme Court** ruling of last week was discussed.

Cell Phone Review

John noted that the topic of **cell phones** was recently highlighted in the Philadelphia press, and that LWC should again review its cell phone use. LWC's use of cell phones needs to be considered in light of the public scrutiny that can be placed on this business tool. ELT agreed to the following review process:

1. System owners are to review the list of those issued LWC cell phones, to assure that those needing phones have them, and considering those that may not need cell phones.
2. A detailed review of the highest 10% to 15% cell phone bills will be conducted by system owners, providing documentation of any exceptions noted by system owners
3. Input from the BSOs will be sought (through the BSO Council) regarding an overall process for cell phone management, with a focus on a process that will sustain reasonable public scrutiny.

M/WBE Program Update

Rhonda presented an update of the M/WBE Team's progress on developing a program for procurement of contracted services, as a drop-in element to an overall program. ELT affirmed the June 30 deadline for a program to replace the previous program.

She also presented a job description for a M/WBE Program Specialist. ELT discussed the alignment of this position within our existing management structure. Minimum qualifications were discussed, in light of what support would be available to this position within the system where this position is aligned.

ELT suggested alignment of this position be considered by the CBSOs (Bob, Greg, and Susan) of the impacted processes (purchasing, infrastructure support, and diversity).

Open Time Item: Waterworks Management Workshop

Greg distributed copies of the questions/answers from the workshop. Denver and Chicago have water quality/safety policies and provided copies. Security items were discussed, with consistency noted between cities. Cincinnati and Kansas City indicated interest in streambed research. Nora is compiling information on benchmarking for key corporate measures for presentation in Chicago. Remote water quality monitors were discussed in the context of security and quality control.

Open Time Item: Dress Code Policy

Susan suggested that the dress code policy be amended to allow Capri pants. ELT agreed to this change in the Policy.

Review Bin List—All

Add an agenda item to the BIN list for periodic review of organizational alignment, noting that alignment changes have been made in the past that should be holistically considered. (To be included in the NLP update.)

The group discussed items for the BIN List and the agenda for the May 4, 2003 ELT meeting.

Agenda for May 5, 2003 ELT Meeting—Bill Meeks

Karla will e-mail the agenda for the May 5, 2003 ELT meeting. Items to be considered for the May 5 meeting include:

1. First quarter ELT Goals review.
2. Empowerment pilot or Performance Management update
3. New-Hire update

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

**ELT Meeting Minutes
May 5, 2003**

Roles

Leader: Greg Heitzman
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Susan Lehmann
Attendees: Nora Freeman, Greg Heitzman, Steve Hubbs, Susan Lehmann, Joan Malone, Bob Miller, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the April 28, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Quarterly Review of ELT Goals--Nora Freeman

Nora provided copies of and discussed the 2003 first quarter performance results for the Executive Incentive Award Goals (the Light Switch Goal was not met), The President and VP Shared Goals, the Corporate Performance Award Goals, and the Corporate Diversity Goals.

Under Goal III-E of the Executive Incentive Award Goals, Nora will follow with Jack Wang regarding information related to the measurement cycle being monthly or annual average. For goal purposes, it should be noted that we did not meet this goal in the first quarter.

Under Goal V of the Executive Incentive Award Goals, Nora will change "partiers" to "parties."

Under Corporate Performance Award Goals, Marianne will get an article out in NewsLeaks next week regarding the results for the first quarter.

Under Corporate Diversity Goals, Nora will make corrections and changes as discussed. Nora will continue to include the Diversity Report with the Hiring Goal Results for each quarter and follow up with M/WBE purchases when available for first quarter.

Things to focus on as a result of the first quarter performance:

- Look at cost reduction
- Look at budget overrun
- Look at safety--get something in NewsLeaks and encourage BSOs to look at safety goals (vehicular accidents)

Performance Management--Susan Lehmann, Ellen Mackin

This item will be discussed at a future ELT meeting.

Open Time

Low Water Pressure at Churchill Downs, May 2--Greg Heitzman

Greg report that Churchill Downs lost water pressure for a several hours on May 2 (Oaks Day) at about 6:00 p.m. There was no water in the corporate suite area and low pressure in the infield due to an internal problem with their booster pumps. Chlorine, turbidity, and toxicity tests checked out okay. There was no contamination present, and no boil water advisory was issued.

To help resolve the situation, LWC opened the bypasses on meters on the Central Avenue and Longfield sides of the Downs. We will close the bypasses today.

We will make adjustments before Derby of 2004. Two to three weeks before the Derby, we will pull strainers on master meters. The Longfield Avenue turbine meter will be rebuilt. We will look at on-line water quality and pressure capabilities at Churchill Downs for the future. Churchill Downs maintenance will be advised it appears their pump system may be slightly undersized to handle 81 suites.

Dress Code--Susan Lehmann

ELT agreed to revise the Dress Code to state that capri pants can be worn on Fridays only. This will be communicated to employees through NewsLeaks and through an e-mail.

Operator Issues--Greg Heitzman

Greg discussed four operator vacancies at the plant. Jack and Greg will work with Bill Meeks, John Anderson, Kathy Schroeder, and Rhonda Plunkett on short-term and long-term solutions.

RBF Work--Steve Hubbs

Steve presented to the group results to date of modeling "plugging" on RBF. His work indicates that plugging follows a predictable pattern, and future work will focus on better defining the long-term yield from the demonstration well.

Review Bin List--All

The group discussed items for the BIN List and items for the May 12 agenda.

Agenda for May 12, 2003 ELT Meeting--Greg Heitzman

Greg will work with Bill on the agenda for the May 12, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes
May 12, 2003
(revised)

Roles

Leader: Greg Heitzman
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Susan Lehmann
Attendees: Laura Douglas, Nora Freeman, Amber Halloran, Greg Heitzman, Steve Hubbs, Susan Lehmann, Joan Malone, Bob Miller, Sue Purdy, Karla Teasley

***Review Minutes and Agenda**

Minutes from the May 5, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Performance Management--Susan Lehmann, Nora Freeman

Susan provided copies of and discussed a matrix describing performance appraisal and performance management. Performance appraisal is just one element of performance management.

Susan also provided copies of an article titled "Performance Management: Not Just an Annual Appraisal" written by the Performance Management staff of Development Dimensions International.

Susan will share information with ELT in two weeks regarding LWC's performance appraisal system.

Greenbacks Report--Amber Halloran, Sue Purdy

Amber provided copies of and the group discussed the LWC Financial Highlights for April, 2003.

Amber will follow-up on these action items:

- Check on Cardinal Hill and Whipps Mill repairs to determine if they have been expensed YTD.
- Provide detailed analysis complete by May 23 of variances in Materials and Supplies, Contractual Services, and Transportation.

Cost Reduction Strategies--Amber Halloran

The group discussed the \$700,000 budget variance to date.

CBSOs will report to BSOs that based on our understanding of where the costs are now, we must have a \$700,000 reduction company-wide. CBSOs and BSOs should identify by core the best estimate for variances for the year and provide an explanation as to why we have the variances. We should identify at system levels where we can cut costs--attrition/vacancies, contractual services, discretionary, basics (cell-phone use, business lunches, etc.). We should look at our successes in budget cuts from last year and replicate that.

Amber will:

- Categorize year-to-date variance of \$700,000 in the following categories:
 - Attributable to increased water sales
 - Winter emergency
 - Other variances

- Timing
- Add up forecast amounts from all systems synoptic plan reports.
- Pull out 2002 budget reduction sheets. Distribute final for 2002 as a reference.
- Prepare full-year expense forecasts for the following categories:
 - Depreciation
 - Other interest income
 - Gain/loss on equipment
 - Taxes (free water)

CBSOs, BSOs, and Amber should have the above information and be prepared to discuss it at ELT in two weeks.

Board Meeting Summary--John Huber

Agenda items for the May 13, 2003 Board meeting include backhoe bids, EPA risk assessment results (verbal report in closed session), and a report from the Board's Public Information/Customer Satisfaction Committee.

Open Time

Bluegrass Water Consortium--Bob Miller

Bob discussed a letter from Vernon Azevedo, General Manager of Winchester, KY Municipal Utilities, regarding the Bluegrass Water Supply Consortium

Review Bin List--All

The group discussed items for the BIN List and the May 19, 2003 agenda.

Agenda for May 19, 2003 ELT Meeting--Bill Meeks

Bill will e-mail the agenda for the May 19, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes
May 19, 2003

Roles

Leader: Karla Teasley
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Susan Lehmann
Attendees: Tom Cushing, Greg Heitzman, Steve Hubbs, Susan Lehmann, Roger LeMaster, Don McKay, Joan Malone, Bob Miller, Scott Muhlenbeck, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the May 12, 2003 ELT meeting were approved with the following change: under Performance Management discussion, change the last paragraph to read, "Susan will share information with ELT in two weeks regarding LWC's performance appraisal system."

Agenda for this meeting was discussed and approved.

Corporate Level Risk Assessment--Don McKay

Don McKay provided a list titled Top Risks Identified by LWC Systems.

The group decided that due to time constraints, discussion of this topic will be deferred to an upcoming ELT meeting (within one month) when a minimum of one hour can be devoted to discussion.

Don will provide a revised list of top risks prior to the ELT meeting when this will be discussed.

Update on Bluegrass Water Consortium--Greg Heitzman, Karla Teasley

Greg and Karla reported on a meeting of the Technical Advisory Committee of the Bluegrass Water Consortium they attended this past week. At this meeting, Greg and Karla answered questions, and Greg gave an overview of general information about the Louisville Water Company including the Company's capabilities to provide water to Central Kentucky.

Jim Smith is our primary contact with the Bluegrass Water Consortium.

Jim will send a follow-up letter. The Bluegrass Water Consortium will let us know when they want a more detailed presentation--possibly within the next month or two.

Open Time

Fund for the Arts--Susan Lehmann

Susan reported that Barbara Crow made a request regarding Fund for the Arts for a "jeans day" other than a Friday, wherein employees can wear jeans if they make a contribution to Fund for the Arts.

Susan will discuss this further with Barbara, due to the current status of LWC's Dress Code Policy.

Indianapolis Water Company--Steve Hubbs

Steve Hubbs reported on his visit to the Indianapolis Water Company last Friday to discuss the groundwater supply there.

Budget Reductions--Bob Miller

Bob asked the CBSOs to get their proposed budget reductions to Amber Halloran by Thursday of this week. This will be discussed at the May 27 ELT meeting.

Review Bin List—All

The group discussed items for the BIN List and the May 27 agenda.

Agenda for May 27, 2003 ELT Meeting—Karla Teasley

Karla or Bill will e-mail the agenda for the May 27 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

**ELT Meeting Minutes
May 27, 2003- Revised**

Roles

Leader: Billy Meeks
Facilitator: Nora Freeman (on call)
Recorder: Steve Hubbs
Scribe: Bob Miller
Timekeeper: Susan Lehmann
Attendees: Laura Douglas, Greg Heitzman, John Huber, Steve Hubbs, Susan Lehmann, Bob Miller, Karla Teasley, Ellen Mackin, Nora Freeman, Kathy Shroeder, Amber Halloran, Sue Purdy

***Review Minutes and Agenda**

Minutes from the May 17, 2003 ELT meeting were approved. Susan requested a few minutes of open time in the agenda; otherwise the agenda was approved as proposed.

Performance Appraisal Changes

Susan provided a handout of Performance Management Best Practices and provided a system for Performance Partnership in 2004. ELT discussed the proposal, and agreed to provide feedback to Susan within the next two weeks.

Budget Reduction Strategies

Amber provided a summary of expenses, with focus on Materials/Supplies, Contractual Services, and Transportation. We are currently about \$700,000 over budget, \$401,000 of which is Materials and Supplies, \$115,000 in Contracted Services, and \$90,000 in Transportation (total \$606,000).

The forecast provided by BSOs indicates that we will be approximately \$837,000 over budget, with the \$130,000 of performance awards from 2002 included in this amount. CBSOs will follow up with BSOs on the proposed budget changes. Anyone having concerns with the proposed cuts should discuss this with the appropriate CBSO. ELT will schedule this topic as an item for the June 2 ELT meeting.

Open Time

2003 Customer Satisfaction Survey. Susan asked that the VPs and BSOs provide to Kate Farrow their list of primary suppliers and customers. This is due June 6.

Review Bin List—All

The group discussed items for the BIN List and the June 2 agenda. Billy noted that the BIN list was getting long, and that we may need to consider an additional ELT meeting if the list continues to grow.

Agenda for June 2, 2003 ELT Meeting—Billy will finalize the June 2 Agenda

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

**ELT Meeting Minutes
June 2, 2003**

Roles

Leader: Bill Meeks
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Susan Lehmann
Attendees: Laura Douglas, Kate Farrow, Bonnie Gimbel, Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Roger LeMaster, Don McKay, Joan Malone, Bill Meeks, Bob Miller, Scott Muhlenbeck, Sue Purdy, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the May 27, 2003 ELT meeting were approved with the following change: Add John Huber and Laura Douglas to list of attendees.

Agenda for this meeting was discussed and approved.

Corporate Level Risk Assessment--Don McKay, Roger LeMaster

The group brainstormed for a list of corporate level risks to LWC. Roger LeMaster has the list of risks.

Don McKay will consolidate the risks listed. Bill Meeks will work with Don to set up two groups from members of ELT to do a detailed analysis of the consolidated list and rank the risks using criteria in the LWC Risk Assessment Data Worksheet.

The revised list of risks will be discussed by ELT in July.

Budget Parameters for 2004--Amber Halloran, Sue Purdy

Amber provided copies of and discussed the 2004 Estimated Change in Sources and Uses of Revenue.

ELT set the following 2004 Budget boundary conditions which should be provided to the BSOs:

- Use 2.5% without accounting changes (use "budget to budget")
- Leave rate increase at 3.5%
- Reduce infrastructure replacement reserve by @\$275,000 and continue to look at
- Any changes in FTE current levels must have a description of changes and % for the year
- Look at depreciation and amortization
- Look at healthcare costs
- Look at salary assumptions

Amber will provide the guidelines to BSOs by Wednesday, June 4.

New Hire Process--Bonnie Gimbel

Bonnie Gimbel provided copies of and discussed the New Hire Orientation--ELT's Resource Packet. Bonnie reported she and Millie Durrett are working on the e-orientation, which includes a message from the President, information on diversity, safety, an LWC organization chart, acronyms, etc. Bonnie will let ELT members know when the e-orientation is ready (the third week in July) so they can review it on-line. E-orientation allows new employees to log on and e-orient as time allows.

ELT members will review Bonnie's handout and provide feedback within the next two weeks.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the June 9 meeting.

Agenda for June 9, 2003 ELT Meeting—Bill Meeks

Bill will e-mail the agenda for the June 9, 2003 ELT meeting. The meeting time will be 9:00-11:45 a.m. , allowing 15 minutes extra for discussion.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

**ELT Meeting Minutes
June 9, 2003**

Roles

Leader: Bill Meeks
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe:
Timekeeper: Karla Teasley
Attendees: Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Bill Meeks, Bob Miller, Rhonda Plunkett, Sue Purdy, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the June 2, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Greenbacks/Budget Reduction--Amber Halloran, Sue Purdy

Amber and Sue provided copies of and discussed the LWC Financial Highlights for May 2003 and 2003 Proposed Budget Cuts/Expense Reductions as of June 6, 2003.

Budget reductions listed for June-December 2002 are \$613,032.

ELT revised the target for budget reductions from \$750,000 to \$1,000,000. CBSOs and BSOs must look for approximately \$400,000 additional in budget cuts. This will be discussed at ELT in two weeks.

Actions items for Amber as a result of the discussion are:

- Determine income statement impact of the Claims reduction
- Find out name the new account Vince just moved to free water
- Add last 12 months average for unaccounted-for water to report
- Check for county parks in numbers
- Determine variance in I1

Ethics Policy--Laura Douglas

This topic was deferred to a future ELT meeting.

MBW/WBE Recommendations Update--Rhonda Plunkett

Rhonda provided copies of and discussed the LWC Minority-Owned and Women-Owned Business Enterprise Program Implementation Plan Draft dated June 9, 2003. This is an update on where the MBD Team is regarding the Implementation Plan for the M/WBE Program.

Under Organizing for Implementation Strategy, Page 6, Bob Miller would like for Rhonda to submit the revised document and program draft to him as well as to Legal for review.

John Huber will meet with Ted Niemann, Cindy Kowalski, and Greg Heitzman, who were key players in the creation and implementation of the Evaluated Bid Pilot, to energize them and ensure their support for the new program. Bob and Karla will provide Joan names of persons from their cores who should attend the meeting. Joan will schedule the meeting. ELT members are welcome to attend.

Rhonda will clearly define the roles and responsibilities of key players in the new program and how they relate to each other. These include the M/WBE Specialist, Purchasing, Project Mangers, and Legal. The MBD Team will also clearly define the Empowerment Model boundaries for these key players.

Board Meeting Agenda--John Huber

Agenda items include a report from the Audit Committee.

Open Time--All

150th Anniversary Funding--Karla Tasley

The cost of the 150th Anniversary Celebration is unbudgeted--\$35,000 this year and \$16,500 in 2004. This includes a history calendar and other items.

ELT decided we should recognize this but do so in a less costly way. John and Karla will discuss this with Barbara Crow.

Old Bluegrass Tank Site--John Huber

John discussed a letter he received from Fred Fischer, Attorney for the City of Jeffersontown, requesting we provide the City of Jeffersontown clear title to the site previously occupied by the Bluegrass Tank at Bluegrass Parkway and Watterson Trail.

Laura Douglas will look at the acquisition agreement and advise what was agreed to, and Greg will discuss the Mr. Fischer.

Review Bin List--All

The group discussed items for the BIN List and the agenda for the June 23, 2003 ELT meeting

Agenda for June 23, 2003 ELT Meeting--Bill Meeks

Bill will e-mail the agenda for the June 23, 2003 ELT meeting.

<p>*Decisions made by ELT and items requiring action are "shadowed" in these minutes.</p>

ELT Meeting Minutes
June 23, 2003

Roles

Leader: Bill Meeks
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe:
Timekeeper: Karla Teasley
Attendees: Jim Brammell, Laura Douglas, Tony Gregory, Amber Halloran, Greg Heitzman, John Huber, Joan Malone, Bill Meeks, Bob Miller, Rhonda Plunkett, Sue Purdy, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the June 9, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

MBE/WBE Implementation Plan Draft--Rhonda Plunkett

Rhonda provided copies of and the group discussed the Draft LWC Minority and Women Business Enterprise Program Requirements (6/22/03) and the draft Minority and Women Business Enterprise Implementation Plan (timeline). The Draft LWC Minority and Women Business Enterprise Program Requirements is the City of Louisville's program which was adapted for use at LWC.

Rhonda will incorporate additions/changes to the two documents as discussed today. She requests that ELT members provide any additional comments on the two documents by Friday, June 27. Rhonda will prepare the documents in final form for ELT review at the June 30 meeting.

C2 Reorganization--Jim Brammell

Jim Brammell provided copies of and the group discussed his memo titled Reorganization of Managing Distribution Operations (C2) dated June 10, 2003. His proposal would change C2 from 4 processes to 5 processes. Jim's discussion was for shared information only. No action was taken by ELT.

Expense Reductions--Amber Halloran, Sue Purdy

Amber provided copies of and the group discussed the 2003 Proposed Budget Cuts/Expense Reductions dated 6/23/03.

Amber will continue to update the list and will monitor and forecast. The budget cuts listed will be maintained as is with one exception: Eliminate "Reduce Number of Bottles Purchased" under C1. This item will not be included in the budget cuts.

Open Time

Minority Women Procurement Program--John Huber

John noted this is a key component of our diversity strategy, and we should demonstrate that we will make every effort to make it work.

Letter from Bluegrass Area Development District (Bluegrass Consortium)--John Huber

The group discussed a letter from the Bluegrass Area Development District. Karla noted a meeting is scheduled among LWC staff this week to draft a response to the letter.

ELT Roles--Greg Heitzman

Greg provided copies of a list of ELT roles for 2003-2004.

This item will be discussed next week at ELT when Susan is present since she may want to serve as leader beginning October 6.

Tapping Team Competition in Anaheim at AWWA ACE--Bill Meeks

Bill was pleased to report that the Women's Tapping Team won first place (out of 8 teams), and the Men's Tapping Team won 6th place (out of 23 teams).

Bob's Presentation at AWWA ACE on Risk Assessment--Bob Miller

Bob reported that his presentation was well received by Moody's. Bob says what we are doing on risk assessment will go a long way in helping to protect our bond rating.

Review Bin List--All

The group discussed items for the BIN List and the agenda for the June 30, 2003 ELT meeting

Agenda for June 30, 2003 ELT Meeting--Bill Meeks

Bill will e-mail the agenda for the June 30, 2003 ELT meeting. Karla will serve as leader of the meeting since Bill will be out of town.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes
June 30, 2003

Roles

Leader: Karla Teasley
Facilitator: Nora Freeman (on call)
Recorder: Bob Miller
Scribe:
Timekeeper: Susan Lehmann
Attendees: Karla Teasley, Bob Miller, Susan Lehmann, Greg Heitzman, Laura Douglas, Rhonda Plunkett, Roger LeMaster, Scott Muhlenback, Kathy Schroeder, Amber Halloran

***Review Minutes and Agenda**

Minutes from the June 23, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

MBE/WBE Implementation --Rhonda Plunkett

Rhonda Plunkett distributed "Proposed Recommendations for Minority and Women Business Enterprise (M/WBE) Program Implementation" and Attachments A, B, C and D (attached). Rhonda has added a definition of Good Faith Efforts and a provision for an Appeals Committee. Rhonda was also advised to prepare a communication to the Board of Water Works regarding the proposed changes to the M/WBE Program. Laura advised that the provision for an Appeals Committee should be reconsidered. Rhonda agreed to remove this provision.

Rhonda reviewed the recommendation for an Implementation Team and the Implementation Plan (Attachment D). The ELT evaluated the phased-in approach as compared to a go-live approach for all bids at the same time. Rhonda agreed to review the implementation plan with the procurement process management.

P1 Certification

Greg Heitzman distributed a copy of his review of the System Certification elements for P1 (attached). Roger LeMaster noted significant improvements since the previous audit. Greg recommended that P1 be certified for 2003 and committed to certain elements to be updated and completed by December 2003. The ELT approved certification of the P1 Business System as recommended.

Proposed Change in Vacation Policy

Amber Halloran and Kathy Schroeder distributed an "Executive Summary of Vacation Pay Changes" (not attached).

Review Bin List--All

The group discussed items for the BIN List and the agenda for the July 7, 2003 ELT meeting

Agenda for July 7, 2003 ELT Meeting – Karla Teasley

Karla will e-mail the agenda for the July 7, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

**ELT Meeting Minutes
July 7, 2003**

Roles

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Susan Lehmann
Timekeeper: Greg Heitzman
Attendees: Laura Douglas, Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Joan Malone, Don McKay, Bill Meeks, Bob Miller, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the June 30, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Regulations Sub-Team Update--Greg Heitzman, Don McKay

Greg and Don distributed copies of and discussed LWC Proposed Regulatory Compliance Model-2003.

ELT approved the Regulatory Compliance for Health, Safety, Environment and Water Quality Process Empowerment and Accountability Matrix dated June 4, 2003 with the addition/changes shown below. Greg will make these changes, and the document will be used as the guidance document.

- Under Item 1.1, show Barbara Crow as N.
- Under Item 1.5, show Barbara Crow as N.
- Under Item 1.6, show Barbara Crow as N.
- Add Item 2.3, Communicate Final Regulations to External Constituencies as Appropriate, with Barbara Crow shown as W. Everyone else will be shown as N.
- Under Item 5.1, show Roger LaMaster as A and Impacted Area as N.
- Under Item 6.3, show Karla Teasley as C.
- Under Item 6.6, show Karla Teasley as C.

NLP Sub-Team Work Update--Susan Lehmann

Susan provided copies of and discussed the following documents: Next Level Plan Update--Inclusive Outline, Draft Learning Organization Vision/Definition dated July 3, 2003, and NLP Update Timeline. Each team leader provided a brief update on team progress.

Susan will add a column to the Next Level Plan Update--Inclusive Outline titled Percent Complete.

This item will be added to the BIN list for a monthly update on each team's progress.

Review Board Meeting Agenda--John Huber

Board agenda items include a report from the Compensation Committee regarding PTO accrual, a report from the Audit Committee on their June, 2003 meeting, and the Bluegrass Consortium.

Open Time

Trip to Ukraine--Steve Hubbs

Steve reported on his recent trip to the Ukraine.

Bluegrass Consortium--Karla Teasley

Karla and others will meet today to go over the draft response to the Bluegrass Consortium

Labor-Management Conference at Harvard University--John Huber, Bill Meeks

John and Bill reported on their attendance at this conference, which was sponsored by UAW and the Ford Foundation. Fifteen to twenty organizations were represented at the conference by Union and Management employees. John also gave a presentation on LWC's Pure Tap Program at the conference.

Review Bin List--All

The group discussed items for the BIN List and the agenda for the July 14, 2003 ELT meeting

Agenda for July 14, 2003 ELT Meeting--Bob Miller

Bob will e-mail the agenda for the July 14, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes July 14, 2003

Roles

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Steve Hubbs
Scribe: Susan Lehmann
Timekeeper: Greg Heitzman/Billy Meeks
Attendees: Laura Douglas, Greg Heitzman (9:00 to 10:15), Ed Chestnut (10:30-11:30), Steve Hubbs, John Huber, Susan Lehmann, Bill Meeks, Bob Miller.

***Review Minutes and Agenda**

Minutes from the July 7, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed, modified, and open time items identified.

Greenbacks Report: Amber Halloran

Amber distributed the Greenbacks report. Bob expressed concern over the revenue projections for the remainder of the year, noting the implementation of *Route Smart*, and recommended cautious optimism regarding the revenue projections.

Amber noted that disposal of property was over plan by about \$250,000. John asked if the property south of the Airport was being properly considered for disposal. Greg noted that he will follow up with Karla on this item.

The team discussed the issue of late charges with regards to credit card payments. Changes to this policy will require modification of our service rules. Any changes in this policy are to be carefully considered from aspects of customer impact and financial impacts.

The unaccounted-for water values are up for 2003 and remain higher than previous years. The cause of this increase is unknown, although adding the Shepherdsville and Goshen distribution systems might be driving a part of this increase. This increase in unaccounted for water is an area of concern for LWC, and this item will be added to the ELT BIN list for further discussion of a corporate approach of addressing this issue.

The year-to-date O&M costs for 2003 are 10% greater than 2002. Bob cautioned that this is an unusually high value, and asked for a high-level compilation of the components of this increase. Amber will provide this to ELT.

Re-organization of Supplying Financial Resources System

Amber provided an overview of the changes to the SRF system as a result of implementing the FINS project. The FINS project will result in significant changes in work processes. Purchasing will be remaining essentially as-is, but other job processes will be essentially eliminated and completely re-structured. All positions will be posted within the system for the newly created processes.

The system will carry 10% fewer employees after full implementation of FINS (19, compared to the current 21 total staff). This reduction will be realized in the second quarter of 2004. The full staff load of 21 will be carried for 6 months after FINS implementation to cover FINS transition issues.

Positions are to be filled from within the SFR system. ELT discussed the importance of explaining why this method of posting accomplishes the objectives of the company, while demonstrating appreciation for and acknowledging the contribution of the employees successfully driving this re-engineering of the entire business system.

Susan will provide an analysis of previous practice in posting positions following significant changes within processes, in the context of the proposed changes in the SRF system.

Open Time

Shepherdsville. The recent boil water notice for Shepherdsville is a continuation of service problems in this area, and John suggested that it may be advisable to have a single point of coordination for dealing with all issues in Shepherdsville. Karla and Greg are to assure that both systems are communicating and coordinating all activities for the Shepherdsville area.

150th Anniversary. Barbara has proposed a revised budget for the celebration of the 150th Anniversary of the chartering of the company (reference a recent email on this topic). The unbudgeted costs for this item have been approved for 2003.

General Counsel Role. One of the roles of the General Counsel in LWC is to manage and reduce overall legal risk to the company. This role needs to be more clearly established within the company. As an example, legal counsel has responsibility for all contract documents, and the controls over these documents. This needs to be accomplished in a way that empowers employees, within established boundaries, without extending cycle times for processes. A Ginsburg matrix is suggested to help define this process and assist in communicating this role and process.

Laura will bring this issue before the BSOC at tomorrow's meeting.

Coordinators Position at Middletown Capital Construction Crews. After reviewing these positions in detail, it has been determined that these positions should be re-classified as process owner positions.

Review Bin List—All

The increase in unaccounted-for water will be added to the BIN list for ELT consideration. This will be in the context of developing a corporate strategy to address the increasing trend in unaccounted-for water. Current status of leak detection programs, meter exchange programs, sample testing programs, etc. should also be discussed. (Karla)

Inter-departmental job posting and fillings history. (Susan)

Credit card, late fees, and resulting changes in revenue. (Karla)

Dissemination of employee personal information (Salary, pay grade, other). (Susan)

Agenda for July 21, 2003 ELT Meeting—Bob Miller

Bob will e-mail the agenda for the July 21, 2003 ELT meeting.

<p>*Decisions made by ELT and items requiring action are "shadowed" in these minutes.</p>

ELT Meeting Minutes July 21, 2003

Roles

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Susan Lehmann
Timekeeper: Greg Heitzman
Attendees: Susan Camp, Laura Douglas, Kate Farrow, Nora Freeman, Greg Heitzman, Brandy Holdridge, Steve Hubbs, John Huber, Susan Lehmann, Joan Malone, Bill Meeks, Bob Miller, Rhonda Plunkett, Mike Sturgeon, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the July 14, 2003 ELT meeting were approved with the following revision: Under Open Time, General Counsel Role, change second paragraph to read, "Laura will bring this issue before the BSOC at tomorrow's meeting." Delete the words "and Susan" from the sentence.

The agenda for this meeting was discussed and approved.

Update on Empowerment Pilots--Nora Freeman

Nora provided copies of and discussed the following: 2002 Empowerment and Accountability Pilots, Summary of Focus Group Results; 2002 Empowerment and Accountability Pilots, BSO Focus Group--February, 2003; and 2002 Empowerment and Accountability Pilots, PO and Front Line Employee Focus Group--March, 2003.

Bob noted these documents will be useful to the NLP Sub-Team on Empowerment and Accountability since they identify gaps keeping us from reaching full empowerment.

Quarterly Team Effectiveness Review--Nora Freeman

Nora provided copies of and discussed the results of the Quarterly Team Effectiveness Survey. The team average for the second quarter 2003 is 3.80. Performance overall is consistent, with all scores above 3.0.

Recognition--Rhonda Plunkett

Bill Meeks presented recognition certificates to Karla Teasley and Mike Sturgeon for their work in the development and success of the Decision Partners Team.

Credit Card Payments/Late Fees/Changes to Service Rules--Karla Teasley, Susan Camp, Brandy Holdridge

Susan and Brandy provided copies of and discussed an Update on Debit/Credit Card Program dated July 21, 2003. They provided an overview of payments made to LWC by check, cash, and debit/credit card, actual debit/credit card activity for January-June, 2003, and costs to charge customers convenience fee for service.

Confidential Human Resources Information--Susan Lehmann

Susan provided copies of and discussed information on the procedure for sharing of HR information. This procedure will be communicated to employees as they request information from HR.

Open Time

Single Point Accountability for Shepherdsville--Greg Heitzman

Greg discussed the need to identify one person as a contact to coordinate distribution, water quality and operational activities in Shepherdsville in an effort to reduce water main breaks and boil water advisories. The BSOs involved in this are Jim Brammell, Jim Smith, Steve Cooper, and Jack Wang. Greg and Karla will continue to meet weekly to work on this.

Five-Year Anniversary at 550 South Third Street--Bob Miller

Bob noted July 20, 2003 was the five-year anniversary of our occupancy at LWC's corporate headquarters at 550 South Third Street.

Ethics Policy--Laura Douglas

Laura provided copies of the LWC Ethics Policy, the Louisville Metro Government Ethics Policy, and a summary prepared by Roger LeMaster comparing the two.

Laura asked ELT members to review this information before the July 28 ELT meeting wherein it will be discussed.

Right Management Consultants--Susan Lehmann

Susan reported she will schedule Right Management for early September to follow-up on the 1999 culture survey and to evaluate ELT's effectiveness.

Discussion of General Counsel Role with BSOC--Laura Douglas

Laura reported on her attendance at a recent BSOC meeting where she discussed General Counsel's availability to discuss various issues including contract needs, environmental issues, and clean water act issues.

FINS Team--Bob Miller

FINS Team members asked Bob to express their appreciation to ELT, the CBSOs, and the BSOs for their cooperation during the time the FINS Team worked on this project.

Coagulation Units--Greg Heitzman

Greg reported on the status of repair/replacement of Units 5, 6, and 8.

Review Bin List--All

The group discussed items for the BIN List and the agenda for the July 28, 2003 ELT meeting.

Agenda for July 28, 2003 ELT Meeting--Bob Miller

Bob will e-mail the agenda for the July 28, 2003 ELT meeting

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes
July 28, 2003

Roles

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Susan Lehmann
Timekeeper: Bill Meeks
Attendees: Ed Chestnut (for Greg Heitzman), Laura Douglas, Nora Freeman, John Huber, Joan Malone, Bill Meeks, Bob Miller, Kathy Schroeder, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the July 21, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Ethics Policy/Metro Louisville Ethics Policy--Laura Douglas

Laura provided copies of Ordinance 0-32-2-03, Metro Government's Code of Ethics. This replaces the version of Metro Government's Ethics Policy Laura provided at the July 21, 2003 ELT meeting. Laura presented a side-by-side comparison of Metro Government's recently-adopted Ethics Ordinance and the LWC Code of Ethics Policy. She noted Metro Government's Ethics Ordinance applies to the officers of the City whereas the LWC Code of Ethics applies to all employees. She further advised that LWC officers are not interpreted in any way to be officers of the City of Louisville. She discussed other differences in the policies. The policies do overlap in some areas.

John will let the Board of Water Works Audit Committee know we have done this comparison and advise them on the differences in the two policies.

The LWC Ethics Advisory Board has not been staffed. Susan will work to staff the LWC Ethics Advisory Board.

Bob will add to the BIN List "Discussion of LWC Nepotism Policy."

Intra-Departmental Job Postings--Susan Lehmann

Susan provided copies of and discussed information regarding office job postings for 2001-2003. Kathy Schroeder and Susan discussed information on past practices and new procedures.

Quarterly Review of ELT Goals--Nora Freeman

Nora provided copies of and discussed 2nd quarter 2003 performance results for Executive Incentive Award Goals, President/Vice President Shared Goals, Corporate Performance Award Goals, and Diversity/MBE Award Goals. Under 2003 Incentive Plan Goals, the Light Switch goal was not met.

Followup items:

Nora will correct first quarter Preventable Vehicular Accidents total to 14.

Bill Meeks will speak with Sandy and Don regarding how preventable vehicular accidents are reported and will ask Don to provide additional information on preventable vehicular accidents and what we can do to reduce the number of these accidents.

CBSOs will check with their BSOs on what the systems are actively doing to prevent vehicular accidents. Each system should review the LWC Vehicular Accident Policy.

Greg will follow-up regarding SCADA and individual turbidity system. ELT would like to know what the issues are and if they are being addressed in a timely way.

Open Time

Bluegrass Consortium--Karla Teasley

Karla provided copies of and discussed a letter to Mr. Don Hassell regarding LWC's interest in providing drinking water on a wholesale basis to Central Kentucky.

FINS Project--Bob Miller

Bob reported that over 122 training sessions are scheduled to be held between August 4 and September 26. Bob encouraged everyone to get their staff scheduled for training early. The training schedule will be released soon.

Review Bin List--All

The group discussed items for the BIN List and the agenda for the August 4, 2003 ELT meeting.

Agenda for August 4, 2003 ELT Meeting--Bob Miller

Bob will e-mail the agenda for the August 4, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes August 4, 2003

Roles

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Susan Lehmann
Timekeeper: Steve Hubbs
Attendees: Susan Camp (representing Karla Teasley), Laura Douglas, Amber Halloran, Steve Hubbs, John Huber, Susan Lehmann, Joan Malone, Bill Meeks, Bob Miller, Jack Wang (representing Greg Heitzman)

***Review Minutes and Agenda**

Minutes from the July 28, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Changes Resulting from FINS–Amber Halloran

Amber provided copies of and discussed "New Financial System Proposed Accounting Policy and Procedural Policies, July 24, 2003." Go-live date for FINS is September 29, 2003.

Follow-Up on OEI Focus Group Survey Results/Effectiveness of Inter-System Teamwork–Susan Lehmann, Bill Meeks

Susan Lehmann provided copies of and discussed the ELT Organizational Effectiveness Index Action Plan for 2003.

ELT accepted and endorsed the plan with the following action items:

- Objective I-C-1
 - Change to read, "JLH will develop a list of key issues (with consultation of CBSOs/VPs.).
 - Under Accountability for this item, change to JLH.
 - Objective I-C-1 will be added to the BIN List.
 - John Huber will put a list of key issues together in consultation with ELT.
- Objective I-C-2
 - Change to read, "JLH communicates the list to ELT; then the CBSOs/VPs identify BSO responsibility for leading the strategic/operational initiatives."
 - Under Accountability for this item, change to VPs and CBSOs.
 - Objective I-C-2 will be added to the BIN List.
- Objective I-C-3
 - Under Completion Date, change to "During 2004 Operating Plan Process."
 - John Huber will hold CBSOs accountable for intercore support and cooperation.
- Objective III
 - Bob will check with Roger LeMaster on work Roger is doing to determine criteria for setting new policies and standards for documentation and management. This item will be added to the BIN List.
- The Action Plan will be reviewed at future ELT meetings.
- VPs will follow-up on these three objectives in staff meetings.

- Susan will discuss this document with Karla and Greg since they could not attend today's meeting.

Open Time

Update on SCADA System and Individual Turbidity System--Jack Wang

Jack Wang gave an update on implementation issues regarding the SCADA System and individual turbidity system. Extracting information and reporting are the issues related to SCADA implementation.

Update on Lake in the Woods/South Hill Apartments--Laura Douglas

Laura gave a brief update on status of Lake in the Woods/SouthHill Apartments.

Boil Water Advisories/Seven Counties Services in Bullitt County--Laura Douglas

Laura discussed issues raised by employees at Seven Counties Services office in Bullitt County due to boil water advisory. Tests revealed the problem at Seven Counties Services was in the office itself and not in the water. LWC has been working with Seven Counties on flushing the water system in their building.

Process Improvement--Direct Pouring of Styrofoam Forms for Vaults--Bill Meeks

Bill Meeks says this process should be a marked cost improvement on cost of vaults, and the vaults will be stronger.

Update on River Road Country Club--Laura Douglas

Laura provided an update on payments due us from River Road Country Club.

Review Bin List--All

The group discussed items for the BIN List and the agenda for the August 11, 2003 ELT meeting

Agenda for Auust 11, 2003 ELT Meeting--Bill Meeks

Bill will e-mail the agenda for the August 11, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

**ELT Meeting Minutes
August 11, 2003**

Roles

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Susan Lehmann
Timekeeper: Greg Heitzman
Attendees: Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Joan Malone, Bill Meeks, Bob Miller, Sue Purdy, Karla Teasley,

***Review Minutes and Agenda**

Minutes from the August 4, 2003 meeting were approved with the following revision: Delete the fourth bullet--titled Objective I-E--under Follow-Up on OEI Focus Group Survey Results/Effectiveness of Inter-System Teamwork.

The agenda for this meeting was discussed and approved.

Review Board Meeting Agenda--John Huber

Agenda items include discussion of Bluegrass Consortium and update on U. S. Pipe issues regarding fire hydrants and valves.

Overview of Long-Term 2 Enhanced Surface Water Treatment Rule and Stage 2 Disinfectants and Disinfection By-products Rule--Steve Hubbs

Steve Hubbs provided copies of and discussed Review of EPA Proposed Rules: Disinfection By-Products (DBPs) and Long-Term 2 Surface Water Treatment Rule (LT2 SWTR).

There will be no impact to LWC regarding the DBPs Rule.

Regarding the LT2SWTR, Phase 2 of our ATT program will address all needs for the Payne Plant, and Phase III of the ATT program will address the needs at the Crescent Hill Plant.

Steve Hubbs will advise Barbara Crow that this information will appear in today's Federal Register so Barbara will be prepared to respond to any calls we might get from the media.

Review Greenbacks Report and Review Operating Issues and Budgets--Amber Halloran, Sue Purdy

Amber and Sue provided copies of and discussed the LWC Financial Highlights for July, 2003.

On page 12, Amber will begin tracking water consumption versus percent of water produced.

Open Time

Update on Minor, "No Reportable Quantity Level" Chlorine Leak at Crescent Hill Plant--Greg Heitzman
Greg reported that the leak was on a lead gasket and was well below the "no reportable quantity level." All warning systems worked as they were designed to work.

Report on Labor Participation Committee for Metro United Way Campaign—Bill Meeks

Bill reported that the Labor Participation Committee for Metro United Way started the fall campaign by participating in a very successful fundraiser last Friday.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the August 18, 2003 ELT meeting

Agenda for August 18, 2003 ELT Meeting—Bob Miller

Bob will e-mail the agenda for the August 18, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes August 18, 2003

Roles

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Susan Lehmann
Timekeeper: Greg Heitzman
Attendees: Laura Douglas, Tony Gregory, Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Roger LeMaster, Joan Malone, Bob Miller, Scott Muhlenbeck, Kathy Schroeder, Karla Teasley, Deborah Epperson (Mercer), Scott Cook (Mercer)

***Review Minutes and Agenda**

Minutes from the August 11, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Compensation Grading Practices--Kathy Schroeder and Mercer

Kathy Schroeder provided copies of and discussed the LWC Market Pricing Overview dated August 18, 2003. This document was prepared by SHR and Mercer and provides information on how jobs are graded and evaluated. Deborah Epperson and Scott Cook from Mercer were present to participate in the discussion and answer questions.

Kathy also plans to discuss this information with the BSOC.

Code of Conduct & Performance, Code of Ethics Questionnaire--Roger LeMaster

Roger provided copies of and discussed the Code of Conduct & Performance and Code of Ethics Questionnaire. This survey will be conducted every two years.

ELT added an item to the BIN List as follows: Look at the Ethics Policy under Gifts and Gratuities and provide clarification to employees regarding group dinners and conferences. Roger, Laura, and Susan will lead this discussion at an upcoming ELT meeting.

IT Strategic Plan 2004-2006--Tony Gregory

Tony provided copies of and discussed the IT Strategic Plan 2004-2006 and IT Strategic Plan Budget Summary. This information will be presented to the Board of Water Works at their special meeting on August 26, 2003.

Open Time

Metro United Way--Greg Heitzman

David Blackerby will serve as LWC's Loaned Executive for this fall's MUW campaign. Greg Heitzman reported the internal campaign coordinator will come from the Operations Core and will be named by September 1.

Process Owners Meetings--Susan Lehmann

Susan reported that the POs will begin meeting once per month in an effort to improve communication and cooperation across processes and systems. This is in response to OEI feedback received last year. The meetings will begin in October.

Power Outages--John Huber

John discussed how a power outage similar to the recent outage in Canada and parts of the U.S. might affect LWC. We need to make sure we have reliable fuel supply in the event of a power outage.

Review Bin List--All

The group discussed items for the BIN List and the agenda for the August 25, 2003 ELT meeting

Agenda for August 25, 2003 ELT Meeting--Bob Miller

Bill will e-mail the agenda for the August 25, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

**ELT Meeting Minutes
August 25, 2003**

Roles

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Susan Lehmann
Timekeeper: Greg Heitzman
Attendees: Steve Cooper (representing Karla Teasley), Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Roger LeMaster, Joan Malone, Bill Meeks, Bob Miller, Sue Purdy, Ron Raque (Right Management Consultants)

***Review Minutes and Agenda**

Minutes from the August 18, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Code of Conduct & Performance, Code of Ethics Questionnaire (Harassment and Discrimination Issues)--Roger LeMaster

This topic was discussed briefly, and the discussion will resume at a future ELT meeting when Laura Douglas can be present to participate in the discussion.

ELT Effectiveness (Right Management)j--Susan Lehmann

Susan Lehmann provided copies of and discussed Interview Questions for LWC ELT and BSO, LWC ELT Assessment and Development Process, and LWC ELT Organizational Culture Assessment overview. Ron Raque of Right Management Consultants attended the meeting to participate in the discussion. Right Management will be conducting an organizational culture assessment with the ELT.

2003 Cost Reduction Strategy Review--Amber Halloran

Amber provided copies of and discussed the 2003 Proposed Budget Cuts/Expense Reductions as of the end of July. As of the end of July, forecasting for the end of the year indicates we will be \$500,000 over budget, but the \$400,000 Contingency will cut that amount down to \$100,000.

2004 Budget Projections and Reductions--Amber Halloran

Amber provided copies of and discussed 2004 Proposed Budget Reductions, Additional Reductions to 2004 Budget Reductions 8-25-03, and a list of non-discretionary items for 2004 showing O&M impact of each item. Bob furnished copies of and discussed Supplying Business Resources CBS 2004 Potential Budget Reductions.

The VPS will clarify, refine, and finalize their lists of 2004 budget reductions.

Bob will schedule a special ELT meeting for Friday, August 29, to discuss 2004 budget reductions.

Bob will meet with Laura and Karla to review the 2004 reductions discussed today.

Review Bin List—All

The group discussed items for the BIN List and agenda for the September 8, 2003 ELT meeting

Agenda for September 8, 2003 ELT Meeting—Bob Miller

Bill will e-mail the agenda for the September 8, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

**ELT Meeting Minutes
September 8, 2003**

Roles

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Susan Lehmann
Timekeeper: Susan Lehmann (for Greg Heitzman)
Attendees: Ed Chestnut (representing Greg Heitzman), Laura Douglas, Amber Halloran, Steve Hubbs, John Huber, Susan Lehmann, Joan Malone, Bob Miller, Sue Purdy, Karla Teasley

***Review Minutes and Agenda**

Minutes from the August 25 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Review Board Meeting Agenda--John Huber

Board meeting agenda items include discussion of the Strategic Plan, the IT Strategic Plan, and refunding methods for developer contracts.

Internal Control Questionnaire: Subteam Recommendations/Team Charter--Bob Miller

Bob Miller provided copies of and discussed the LWC Team Charter for the Internal Control Questionnaire Team. This team will deal with the top eight problem areas identified in the 2002 Internal Control Questionnaire results.

Bob will investigate whether Roger and Scott should participate as team members or serve as resources to the team. Also, some key customers of HR may be added to the list of team members.

ELT consensed to move ahead with this with the understanding that Bob will consult with the appropriate persons to determine if this should be in parallel with the OEI or if the OEI should be a part of this.

This item is being added to the BIN list. The team will report to ELT in February, 2004.

Salaried Employee Overtime Policy and Controls--John Huber

John discussed self-authorized overtime for salaried, exempt positions. We should make sure we have appropriate controls.

Susan Lehmann will prepare a recommendation regarding the practice of paying overtime for salaried exempt positions. Karla Teasley and Greg Heitzman will provide a summary of guidelines and controls regarding overtime for salaried exempt positions. This will be discussed by ELT in the near future.

Damage Claims for LG&E Facilities--Bob Miller

LG&E is recommending we jointly pursue a three-prong approach to deal with LG&E damaged facilities:

1. Work to resolve outstanding claims.
2. Form a joint team to develop a process to resolve future damage claims.
3. Work to build a forum on continuing education focused on excavation safety.

Bob will send a letter committing LWC to work with LG&E to make improvements to the process. Laura Douglas will review the letter before it is sent. Bob will furnish a copy of the letter to ELT members.

Greenbacks Report--Amber Halloran, Sue Purdy

Amber and Sue provided copies of and discussed the LWC Financial Highlights for August, 2003.

Open Time

Dividend Payments for Remainder of 2003--Bob Miller

Bob noted that the deposits to the Infrastructure Replacement Reserve have been suspended to ensure that dividend payments to Metro Louisville Government for the remainder of 2003 will meet budgeted levels.

Review Bin List--All

The group discussed items for the BIN List and the agenda for the September 15, 2003 ELT meeting

Agenda for September 15, 2003 ELT Meeting--Bob Miller

Bill will e-mail the agenda for the September 15, 2003 ELT meeting.

<p>*Decisions made by ELT and items requiring action are "shadowed" in these minutes.</p>
--

ELT Meeting Minutes
September 15, 2003

Roles

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Susan Lehmann
Timekeeper: Greg Heitzman
Attendees: Laura Douglas, Ron Green, Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Joan Malone, Bill Meeks, Bob Miller, Rhonda Plunkett, Karla Teasley

***Review Minutes and Agenda**

Minutes from the September 8, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Introduction of M/W/BE Specialist Ron Green--Rhonda Plunkett

Rhonda Plunkett introduced Ron Green, LWC's newly-hired M/W/BE Specialist.

Review NLP Subteam Work Updates--Susan Lehmann

Susan provided copies of the Next Level Plan Update--Inclusive Outline and the NLP Update Project Overview, NLP Update Project Staging, and NLP Update Subteam Project Guideline. The leader of each subteam reported on progress in working toward their deliverable.

Action items:

- Bob Miller will be added as a resource to the Quality Management System and ISO Subteam.
- Resources may be an issue for Bill Meeks. Karla offered to help in calling meetings and organizing.
- Kathy Schroeder will be added to the Organizational Structure Subteam as one of the two BSOs which were to be named.
- LWC Relationship Chart will be added to the BIN List.
- Subteam leaders will report to ELT once each month on their progress.
- Subteam leaders will bring their deliverables to ELT as soon as they complete their work rather than have all subteam leaders bring to ELT at the same time.

Current Litigation--John Huber, Laura Douglas, Susan Lehmann

ELT went into executive session to discuss litigation.

Open Time

Report on Jack Segell, Board Member--John Huber

John reported that Board Member Jack Segell is in the hospital.

Right Management Survey--Susan Lehmann

Susan encouraged ELT members to complete and return the 360 degree surveys as soon as possible if they have not already done so.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the September 22, 2003 ELT meeting

Agenda for September 22, 2003 ELT Meeting—Bob Miller

Bob will e-mail the agenda for the September 22, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes **September 22, 2003**

Roles

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Steve Hubbs
Scribe: Susan Lehmann
Timekeeper: Greg Heitzman
Attendees: Greg Heitzman, Steve Hubbs, John Huber, Susan Lehmann, Bob Miller, Karla Teasley, Kelley Dearing-Smith, Amber Halloran, Johnnie Rice

***Review Minutes and Agenda**

Minutes from the September 15 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed, modified slightly, and approved.

Adventures in Water

Kelley Dearing-Smith updated ELT on recent activities from her area. She presented the recent program "Adventures in Water", a spin-off of the Pure Tap teachers curriculum program for the Girl Scouts. She also announced that LWC won the statewide Curriculum Program Award from the Kentucky Council for Environmental Education.

The "Smile Kentucky Program" is expanding this year from 14 to 31 schools, with grants from local companies, ADA, and a higher degree of participation from the U of L School of Dentistry. Dental screenings for this program will take place in November.

Kelley is also looking to work on a partnership with the medical community on a program addressing obesity and diabetes. This program will target both children and parents, promoting water over soft drinks.

The "Clean Hands Up" program continues, promoting good hygiene through hand washing. Kelley is also working on a school-to-school connection between the Eliahu Academy and a Ukrainian school in Rubishne.

The tours program has started again this year, with security precautions specifically tailored to the program.

ELT congratulated Kelley on her success and expressed appreciation for her energy and dedication to the Public Information program.

FINS "GO LIVE" Update

Amber Halloran updated ELT on the FINS progress, and indicated that all looks good for a "GO LIVE" date as planned on Monday, September 29. Training on timekeeping and procurement has gone well, and refresher tutorials are available on the intranet. A special communications need was identified regarding paychecks to make sure all were aware of the transition issues regarding the changeover.

John Huber suggested that Amber look into the possibility of accruing the two days of revenue that will be shifted to October as a result of the changeover this weekend.

ELT expressed appreciation for the hard work and dedication that the entire FINS team has put into this project.

Open Time

OHINKY. Greg Heitzman brought the OHINKY Cup to ELT. OHINKY was originally started 24 years ago to promote better working relations between the waterworks in Indianapolis, Cincinnati, and Louisville as the industry entered an era of intensified regulation.

Metro United Way. Greg presented the goals and strategy for this year's Metro United Way campaign. Greg will co-chair the internal campaign, with support from the organization. Each core is to identify a team member. The goal for this year was set at \$75,000.

Confidentiality Protocol: John reviewed the protocol for confidentiality for ELT. ELT will operate as an open and transparent organization with the following exceptions:

- The entirety of any closed session, topics and discussion.
- Human Resources and employee related topics.
- Items under negotiation.
- Items under litigation.

Maintaining confidentiality when it is appropriate is a fundamental principle and accountability of leadership roles and a breach of confidentiality is a breach of executive trust.

John further reminded everyone that topics brought before ELT are to be fully discussed and debated with opinions and point of view brought forward during the discussions. Once ELT has developed a course of action, each member has pledged to support that action and not to undermine ELT's decision.

Bluegrass Consortium. The Bluegrass Consortium will meet tonight in a public forum. Karla Teasley solicited input regarding LWCs presence at the meeting.

Relationship Charts. Bob Miller contacted the firm that developed the concept of the Relationship Chart. They refer to it as the "Super-System Chart", and were interested in talking to LWC about our use of the tool.

360 Reviews. Susan suggested that all of ELT commit to getting the 360 reviews in by the end of this week.

TIMEKEEPER REPORT: The meeting ran according to schedule, and participation was balanced.

Agenda for September 29, 2003 ELT Meeting—Bob Miller

The group discussed items for the BIN List and the agenda for the September 29, 2003 ELT meeting. Bob will e-mail the agenda for the September 29, 2003 ELT meeting.

*Decisions made by ELT and items requiring action are "shadowed" in these minutes.

ELT Meeting Minutes September 29, 2003

Roles

Leader: Bob Miller
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Susan Lehmann
Timekeeper: Greg Heitzman
Attendees: Laura Douglas, Amber Halloran, Greg Heitzman, Steve Hubbs, Susan Lehmann, Joan Malone, Bob Miller, Sue Purdy, Karla Teasley

***Review Minutes and Agenda**

Minutes from the September 22, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

FINS Implementation Status--Amber Halloran

Amber reported that the new financial information system was "turned on" Sunday, September 28, and everything is going smoothly. FINS team members are available to help anyone who might be having problems with the system.

ELT Utilization Statistics--Bob Miller

Bob provided copies of and discussed his memo to ELT regarding ELT time utilization statistics for July-September, 2003.

4th Quarter ELT Leadership and Roles--ELT

Susan Lehmann will serve as Leader during the 4th quarter of 2003, Steve Hubbs will serve as Timekeeper/Observer, and Greg Heitzman will serve as Scribe.

Susan will revise the list of ELT roles for the coming year and provide to ELT members.

Open Time

Final 2004 O&M Budget Reductions--Amber Halloran

Amber provided copies of and discussed the Final 2004 O&M Budget Reductions, the 2004 Proposed Budget Reductions, the 2004 Proposed Non-Union Labor Budget by System Including 1% Credit, and the Travel Reductions--2004 O&M Budget.

VPs will check with their BSOs today and let Amber know if the numbers under 03-04 Budgeted Manpower Comparison are correct.

ELT Team Effectiveness Survey--Bob Miller

Bob provided copies of the Team Effectiveness Survey and asked ELT members to complete and return it to Nora Freeman as soon as possible.

Center for Infrastructure Research at UL--Greg Heitzman

Greg provided printed information on and discussed the Center for Infrastructure Research at UL. LWC teamed up with UL and MSD to create the Center. The Center is beginning its third year--the first year

was spent getting organized, and the second year was spent applying for grants. Most of the proposed projects are engineering oriented.

AWWA KY-TN Section Annual Conference—ELT

ELT members who will attend the conference are: John Huber, Greg Heitzman, Karla Teasley, and Susan Lehmann. Susan will attend for two days only. Several other LWC staff members will attend, some of whom will present papers at the conference.

CSI Results for 3rd Quarter and YTD 2003—Karla Teasley

Total CSI score for 3rd quarter is 837. Service score for 3rd quarter is 802.

Treasury/Risk Management Article on Business Performance Management—Bob Miller

Bob provided copies of an article titled "Doing BPM Right." Bob says we will be hearing more and more about Business Performance Management in the future.

Benchmarking Survey (Right Management Consultants)—Susan Lehmann

Susan reminded ELT members that the Benchmark 360 Degree Feedback Surveys are due today. A debriefing on this will be scheduled in late October.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the October 6, 2003 ELT meeting

Agenda for October 6, 2003 ELT Meeting—Bob Miller

Susan Lehmann, ELT Team Leader for the 4th quarter of 2003, will e-mail the agenda for the October 6, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes October 6, 2003

Roles

Leader: Susan Lehmann
Facilitator: Nora Freeman (on call)
Recorder: Bob Miller
Scribe:
Timekeeper: Laura Douglas
Attendees: Laura Douglas, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Kathy Schroeder, Karla Teasley

***Review Minutes and Agenda**

Minutes from the September 29, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Service Area Requirements for Recruitment/Hiring Policy--Kathy Schroeder

Kathy Schroeder distributed a handout that reviewed the results of a benchmarking survey, current LWC statistics, and highlights of the new recruitment policy.

The ELT reached consensus on the draft policy pending further definition of "region."

Redeployment Policy--Kathy Schroeder

Kathy Schroeder distributed a handout that reviewed the results of a benchmarking survey, and reviewed the current policy and proposed changes for a new policy.

The ELT reached consensus on the proposed changes to the Redeployment Policy.

Discussion in Closed Session--ELT

The ELT discussed Code of Ethics and Diversity issues in closed session.

Review Bin List--All

The group discussed items for the BIN List and the agenda for the October 13, 2003 ELT meeting

Agenda for October 13, 2003 ELT Meeting--Susan Lehmann

Susan will e-mail the agenda for the October 13, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes October 13, 2003

Roles

Leader: Bob Miller for Susan Lehmann
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe:
Timekeeper: Steve Hubbs
Attendees: Nora Freeman (for Susan Lehmann), Amber Halloran, Greg Heitzman, Steve Hubbs, John Huber, Joan Malone, Bill Meeks, Bob Miller, Sue Purdy, Mike Sturgeon (for Karla Teasley)

*Review Minutes and Agenda

Minutes from the October 6, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Post Go-Live FINS--Amber Halloran

Amber reported that the system is working well.

Review Greenbacks Report--Amber Halloran

Amber provided copies of and discussed the LWC Financial Highlights for September, 2003 and the LWC September YTD and Full-Year Forecast October 13, 2003.

Per Greg's request, Sue Purdy will provide a spreadsheet with Materials and Supplies actual vs. budget through September.

C3 Reorganization--Mike Sturgeon

Mike provided copies of and discussed "as is" and "to be" organization charts for C3. The reorganization will reduce our number of full-time employees by 2.

Review Board Meeting Agenda--John Huber

Agenda items include ratification items from the September Board meeting since we did not have a quorum at that meeting. The IT Strategic Plan will be deferred to a later Board meeting

Open Time

Metro United Way--Greg Heitzman : Greg provided information on and discussed LWC's Fall '03 MUW Campaign budget, goals, activities/events, strategies, and names of the LWC Internal Committee members.

Wellfield Modeling--Steve Hubbs: Steve reported on wellfield modeling by the U.S. Geological Survey.

Interim General Counsel--John Huber: John reported that Bob Miller will assume the role of Acting Corporate Secretary until Laura Douglas' position is filled. We will bring in someone on an interim basis

to fill the role of General Counsel. Jami Young will work with the Bids and Award Committee in the General Counsel role.

SPT Meeting Agenda—Steve Hubbs: Since John and Susan will not be attending the October 15 SPT meeting, Steve proposed the team meet as a workgroup to explore: (1) operational/financial implications of a pro-forma based on a 3% annual increase in O&M, and (2) plans for rolling out the 2004 Strategic Plan.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the October 20, 2003 ELT meeting

Agenda for October 20, 2003 ELT Meeting—Bob Miller

Susan will e-mail the agenda for the October 20, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes October 20, 2003

Roles

Leader: Susan Lehmann
Facilitator: Nora Freeman (on call)
Recorder: Steve Hubbs for Joan
Scribe:
Timekeeper: Karla Teasley
Attendees: Susan Lehmann, Greg Heitzman,
Steve Hubbs, John Huber, Bill Meeks, Karla Teasley

Ron Crouch Presentation

Ron Crouch made a presentation on population statistics and observations. A summary of his presentation is appended to the end of these minutes.

*Review Minutes and Agenda

Minutes from the October 13, 2003 ELT meeting were approved as submitted. Agenda for this meeting was modified due to time available after Ron Couch's presentation to include only the item on dividend projection.

DIVIDEND PROJECTION: John Huber

John presented the dividend forecast to city officials last week, and relayed their concerns about the \$500,000 shortfall. John emphasized the need to do everything we can to reduce the shortfall in dividend to the city. Every effort is to be made to implement cost control through the end of the year.

In response to this, ELT reached consensus in implementing a hiring freeze (no new external hires) and a travel freeze (for any travel where registration/airfare has not already been purchased). CBOs, BSOs, and POs are to look for every opportunity to control costs and reduce the impact on the dividend.

Agenda for October 20, 2003 ELT Meeting

ELT reviewed the BIN list. Susan will e-mail the agenda for the October 27, 2003 ELT meeting.

*Decisions made by ELT and items requiring action are "shadowed" in these minutes.
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Ron Crouch presentation to ELT (October 20, 2003)

Ron Crouch (Director, Kentucky Data Center) provided an enthusiastic presentation of data trends in the past and into the future. Five handouts were presented (see attachments). A summary of his presentation is captured below:

Biggest issues facing Kentucky

1. **Critical thinking skills:** we have tons of data, but we are short of analysis. Ron supports Kentucky's KERA system for this reason.
2. **Understanding the trends.** There are many perceptions that aren't matched with fact.
3. **Magnitude:** understanding the importance of the population pyramid, and its trend towards inverting due to baby-boom population.
4. **Issues:** SWOT analysis. Ron projects that the southeast US will be the economic engine of the next 100 years. California is losing population to 5 states...and the southwest may become the poverty center in the next 100 years.

We need to re-define "old". The population pyramid is getting both "older" and more diverse in the younger populations, mostly Hispanic.

Europe is in trouble because they are facing a population decline, with little immigration. Spain and Italy currently have the lowest birth rates.

Health Care costs. Our paradigm is wrong. We need to focus more attention on prevention, maintaining healthy lifestyles, and providing comfort care at the end stages of life. We currently spend a disproportionate amount of our health care costs on the last years of life, promoted by the medical industry.

For the population pyramid in the US, the growth in the younger age groups (5-20y/o) is Hispanic. In Kentucky, we have no "little baby boom" in the 5 to 20 year category, as in the total US.

Jefferson County's population pyramid is even more inverted than that for Kentucky.

A major education issue identified is interpersonal skills in business. This reflects a need for not only technical skills, but skills in interaction with others.

Major changes are happening in the household...1/3 of primary household providers are women.

Ron predicts that the larger houses built in the 1990s will be obsolete in 2020...households will be smaller and older. The trend instead will be for smaller homes in more dense centers (patio homes).

Questions

Jim Asseff asked about the issue of brain-drain with higher educated Kentucky youth. Ron indicated that the issue is job availability in Kentucky, with kids educated outside of Kentucky.

John Huber asked about the education trends with women in Kentucky. Ron diplomatically addressed this question nearest the highest density of women in the room.

Attending: Huber, Meeks, Hubbs, Heitzman, Lehmann, Teasley, LeMaster, Asseff, Gregory, Chestnut, Freeman, Plunkett, Camp, Schroeder, Wang, Halloran, McKay, Cooper

ELT Meeting Minutes October 27, 2003

Roles

Leader: Susan Lehmann
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Greg Heitzman
Timekeeper: Steve Hubbs
Attendees: Nora Freeman, Amber Halloran, Greg Heitzman, Kathy Holder (Frost Brown Todd), Steve Hubbs, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Susan introduced Kathy Holder of Frost Brown Todd. Kathy will serve as Interim General Counsel during our search for an In-House General Counsel to replace Laura Douglas.

*Review Minutes and Agenda

Minutes from the October 20, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Quarterly Review of ELT Goals--Nora Freeman

Nora provided copies of and discussed the third quarter 2003 performance on ELT goals--Executive Incentive Award goals, Shared President/VP goals, and Corporate Performance Award goals.

The Light Switch goal for the Incentive Incentive Award goals was not met

FINS Recognition--Amber Halloran

Amber provided copies of and discussed the FINS Recognition Recommendation.

ELT agreed to proceed with Item 1 of Amber's recommendation.

Regarding Item 2, John Huber will consider the timing issue of this and get back with ELT

Follow-up on Ron Crouch Presentation/Code of Ethics Issues--ELT

Susan asked for follow-up comments on Ron Crouch's presentation last week. John noted and the group discussed the importance of diversity--gender, religion, race, age, ethnicity, etc.

Susan recommended all diversity training in 2004 be done by VPs and BSOs in addition to the training staff. Prior to the training, she will meet with each VP and BSO to give them insight and specifics into employee perceptions regarding diversity at LWC and discuss with them what they can do to overcome any negative perceptions.

NLP Subteam Updates--Susan Lehmann

Susan provided copies of a spreadsheet showing status of NLP subteams.

Subteam leaders will e-mail Susan status updates by Friday, October 31, and Susan will update the spreadsheet and redistribute.

Steve Hubbs provided copies of his 10/27/03 revision of Systems-Based Management (Organizational Structure Subteam) and asked ELT members to provide comments asap. This subteam will meet one more time and bring a recommendation to ELT within the next two weeks.

Karla Teasley provided copies of the LWC Corporate Measures (Corporate, System and Process Measures Subteam) and asked ELT members to provide comments asap.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the November 3, 2003 ELT meeting.

Agenda for November 3, 2003 ELT Meeting—Susan Lehmann

Bill will e-mail the agenda for the November 3, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes November 3, 2003

Roles

Leader: Susan Lehmann
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Greg Heitzman
Timekeeper: Greg Heitzman for Steve Hubbs
Attendees: Kate Farrow, Nora Freeman, Amber Halloran, Greg Heitzman, John Huber, Susan Lehmann, Roger LeMaster, Bill Meeks, Bob Miller, Mike Sturgeon, Karla Teasley

***Review Minutes and Agenda**

Minutes from the October 27, 2003 ELT meeting were approved with the following revision:

Under "Follow-Up on Ron Crouch Presentation/Code of Ethics Issues," second paragraph, minutes will be revised as follows: "Susan recommended that all diversity training in 2004 be done by VPs and BSOs in addition to the training staff.

Agenda for this meeting was discussed and approved.

2004 Budget Update--John Huber, Amber Halloran

Amber provided information on the budget which will be presented at the Special Board Meeting on Tuesday, November 4.

ELT members should begin work to identify budget cuts. Susan Lehmann will schedule an ELT meeting to review progress the week of November 17. This effort is to be completed by December 1.

2003 Quality Awards & Recognition Budget--Susan Lehmann

Susan provided copies of and the group discussed a Summary of Quality Awards and Recognition Programs.

ELT agreed to discontinue funds for quality awards and recognition through the end of the year. This does not apply to awards/recognition that have already been approved.

This decision will be included in a communication to all employees regarding dividend shortfall and additional steps we must take during the remainder of 2003 and in 2004 regarding budget cuts. The communication will be sent to all employees after the Special Board Meeting on Tuesday, November 4.

Nora Freeman will provide information on number of LWC employees per customer and million gallons of water sold per LWC employee. This information will help us as we determine a target for cuts.

C3 Certification Audit Recommendation--Karla Teasley/Mike Sturgeon

Mike Sturgeon provided copies of and discussed C3's responses to audit recommendations.

ELT agreed to certify C3 subject to completion of the empowerment pilot. Mike will report to ELT on the results of the empowerment pilot by the end of the first quarter of 2004.

System Certification Requirement to Demonstrate Actions Taken in Response to OEI and ICS Results--Bob Miller/Roger LeMaster

Roger reported on audit steps taken to examine the requirements to demonstrate actions taken in response to OEI and ICS results. Roger looks for actions systems plan to take or have taken to improve scores on the OEI and ICS under Quality of Work Life, Customer Focus, and Partnership among Employees. Systems are primarily focusing on improving communications and relationships with other business systems.

H2 Certification Audit Recommendation--Susan Lehmann/Roger LeMaster

Roger had no specific recommendations regarding this audit. This is the first system audit resulting in no findings or recommendations. Nora and her team are to be commended for this achievement.

ELT agreed to certify H2-Supporting Organizational Effectiveness.

Open Time

NLP Update--Susan Lehmann: Susan provided copies of an update on NLP subteams.

Metro United Way Campaign--Greg Heitzman: Greg provided a verbal update on the MUW campaign at LWC.

Review Bin List--All

The group discussed items on the BIN List and the agenda for the November 10, 2003 ELT meeting

Agenda for November 10, 2003 ELT Meeting--Bob Miller

Bill will e-mail the agenda for the November 10, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes November 10, 2003

Roles

Leader: Susan Lehmann
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Greg Heitzman
Timekeeper: Amber Halloran, Greg Heitzman, Kathy Holder, Steve Hubbs, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

***Review Minutes and Agenda**

Minutes from the November 3, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Review Board Meeting Agenda--John Huber

Agenda items include discussion/adoption of the 2004 Annual Budget.

Certification Audit Schedule through July, 2005--John Huber

John Huber discussed his recent e-mail regarding two-year cycle for certification audit schedule.

ELT agreed to extend the cycle to July 1, 2005. CBSOs should communicate the schedule to the BSOs and advise them to do periodic checks on their systems to make sure things are operating as they should, since under this schedule, some systems won't be audited for another 1.5 years or so.

Review Greenbacks Report--Amber Halloran

The Greenbacks Report was not available, but Amber did provide copies of and discuss the revenue report for October.

Amber will provide the Greenbacks Report to ELT members this week.

2004 Budget Work--ELT

The group discussed budget reductions for 2004--our target for reductions is \$1.5 million. John Huber noted that if we sell the amount of water forecast for next year, if we operate within budget next year, and if we are able to reduce costs beyond that by \$1.5 million, we will be able to pay the dividend this year and next year without having to involve the infrastructure reserve fund.

Two sub-teams were formed today to report to ELT on suggested cuts/eliminations and the benefits/impacts. The sub-teams will identify areas top down--not bottom up--and also will look at processes and outsourcing. The sub-teams will consist of the following:

1. Capital Sub-Team: Karla Teasley as Leader, Bob Miller, Steve Hubbs, Jim Smith, Bill Meeks, and John Huber.
2. The O&M Sub-Team: Greg Heitzman as Leader, Karla Teasley, Susan Lehmann, Steve Hubbs, Bob Miller, Amber Halloran or her appointee, and John Huber.

Susan Lehmann and Kathy Holder will focus on restraints from the Human Resources perspective.

Amber distributed copies of minutes from a special BSO meeting on 11/7/03 which contain a list of items recommended to ELT for consideration/further study and additional list of items not receiving consensus. John Huber will advise regarding items on the list which might be moved from one area to the other.

Bob provided copies of and discussed the problem statement and root causes. Bob will revise the statement as discussed by ELT and present the revised statement to John Huber for approval. The problem statement will be used as a communication to employees.

Bob will develop Scenario I, Scenario II, and Scenario III for reducing costs.

Bob will have Jim Brammell and Don McKay discuss LWC's policy on take-home vehicles and pool cars and consider alternatives regarding what we need and what we can do differently.

John noted that as we make decisions regarding budget cuts/eliminations, we must keep in mind our goals are to be a Total Quality Organization, provide high levels of customer satisfaction and appropriate returns to our investor.

Open Time

DBP Rule--Steve Hubbs: Steve reported on the status of the proposed Disinfection By-Products Rule.

Review Bin List—All

ELT members will e-mail Susan any updates to the BIN List, and Susan will e-mail the agenda for the November 17, 2003 ELT meeting

Agenda for November 17, 2003 ELT Meeting—Susan Lehmann

Susan will e-mail the agenda for the November 17, 2003 ELT meeting.

<p>*Decisions made by ELT and items requiring action are "shadowed" in these minutes.</p>

ELT Meeting Minutes November 17, 2003

Roles

Leader: Susan Lehmann
Facilitator: Nora Freeman (on call)
Recorder: Steve Hubbs
Scribe: Greg Heitzman
Timekeeper: Karla Teasley
Attending: Greg Heitzman, Kathy Holder (9:00), Steve Hubbs, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

***Review Minutes and Agenda**

The meeting started at 8:30, following the recognition program for the tapping teams.

Minutes from the November 10, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Board Nominees--John Huber

Gerald Martin has been nominated to fill the position currently held by Steve Gault, whose 4-year term expired in October. Marita Willis will be filling Jack Segell's vacant position. Terms of the new nominees will run through April 30, 2007 and April 30, 2005. Approval of these nominees is expected prior to the December Board meeting.

Emergency Response Plan Update-Glen Mudd, Angela Harris

Glen Mudd presented a summary of the Emergency Response Plan, reflecting requirements for security elements from acts of terrorism as well as natural/technological disasters. Questions centered around how the documentation will be kept current, and how staff will be trained to respond to the call.

The call-out protocol for notification needs to be clearly defined in the plan, from supervisor level to the CEO. This will be added to the Plan.

A team including Don McKay (leader), Greg Heitzman, John Huber, and Jim Smith will conduct a review of the vulnerabilities identified in the plan. This review will consider remedial measures to address identified vulnerabilities.

DPT Strategic Partnership Agreement—Greg Heitzman, Billy Meeks

Greg and Billy provided an update of the DPT's Strategic Plan. Greg identified the major changes in the Plan. Tactics added include 1.1.1 and 1.1.6. Minor revisions were made to tactic 2.5.2.

The team discussed the focus on creating a positive environment for female workers in all union classified positions (tactic 1.2.2), and that the desired outcome of this tactic should focus on creating a positive culture of opportunity for all in the union workforce. The team also discussed recruiting effectively to provide a more diverse workforce for advancement in the union classifications.

The team discussed building an assessment of progress with the DPT Strategic Plan into the Certification audit (ELT issue). Billy indicated that the union leadership has adequate access to company financial information. Resources for implementing this plan will include allowing union DPT team members time to be available for meetings.

ELT endorsed the plan, and committed to integrate the plan into the operating plans through BSOs and POs. DPT will reconsider tactic 1.2.2 (broaden) and tactic 1.2.1 (recruitment).

Unaccounted For Water-Mike Sturgeon, Amber Halloran, Sherry Dukes

Amber advised that the water usage at the plant had been inappropriately accounted for, resulting in a decrease in unaccounted-for water of about 2% for the year. Mike and Sherry presented a report on activity for leak detection (current and operating as in previous years), critical main survey (on schedule), and meter sample testing. The meter exchange program was abolished in 2001 in anticipation of the AMR project.

The group discussed the various sources of unaccounted for water, and changes in metering in the distribution system.

The 1.5 inch and 2 inch meters are currently not being tested, and are being exchanged based on age only. Data currently available is to be evaluated to determine if the volume of water metered impacts the reading efficiency of these meters, and if a dual metric for age and volume metered is appropriate for replacement scheduling.

Review Bin List—All

ELT members will e-mail Susan any updates to the BIN List, and Susan will e-mail the agenda for the November 24, 2003 ELT meeting

Agenda for November 24, 2003 ELT Meeting—Susan Lehmann

Susan will e-mail the agenda for the November 24, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes November 24 2003

Roles

Leader: Susan Lehmann
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Greg Heitzman
Timekeeper: Steve Hubbs
Attendees: Barbara Crow, Amber Halloran, Greg Heitzman, Kathy Holder, Steve Hubbs, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Sue Purdy, Karla Teasley

***Review Minutes and Agenda**

Minutes from the November 17, 2003 ELT meeting were approved with the following changes: Under discussion regarding Board Nominees, delete parenthetical phrases indicating Gerald Martin is with Hilliard Lyons and that Marita Willis is with PNC Bank. Correct spelling of Jack Segell.

Agenda for this meeting was discussed and approved.

Greenbacks Report—Amber Halloran, Sue Purdy

Amber and Sue provided copies of and discussed the LWC Financial Highlights for October, 2003. We are down \$3.3M for 2003 YTD in water revenue.

Kathy Holder will check into penalties due LWC from Lake in the Woods and South Hill Apartments for past-due payment of water bills. An agreement may have stated that no past-due penalties will be collected—only amount charged for water consumption.

On Page 4, Amber will include actual number of employees per core in future Financial Highlights.

Fund for the Arts—Barbara Crow

Barbara reported that the 2004 Fund for the Arts campaign chair is scheduled to come from Business Resourcing. The campaign usually runs the first week in June.

Barbara and John will work on timing of the campaign for 2004.

Bob Miller will serve as Chair for the 2004 campaign.

EPA's Support of Conservation—John Huber

John reported the MTBE issue likely will be the vehicle to stop the Energy Bill—HR 6—from passing.

Budget Updates--ELT

Bill Meeks reported he is getting more and more comments from union members regarding job security in response to the recent e-mails on the budget and cost cutting.

Susan reported on a meeting she had with MSD regarding their cost reduction strategies.

ELT agreed to communicate to employees what we are considering doing regarding cost reductions.

The O&M and Capital Budget Sub-Teams will report to ELT on Monday, December 1, 2003.

Each CBSO will bring to the December 1 ELT meeting a proposed list of cuts for their core for 2004.

Each BSO should send their reported savings to Amber Halloran for validation. Amber will combine them into one list for ELT review.

Open Time

Report on Metro United Way Campaign at LWC—Greg Heitzman: Greg provided a 2003 Metro United Way Campaign Summary. We had a 14 percent increase over 2002 pledges of \$59,488 and a 2 percent increase over the \$66,000 goal set by ELT for 2003.

Wholesale/Retail Water Sales—John Huber: John provided copies of e-mails showing 2002 wholesale water sales and revenue and 2002 retail water sales and revenue.

Health Insurance Premium for 2004—Bob Miller: Bob reported that our cost for health insurance in 2004 will be less than budgeted.

ELT agreed that any savings realized in health insurance premium in 2004 should be credited to the Contingency Fund.

Upcoming Retirement—Steve Hubbs: Steve announced his plans to retire. He has not set a date, but will retire in the not-too-distant future. Steve will continue to work on the ELT O&M and Capital Budget Sub-Teams. John noted the many contributions Steve has made during Steve's 29 years of employment at LWC.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the December 1, 2003 ELT meeting

Agenda for December 1, 2003 ELT Meeting—Bob Miller

Susan will e-mail the agenda for the December 1, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes
December 1, 2003

CORRECTED—Under O&M Budget Reduction Sub-Team Discussion, change 8th paragraph to read, “Greg will coordinate. . . .”

Roles

Leader: Susan Lehmann
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Greg Heitzman
Timekeeper: Steve Hubbs
Attendees: Amber Halloran, Greg Heitzman, Kathy Holder, Steve Hubbs, John Huber, Susan Lehmann, Bob Miller, Jim Smith, Karla Teasley

***Review Minutes and Agenda**

Minutes from the November 24, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Capital Budget Reduction Sub-Team—Karla Teasley

Karla provided copies of and discussed the Proposed 2004 Short-Term CIP Reductions. Revisions to the list are:

Item B1 19, remove “Dictaphone Recording Equipment.”

Items 19, correct Asset Life of entries dealing with vehicles.

Item B1 23, remove “Safety & Security Imp.-Annual.” This item is addressed in Item B1 22.

Item B1 30, “HR Info. System-HRIS,” Bob Miller will follow with Tony Gregory on this item and get back to Susan. Change explanation to show that this item will be reduced in 2004 and resumed in subsequent years.

O&M Budget Reduction Sub-Team—Greg Heitzman

Greg provided copies of and discussed the 2004 O&M Reduction Strategy. Revisions to the list are:

Line 7, “Reduce Perfect Attendance Incentive for Nonunion, Nonmanagement,” shift the green highlighting to indicate Level 1 Savings is recommended.

Line 9, “Reduce or Eliminate Tuition Reimbursement,” the O&M Sub-Team will explore options to this.

Lines 11 and 12, “Shift Maintenance Crews to Capital Crews (flexibility),” provide information on impact of crews at Level I Savings.

Greg and Karla will make sure no double counting has been done on the two lists (Capital and O&M) regarding vehicles.

Amber will provide an updated list of 2004 BSO proposed additional budget cuts, adding her area, Tony Gregory’s area, and Karla’s BSO areas.

Greg will add Susan Lehmann's non-FTE items to his list.

Greg will coordinate changes discussed and present the revised list to John.

Greg's sub-team will work to establish implementation teams to validate the 28 O&M items and turn them into reality.

Seasonal employees who are being eliminated should be advised by December 17. We should also make their parents aware that they are being eliminated.

Review Bin List—All

The group will review the BIN List and send Susan their suggested agenda items for the December 8 ELT meeting.

Agenda for December 8, 2003 ELT Meeting—Bob Miller

Bill will e-mail the agenda for the December 8, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes December 8, 2003

Roles

Leader: Susan Lehmann
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Greg Heitzman
Timekeeper: Steve Hubbs
Attendees: Amber Halloran, Greg Heitzman, Kathy Holder, Steve Hubbs,
Susan Lehmann, Roger LeMaster, Joan Malone, Don McKay, Bill Meeks,
Bob Miller, Scott Muhlenbeck, Sue Purdy, Karla Teasley

***Review Minutes and Agenda**

Minutes from the December 1, 2003 ELT meeting were approved with the following revision: Under O&M Budget Reduction Sub-Team, change 8th paragraph to read, "Greg will coordinate changes discussed and present the revised list to John." Agenda for this meeting was discussed and approved.

Review Board Meeting Agenda—Bob Miller

Bob reported that two new Board members will be sworn in at tomorrow's Board meeting. Agenda items for the meeting include Cost Reduction Plan for 2004, Water Rates and System Development Charge, and 2004 Service Installation Fees.

Review Greenbacks Report—Amber Halloran, Sue Purdy

Amber and Sue provided copies of and discussed the LWC Financial Highlights for November, 2003.

Risk Assessment & Internal Control Evaluation—Roger LeMaster, Scott Muhlenbeck

Roger provided copies of and discussed the LWC Internal Audit Risk Assessment and Internal Control Evaluation dated December 4, 2003 which will be presented to the Audit Committee in March, 2004.

Roger will change the fourth bullet under Assessment Results to read, "Develop procedures for preventative maintenance of transmission mains and valves."

This item will be added to the BIN list for January when ELT will discuss who will draft a letter to the Audit Committee reinforcing the report.

Backup Recorder—ELT

ELT agreed to rotate "backup recorder" in the matrix of ELT roles. The "backup recorder" will take minutes of ELT meetings when Joan Malone is not available.

Open Time

Cost Reductions/Seasonal Employees for 2004—Bob Miller: Bob asked that an item be put in the minutes that Susan Lehmann will follow up with seasonal employees who will not be called to work at LWC in 2004. She will advise them and their parents as soon as possible.

Technology Transfer Workshop—Steve Hubbs: Steve reported he plans to attend a workshop on Technology Transfer in Eastern Europe in early 2004. The workshop is being sponsored by NATO.

Recent E-Mails regarding Cost Reductions—Susan Lehmann: Susan got feedback that recent e-mail communications did not reach all employees even though the e-mails were sent to "Everyone LWC." It was noted that these communications also appear in *NewsLeaks*.

CBSOs will remind BSOs and POs that e-mails should be shared with *everyone*, especially those who do not have access to e-mail.

Susan will also discuss this at the next BSO and PO meetings.

ELT agreed it would be timely to communicate the status of O&M and Capital Budget reductions to employees this week, and that the communication probably should come from John Huber.

FINS Project Recognition Award—Bob Miller: Bob announced that the recognition award for the FINS project will go out this week. He thanked ELT for their support. This recognition was approved prior to the freeze on recognitions in late 2003.

Regarding the second piece of the recognition request that ELT did not approve, Bob recommended adding the hours the employees worked to their PTO bank for 2004 and including Amber in the recognition. He wanted ELT's feedback on this.

John will make the final decision regarding the second piece of the recognition, but ELT supports adding the time to PTO for 2004 if John approves.

Bob will provide a list of the persons and the number of hours involved.

An article will appear in *NewsLeaks* about the recognition that is being awarded this week.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the December 15, 2003 ELT meeting

Agenda for December 15, 2003 ELT Meeting—Susan Lehmann

Susan will e-mail the agenda for the December 15, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes December 15, 2003

Roles

Leader: Susan Lehmann
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Greg Heitzman
Timekeeper: Bob Miller for Steve Hubbs
Attendees: Susan Camp, Ed Chestnut, Greg Heitzman, Kathy Holder, John Huber, Susan Lehmann, Roger LeMaster, Joan Malone, Bill Meeks, Bob Miller, Scott Muhlenbeck, Rhonda Plunkett, Kathy Schroeder, Karla Teasley

*Review Minutes and Agenda

Minutes from the December 8, 2003 ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

ELT Focus Group Meeting Reviews—Susan Lehmann, Rhonda Plunkett

Rhonda Plunkett provided copies of and discussed Summary of 2003 ELT Communication Forums and Pipeline Meetings. Bob noted the importance of ELT addressing issues promptly.

Susan will send minutes from the focus group sessions immediately after the meetings so ELT can address the issues promptly.

Bob Miller will follow with Roger LeMaster on auditing contractor bids—different expectations across processes and overtime call-out issues.

Susan will follow on concerns expressed about the dress code.

The forums will continue in 2004.

Early Retirement Incentive—Susan Lehmann

Susan reported that meetings have been completed with those who are eligible for the early retirement incentive. ELT members noted the meetings were done in a dignified and informative manner, the information was timely and precise, and employees were very appreciative of the information provided.

Representatives will be here this Thursday to discuss outplacement with those who are interested, and CERS representatives will be here in January.

Susan will communicate regularly as she has new information.

Kathy Schroeder will provide ELT members a list of part-time and temporary employees and a copy of the organizational chart.

C1 Certification Audit Recommendation—Karla Teasley

Susan Camp provided copies of and discussed the response to C2 certification audit recommendations. Karla Teasley recommended certification of C1.

ELT agreed to certify C1--Providing & Receiving Customer & Public Information.

I5 Certification Audit Recommendation—Greg Heitzman

Ed Chestnut provided copies of and the group discussed the response to I5 certification audit recommendations.

Greg Heitzman recommended and ELT agreed to certify I5 with the understanding that Action Item under Recommendation #6 be changed to read: "POs coordinate risk mitigation plans with other BSOs" and that I5 will have a follow-up during the third or fourth quarter of 2004 focusing on process documentation, organizational changes, GIS documentation, and quality of work life issues.

Open Time

Seasonal Hires—Kathy Schroeder: Kathy provided a list of seasonal hires for 2004. No one on the list will return in 2004 unless Susan hears from ELT members today. We want to reduce seasonals where it is cost effective to do so.

Relationship with Homebuilders and Developers—John Huber: John reported there is a critical meeting with the homebuilders and developers coming up. We need to explore alternatives for boosting pressure in elevated areas.

Team Effectiveness Survey—Susan Lehmann: Susan handed out the Team Effectiveness Survey forms and asked ELT members to complete the forms and return them to Nora Freeman.

ELT Roles—Susan Lehmann: Susan will update the matrix of ELT roles and provide to ELT members since the roles will change in January, 2004.

Agenda for December 22, 2003 ELT Meeting—Susan Lehmann

Susan will work from the BIN List to prepare an agenda for the December 22, 2003 meeting. She will e-mail the agenda late this week.

NOTE: ELT will not have a quorum to meet on December 29, 2003. The December 22 meeting will be the last ELT meeting in 2003.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes January 5, 2004

To revise second paragraph under "Cost Reductions—John Huber" to read, "Susan requested that the ELT HR/Legal Sub-Team members attend the HR/Legal Sub-Team meeting this Friday."

Roles

Leader: Karla Teasley
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Bill Meeks
Attendees: Sandy Beyerle; Amber Halloran, Greg Heitzman, Kathy Holder, Steve Hubbs, John Huber, Susan Lehmann, Joan Malone, Don McKay, Bill Meeks, Bob Miller, Karla Teasley

*Review Minutes and Agenda

Minutes from the December 15, 2003 ELT meeting were approved with the following revision: Under ELT Focus Group Meeting Reviews, change third paragraph to read, "Bob Miller will follow up with Roger LeMaster on auditing contractor bids to determine if a correlation exists based on project management."

Agenda for this meeting was discussed and approved.

Preliminary Engineering and Capital Draft Guidelines—Amber Halloran

Amber provided copies of and the group discussed Accounting Guidelines for: (1) Retirement of Assets, (2) Preliminary Engineering Projects, and (3) Capital Projects.

Budget Department will work with the BSOs for quantification on preliminary engineering areas affected by Item 2. This item will be added to the BIN List.

We will report to the Audit Committee and Board of Water Works on implementation of changes to the accounting guidelines.

ELT members will provide individual input to Amber. Amber will revise the drafts and bring them back to ELT in two weeks.

Accident Policy Review—Don McKay

Don provided copies of and discussed the updated draft Vehicular Accident Policy.

Kathy Holder will review and give guidance on Items 5.0 and 6.2.

Don will add a clause dealing with accidents involving alcohol/drugs.

Don will make other changes/additions as discussed and e-mail a revised draft to ELT members.

Open Time

Travel Authorizations for Budgeted Travel—Bob Miller. Bob stated he has two TAs to approve which are budgeted—travel to be in late January by a total of four people.

ELT agreed that all budgeted travel for 2004 that will exceed \$500 will be reviewed by ELT on a case-by-case basis until the O&M Budget Sub-Team presents their recommendations.

ELT approved Bob's request as follows: to allow two persons to attend the Oracle seminar and one person to attend the National Safety Council meeting.

ELT approved John Huber to attend the Water for People meeting in mid-January. Mr. Huber is being elected President of Water for People.

Cost Reductions—John Huber: We need to finalize and document savings and have any modifications to the budget in place asap on O&M, part-time, temporary, and seasonal labor. CBSOs should look at these cost reductions and make sure they are moved as close to January as possible. CBSOs should get this information to Susan by Thursday and she'll provide an update on Friday.

Susan requested that the ELT HR/Legal Sub-Team members attend the HR/Legal Sub-Team meeting this Friday.

John will send a communication to employees after the January 13 Board meeting summarizing cost reduction strategies, including labor-related O&M cost reduction possibilities.

Home Builders Association—John Huber: John reported he had a meeting with the HBAL recently, and we must work to deliver outstanding items to them in a timely way and let them know how we will deal with pressure requirements.

Right Management Meetings—ELT: ELT meetings with Right Management will be postponed until mid-February.

Incentive and Shared Goals for 2004—John Huber: ELT members will provide a draft to Nora regarding the Light Switch goal and other shared and incentive goals with the next two weeks showing year-end updates and proposed 2004 goals.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the January 12, 2003 ELT meeting

Agenda for January 12, 2004 ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the January 12, 2003 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes January 12, 2004

Roles

Leader: Karla Teasley
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Bill Meeks
Attendees: Amber Halloran, Greg Heitzman, Kathy Holder, Steve Hubbs, John Huber, Susan Lehmann, Joan Malone, Bill Meeks, Bob Miller, Sue Purdy, Karla Teasley

*Review Minutes and Agenda

Minutes from the January 5, 2004 ELT meeting were approved with the following revision: Change second paragraph under "Cost Reductions—John Huber" to read, "Susan requested that the ELT HR/Legal Sub-Team members attend the HR/Legal Sub-Team meeting this Friday."

Agenda for this meeting was discussed and approved.

Review Board Meeting Agenda—John Huber

Agenda items include discussion of employee health, dental, and disability insurance renewals, and LWC's cost reduction plan.

Review Unaudited Year-End Financial Results—Amber Halloran, Sue Purdy

Amber provided copies of and discussed the Organizational Income Expense Analysis for December, 2003, the LWC Dividend Calculation for 2003, and the LWC Dividend Calculation for 2004. We are projecting a gap of of \$2.1 million for 2004 net income.

Upcoming Retirement Celebrations—Susan Lehmann

Susan noted that past practice has been to have a ½ day celebration with cakes, punch, etc. Since several employees will be leaving at the same time, we need to establish a policy regarding celebrations for those taking the early retirement incentive.

ELT agreed to have one celebration at Third Street, one at Crescent Hill, and one at Allmond Avenue (Bullitt County retirees will be included in the AA celebration) during the last week in January. Each celebration will last no longer than 1 1/2 hours. Light refreshments such as cake and punch will be served.

Susan will schedule the celebrations at days/times appropriate for each location, and communicate this information in next week's issue of NewsLeaks

Update of Portable History Display—Barbara Crow

Barbara has a display that was prepared for the City of Louisville's Millennium Celebration a few years ago which she plans to update and use during LWC's 150th anniversary celebration. The display will appear in some of the public libraries, some schools, the Filson Club, and at LWC locations.

Barbara asked ELT for input on updating the display. Some suggestions offered by ELT were:

- Add a Year 1854 item and change the title of the display to show 1854-2004.
- Add an item on Charles Hermany.
- Add an item regarding merger of the water districts into LWC in the 1960s.
- Delete the item regarding the 1978 snow and add an item discussing the 1977 freeze.
- Add to the 1860 item a paragraph regarding number of customers and miles of main then and number of customers and miles of main now (2003).
- Add an item on the union and the partnership with LWC.
- Change the picture under item titled 1937 Flood—the picture was actually taken during the 1964 flood.
- Add an image of a Pure Tap bottle.

Barbara asked ELT members to provide additional changes/additions/comments.

Open Time

Update on General Counsel Position—Susan Lehmann: Susan stated we are conducting interviews now through the first of February. Our goal is to extend an offer in February.

Compensation Committee Meeting—John Huber: John noted the Compensation Committee meeting is scheduled for Monday, February 9. VPs should provide information to Nora by January 20 on 2003 performance and proposed 2004 goals for the Corporate Performance Goals, President and VP Shared Goals, and Executive Incentive Goals. The subject matter for 2004 goals will be the same as for 2003. John and Susan will work on potential changes regarding who is responsible for each goal.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the January 20, 2004 ELT meeting

Agenda for January 20, 2004 ELT Meeting—Karla Teasley

Since Monday, January 19, 2004 is a holiday, the next ELT meeting is scheduled for Tuesday, January 20, 2004. Karla will e-mail the agenda for the January 20, 2004 ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes January 20, 2004

Roles

Leader: Karla Teasley
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Bob Miller for Bill Meeks
Attendees: Ron Green, Tony Gregory, Greg Heitzman, Steve Hubbs, Susan Lehmann, Joan Malone, Bob Miller, Rhonda Plunkett, Karla Teasley

*Review Minutes and Agenda

Minutes from the January 12, 2004, ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

M/WBE Program Update—Rhonda Plunkett, Ron Green

Ron Green provided copies of the LWC Minority-Owned and Women-Owned Business Enterprise (M/WBE) Program Update. He gave a brief overview of where we are with the M/WBE Program.

Rhonda noted one challenge the M/WBE Team faces is the loss of some team members due to retirements. She asked for ELT's help in identifying potential team members to replace those who are retiring at the end of January.

Review IWR Business Case and Discuss Evaluated Bid Process—Bob Miller, Tony Gregory

Tony provided copies of and discussed the LWC IWR Team Presentation on the Interactive Web Response Business Case. We are seeking to expand our current Internet services to provide customers with the same features available on the Interactive Voice Response (IVR) System. The Board has approved this project, but Bob and Tony noted that as we move forward, we want ELT's support.

ELT agreed to support the project as it moves forward.

In conjunction with this project, we want to update the appearance of our website. We have the capability to do this in-house.

Open Time

Travel Request—Greg Heitzman: Greg has a request for travel for an employee in his core to attend operator certification training in Owensboro.

Since this employee has attended operator certification training in the past six months, ELT agreed that Greg should get more information and make a decision on whether to send the employee for a second training session or have the employee study on his own and take the certification test in Frankfort.

Strategic Planning Team Meeting—Bob Miller: Bob stated the SPT meeting is scheduled for January 21, 10:00 a.m. to 12:00 noon.

Bob asked that ELT members set up to one hour aside to prepare for the meeting using the e-mail/Internet links he sent earlier.

The SPT will discuss criteria contained in Bob's e-mail/Internet links to determine whether we want to update the 2004-2008 Plan.

Special Board Meeting—Bob Miller: A special Board meeting has been scheduled for Monday, January 26, 2004, 4:15-5:15 p.m. We did not have a quorum present at the January 13, 2004, Board meeting, so projects/issues presented at that meeting will be reviewed at the Special Board meeting for authorization.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the January 26, 2004, ELT meeting

Agenda for January 26, 2004, ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the January 26, 2004, ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes January 26, 2004

Roles

Leader: Karla Teasley
Facilitator: Nora Freeman (on call)
Recorder: Joan Malone
Scribe: Bob Miller
Timekeeper: Bill Meeks
Attendees: Nora Freeman, Amber Halloran, Greg Heitzman, Kathy Holder, Steve Hubbs, John Huber, Susan Lehmann, Joan Malone, Bill Meeks, Bob Miller, Sue Purdy, Karla Teasley

*Review Minutes and Agenda

Minutes from the January 19, 2004, ELT meeting were approved as submitted. Agenda for this meeting was discussed and approved.

Review Agenda for Special Board Meeting—Bob Miller

The agenda for the special Board meeting today at 4:15 p.m. includes reviewing minutes from the January 13, 2004, meeting, taking action on recommendations from the Board members who attended that meeting, and reports from Bob Miller on the Bullitt County CDBG/Coagulation Basin and the Mac Construction bid issues.

Review Greenbacks Report—Amber Halloran, Sue Purdy

Sue and Amber provided copies of and discussed the LWC Financial Highlights for December 2003, Total Capital Program December 2003 YTD, and LWC Dividend Calculation—City of Louisville—Budget for Accrual 2003. Amber noted we are preparing for the arrival of the auditors on Monday, February 2.

Quarterly Review of ELT Goals for 4th Quarter and Year-End—ELT, Nora Freeman

Nora provided copies of and discussed 4th quarter and year-end performance results for the Executive Incentive Goals, the President/VP Shared Goals, and the Corporate Performance Award Goals. The Light Switch Goal for the Executive Incentive Goals was not met.

Nora did not have sufficient information to calculate performance on some of the goals. She will provide an update on 2003 performance at the February 2 ELT meeting.

The group discussed draft 2004 goals. Nora will revise the 2004 goals as discussed by ELT. CBSOs should provide Nora any additional information needed by Thursday, January 29, so Nora can finalize the goals for ELT discussion on February 2.

ELT also discussed the CSI Service Total for 2004 Corporate Performance Award, the Total CSI for the 2004 Executive Plan Goals, and ICS Goal for 2004.

Agenda for February 2, 2004, ELT Meeting—Karla Teasley

Karla will review the BIN list and e-mail the agenda for the February 2, 2004, ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes February 2, 2004

Attendees: Karla Teasley, Ed Chestnut, Greg Heitzman, Kathy Holder, John Huber, Susan Lehmann, Bill Meeks, Bob Miller

Visitors: Kathie Johnson, Tony Gregory, Amber Halloran

Minutes Approved and Agenda Reviewed

Minutes from the January 26, 2004, ELT meeting were approved as submitted. The Agenda for this meeting was discussed, and Bob Miller asked that the Outcome for the Warehouse Management and Mobile Supply Chain Business Case be amended to show "Decision by ELT for approval and forwarding to the Board." The agenda was approved with that change.

Warehouse Management and Mobile Supply Chain – Bob Miller, Tony Gregory

Tony Gregory provided copies of the Information Technology Strategic Plan - Warehouse Management Systems document to ELT. Discussion followed regarding the options, costs and merits of either keeping the status quo of manual processes versus automating the work using Oracle with Solbourne as the sole source provider, or possibly bidding the project. If used, Solbourne would provide a turnkey operation for LWC. ELT had concerns over the costs that would be incurred, and asked for additional information:

- Quantifying the reduction in adjustment following annual inventory count
- Documenting and clarifying the ongoing relationship with Solbourne
- Analyzing potential reduction in the number of warehouses required
- Describing broader utilization of system

Bob Miller and Tony Gregory will update the Business Case to reflect these recommendations.

Preliminary Engineering Projects and Capitalization Policy – Amber Halloran

Amber Halloran provided copies of a handout on Revision to Retirement of Assets, noting that half of the Retirement of Assets budget has been distributed to the operating areas to cover the labor costs associated with retiring assets. The remainder of the budget will be used for the undepreciated value of retired assets. She also stated that there had been no further changes to the draft capitalization policy. A lengthy discussion ensued regarding the potential effect of the policy on 2004 Operations and Maintenance Expenses. Amber Halloran noted that these changes are reflected in the most recent estimates provided to the ELT. The ELT also discussed their desire to capitalize the entire costs associated with capital crews. Bob Miller and Amber Halloran agreed to seek a written opinion from the outside auditors on this matter.

Amber Halloran will pursue this with Ed Olliges of Crowe Chizek and advise ELT.

Discuss and Finalize 2004 Shared VP and Incentive Award Goals – Nora Freeman

Nora Freeman distributed the Fourth Quarter 2003 Results for the Incentive Plan, the Shared President and Vice President Goals, and the Corporate Performance Award.

Regarding the Capital Improvement Program Spending Goal: the 2003 Capital Budget results need to be reviewed because the Total Amount Committed is less than the Total Amount Expended. Bob Miller will verify with Amber Halloran.

Regarding the O&M Cost per Customer portion of the Corporate Performance Award, John Huber advised Bob Miller to subtract off the cost of ELT/BSO incentive award and add back the pumping and treatment cost of water that was budgeted but not treated, pumped, and sold. Bob Miller will also determine if the 2003 Early Retirement Incentive was included in O&M cost. Susan Lehmann will confirm past procedures for computing number of employees.

Regarding the 2004 ELT Cost of Risk Goal: John Huber asked for information on the components of Risk System Administrative Costs and Legal Administrative Costs. These are composed of Labor and Labor Related Overhead.

Regarding the 2003 Cost of Risk Results: Karla Teasley asked how was it that Don McKay's system results were over budget yet cost of risk results were under budget? Bob Miller agreed to provide a detailed explanation on that. In summary, the 2003 allocation of budget to business systems was greater than 2003 allocation of costs; therefore, unallocated costs that remained in Don McKay's system drove his area over budget. Yet when we added the expenses and budget from the other systems we were under budget from a corporate perspective.

Open Time

Schedule for Finalizing Operating Plans – The ELT agreed that Operating Plans should be finalized between Business System Owners and their Core Business System Owner by March 1, 2004 unless authorized as exception until March 31, 2004.

Partnership for Safe Drinking Water – Greg Heitzman noted that funding had not been included in the 2004 budget to continue participation in the Partnership for Safe Drinking Water. The ELT agreed to continue participation for the \$3,300 membership fee.

Reorganization Issues – The Human Resources Legal Team agreed to meet again on Friday.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the February 9, 2004, ELT meeting.

Agenda for February 9, 2004, ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the February 9, 2004, ELT meeting.

<p>*Decisions made by ELT and items requiring action are “shadowed” in these minutes.</p>

ELT Meeting Minutes February 9, 2004

Attendees: Karla Teasley, Ed Chestnut, Greg Heitzman, Kathy Holder, John Huber, Susan Lehmann, Bill Meeks, Bob Miller

Visitors: Kathie Johnson, Angela Harris, Rhonda Plunkett, Kathy Schroeder, Liz Gross

Minutes Approved and Agenda Reviewed

Minutes from the February 2, 2004, ELT meeting were approved as submitted. The Agenda for this meeting was discussed and approved.

Review Board Meeting Agenda – John Huber

John Huber reviewed the agenda for the February 10 Board meeting with ELT, and expressed his concern that a quorum may not be present. Mr. Huber would like to bring information on the budget and reorganization to the Board, and will propose we take \$500,000 out of the infrastructure replacement reserve budget this year, with the understanding that amount would be reinstated in the 2005 infrastructure replacement reserve budget. He would also like to show the reductions in number of positions, labor, non-labor O&M expense and depreciation savings that have occurred as a result of early retirements and other expense reduction efforts. After the early retirements, 457 full time positions remain.

ELT agreed to have the revised budget ready in March for the Board of Directors. Greg Heitzman proposed blocking out Friday mornings to meet and finalize changes to the budget.

Safety Shoe Policy

Angela Harris provided copies of a "redlined" draft of a proposed revision to the Safety Shoe Policy. The proposed policy would change the language to allow for one pair of shoes per year at a cost of up to \$120, whereas some employees were using the \$120 to purchase two pairs of cheaper shoes thereby using the full \$120 per year.

After some discussion, Angela was asked to incorporate the comments and suggestions from ELT in another iteration of the policy. This iteration will include identifying the nonunion positions eligible for safety shoes to provide better control in administering the policy (a list of those positions to be attached to the policy), and reducing the amount paid by LWC to a lower amount based on average cost for one pair of appropriate safety shoes. Also the policy will make it mandatory the shoes be worn on the job. This item will be added back to the bin list for review within one month

Quality Celebrations – Rhonda Plunkett

Rhonda Plunkett distributed a recommendation made by herself, Susan Camp and Jim Asseff. They propose to reduce quality celebrations from \$12 to \$8, and initiate a peer-to-peer program mid year. This would reduce the \$47,800 budget by \$14,000, or a reduced Quality Celebrations budget of \$33,800. The recommendation made by Rhonda's team included monthly recognition of employees and teams, with monthly individual and team winners eligible for the honor of Employee or Team of the Year. They also recommended LWC hosting an Annual Holiday Awards Recognition Dinner in December to recognize Employee of the Year and Team of the Year. After discussion, ELT agreed these changes will not be implemented in 2004, but will be considered again in 2005. For 2004, Rhonda will implement the quality

celebrations in 2004 by restructuring the current program to allow for team recognitions, scaled down quality celebrations, and the peer to peer program at mid year.

Non Union Perfect Attendance Bonus – Kathy Schroeder and Liz Gross

Kathy Schroeder distributed a proposal on the Attendance Bonus outlining the current policy, benchmarking with other local companies, possible options, and a recommended pilot program. This would be for the 2004 period (recognized in 2005), and would not affect 2004 payouts for 2003 attendance. An attendance bonus of approximately \$23,000 was paid in 2003 for 2002 perfect attendance, and approximately \$23,000 will be paid in 2004 for 2003 perfect attendance.

Benchmarking shows that LG&E's perfect attendance bonus is limited to union employees (1 day per year); MSD has no plan recognizing perfect attendance; Dallas and Memphis offer up to 4 days per year (one per quarter); and Chicago, Denver and Cincinnati do not offer a plan.

Greg proposed that all non-exempt, non-union employees be given a "true PTO" where the available hours are used for vacation and absences due to illness, medical appointments, etc. instead of the current practice of charging time to PTO hours and Sick hours. If this plan is adopted, existing employees could be paid for days that exceed the specified number of "true PTO" days. This would not apply to new hires. Absences with advance notice would be considered Planned Time Off, whereas absences with no advance notice would be considered Paid Time Off.

John Huber said if we are eliminating or revising the perfect attendance bonus, a timely communication to employees is important to build expectations for 2005.

Kathy Schroeder will draft a communication to employees about the perfect attendance bonus and a revised proposal for 2004 for discussion at an upcoming ELT meeting. Kathy will touch base with Amber Halloran and Tony Gregory to assure no program changes in the software will be required. Bob will confirm when we book the costs for paying the current bonus.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the February 16, 2004, ELT meeting.

Agenda for Next ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the February 16, 2004, ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes February 16, 2004

Attendees: Karla Teasley, Ed Chestnut, Greg Heitzman, Kathy Holder, John Huber, Susan Lehmann, Bill Meeks, Bob Miller

Visitors: Kathie Johnson, Kathy Schroeder, Jeanie Adkins (Mercer), Roger LeMaster, Don McKay, Claudette Doyle

Minutes Approved and Agenda Reviewed

Minutes from the February 9, 2004, ELT meeting were reviewed. Susan Lehmann asked that the minutes be corrected as follows: first page, first line under the Quality Celebrations heading, change Susan Lehmann to Susan Camp. The minutes were approved with that correction. The Agenda for this meeting was discussed and approved.

Banding for Management Level Compensation – Kathy Schroeder and Jeanie Adkins of Mercer Management

Kathy Schroeder distributed a proposal on compensation banding, and walked ELT through the proposal. Compensation banding is the practice of grouping positions together for common reward treatment. Currently, 36% of utility companies are using pay banding, and 9% are considering it. LWC's jobs are priced in accordance with market pricing surveys which include all markets in the southeast region. However, Louisville's salary market is consistent with national survey results. Banding will provide flexibility and some manager discretion in the amount of pay increase employees receive. The new salary increase matrix provides a salary increase range based on performance and market pricing. LWC's pay philosophy is based on paying wages at the market range. This will place more responsibility on the managers to make decisions on pay increases tied to overall performance management.

The pay banding plan will be implemented for 2003 performance for salary increases effective April 1, 2004. Greg Heitzman asked that Human Resources provide some guidance on the use of rounding up or down on goal results in order to make appropriate decisions in using the merit matrix. Kathy Schroeder said that information will be provided.

Kathy Schroeder said this is a pilot program for LWC management, and adjustments will be made to it as needed.

ELT supports the banding for management level compensation as presented.

Non Union Perfect Attendance Bonus – Kathy Schroeder

Kathy Schroeder distributed a draft communication regarding the Perfect Attendance Bonus for 2004 and asked for ELT feedback following the meeting. The recommendation is for 2004 perfect attendance award to be 1.5 days instead of 3 days. Employees with perfect attendance for 2003 will be awarded 3 days in accordance with current policy. Payment to non-union, non-exempt employees for 2003 sick leave hours accumulated in excess of 120 will be made in February 2004. The Union attendance plan will remain unchanged.

Some discussion ensued regarding manager discretion in allowing employees to take part of a day off for doctor visits, sick children, etc. but not charge time to sick leave, and the need for procedures that will ensure these situations are handled uniformly across the organization.

ELT supports the proposed perfect attendance plan for 2004. Kathy Schroeder will provide clarification for situations where people need to take time off but not charge it to sick leave and whether they can make up the time within a specified period.

Risk Assessment Management Letter – Roger LeMaster and Don McKay

To develop the management response to the Risk Assessment and Internal Control Evaluation completed on December 15, 2003, Roger LeMaster distributed a draft letter developed by Bob Miller. Bob said the draft was intended for discussion and input by ELT. Roger LeMaster would like to present a management response to the Audit Committee in March.

Bob Miller gave an overview of the draft response, which listed objectives and background of COSO modeling and assessments. ELT members made suggestions that Bob will incorporate into another draft. Bob will add specific actions to each response item. Greg Heitzman will send Bob a draft of the language to be inserted in the response to "Develop procedures for preventative maintenance of transmission mains and valves."

Roger LeMaster said he believes that this type of review should be done once every two years. Karla suggested we should focus on those areas of greatest need annually.

Bob will integrate feedback he received and will send a new draft to ELT for further review. This will be placed back on the bin list for discussion with the next two weeks.

Open Time

John Huber reminded everyone that ELT will meet with Right Management at the University Club at UofL tomorrow, and urged everyone to be on time. Susan will provide an agenda for that meeting.

John mentioned water sales for January are \$350,000 under projections, and also cited the loss of 20,000 manufacturing jobs in Louisville over the past several years. He said LWC needs to sustain the cuts it has made and continue to look for cost savings. LWC may need to consider an interim rate increase. John said a key project is to develop an accurate model of water delivered to the mains and so we can translate that on a regular basis (daily or weekly) into future sales. He wants to assure we consistently report water delivered to the mains for sale, as well as unaccounted for water trends throughout the year.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the February 16, 2004, ELT meeting.

Agenda for Next ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the February 23, 2004, ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes February 23, 2004

Attendees: Karla Teasley, Ed Chestnut, Greg Heitzman, Kathy Holder, John Huber, Susan Lehmann, Bob Miller

Absent: Bill Meeks

Visitors: Kathie Johnson, Don McKay, Sandra Beyerle, Amber Halloran, Sue Purdy

Minutes Approved and Agenda Reviewed

Minutes from the February 16, 2004, ELT meeting were reviewed and approved as submitted. The Agenda for this meeting was discussed and approved.

Motor Vehicle Accident Policy – Don McKay and Sandra Beyerle

Don McKay distributed copies of a revised Vehicular Accident Policy for review, discussion and approval. Under 3.0, Definitions, a Vehicular Accident was defined as an "unintentional" event versus an act of malice which would not be handled under this policy.

Under Item 7.2 concerning the assessment of driver points, accidents involving union employees will be investigated by a team of the process owners for Claims & Recoveries and Employee Health & Safety along with a designee of Local 1683 participating at Level IV involvement.

Some discussion was held regarding how to address instances where employees have accumulated significant points under the old system. Greg felt some counseling should be given to employees having significant points to impress on them the importance of safe driving habits.

Implementation of the new policy will start all employees with a clean slate. Don McKay will check to see what the impact would be if the policy is implemented retroactive to January 1, 2004. Susan Lehmann and Kathy Holder will research the issue of whether driver training required by the policy after certain events should be at employee expense.

ELT approved the revised draft policy. Don McKay will advise the implementation date via email.

Status of 2004 Operating Plans

Karla Teasley reported her BSO's plan to have Operating Plans completed by March 1. However certain systems may need additional time due to the impact of the reorganization on their responsibilities.

Bob Miller said Information Technology has completed its Operating Plan. Amber Halloran and Don McKay have not asked for extensions, but Bob believes Amber may need an extension of time.

Susan Lehmann reported that Rhonda will not have any changes to her Operating Plan, and Kathy Schroeder is integrating Supplying Organizational Effectiveness into Human Resources, and will be complete by Wednesday.

Greg Heitzman said the moves within his organization will require some cutting and pasting to update the Operating Plans.

HR is moving employees to new positions and systems, and the budget group will move the numbers following that.

Employee moves are complete in most instances but still transitioning in some. Mail service transition is underway. .

Greenbacks Report – Amber Halloran and Sue Purdy

Amber Halloran distributed Unaudited Financial Highlights for January 2004 for review and discussion. The auditors have not yet completed their audit, so these figures are not considered final until the audit is complete. Amber does not expect the income statement to change. We are \$389,000 under plan in water sales, but there is a billing adjustment of approximately \$40,000 which will improve the February results.

The newer low flush toilets and water conserving household appliances could be having an impact on water sales. Additional analysis is being conducted to determine any long-term changes to base sales.

Open Time

ELT discussed whether additional cost cuts should be made, and whether LWC should consider an interim rate increase. John said the fundamental question is how much of the change is permanent and how much is related to conservation and other factors.

John reported the Metro Government has established a telephone number, 311, for reporting potholes, traffic light malfunctions, signs down, road hazards, etc. Karla will follow up with Marianne to promote this new trouble reporting capability with employees through Newsleaks.

Review Bin List—All

The group discussed items for the BIN List and the agenda for the March 1, 2004, ELT meeting. The Risk Assessment Management Letter will be added to the next agenda, as well as Standards of Work Performance. Right Management work will be added to the bin list and Susan and John will provide a timeframe for discussing next steps.

Agenda for Next ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the March 1, 2004, ELT meeting.

*Decisions made by ELT and items requiring action are “shadowed” in these minutes.

ELT Meeting Minutes March 1, 2004

Attendees: Karla Teasley, Ed Chestnut, Greg Heitzman, Kathy Holder, John Huber, Susan Lehmann, Bob Miller, Billy Meeks

Visitors: Kathie Johnson (Recorder)

Minutes Approved and Agenda Reviewed

Minutes from the February 23, 2004, ELT meeting were reviewed. Susan Lehmann asked that the first line of the second page, "Bob Miller said the budget group is working with operating areas to validate budget changes," be omitted and the following language inserted: "HR is moving employees to new positions and systems, and the budget group will move the numbers following that." The minutes were approved with that change. The Agenda for this meeting was discussed and approved.

Standards of Work Performance - ELT

ELT discussed standards of behaviors and work performance at LWC and agreed to continue discussion at another meeting. Susan Lehmann will use the BSOC as a focus group to gain their perspectives and will report back.

Risk Assessment Management Letter – Bob Miller

Bob Miller distributed the latest version of the proposed response for review and comment.

For Item I, ELT members need to follow up with Don McKay to see what is needed to meet the May 28 deadline for completion of revised system risk assessments and strategic risk assessments, and will need to reprioritize other work to meet this deadline. The same is true for the September 30, 2004 deadline for completion of risk and control interaction assessments and synoptic system risk management plans. Greg Heitzman will furnish Bob with proposed language for Item III that will make it actionable. Susan suggested that Item IV include language stating that implementation of the enhanced performance management system is occurring in a phased approach beginning in 2003, and enhancements will be made in an ongoing fashion.

Bob Miller will incorporate the suggested changes into another draft to be circulated to ELT. John Huber said unless there are other concerns, we will consider this ready to be passed on to the Audit Committee.

Open Time

AWWA Annual Conference - Discussion was held regarding attendees at the AWWA Annual Conference. John Huber, Greg Heitzman, Karla Teasley and Johnnie Rice will attend, as well as the Men's and Women's Tapping Teams. The Women's Tapping Team expenses of hotel room, airline flights, and meals will be paid 100% by AWWA. The Men's Tapping Team expenses will be funded partially by the AWWA KY-TN Section, LWC and the Union. Tapping Team stays are limited to three days unless they use PTO for additional stay and pay their own additional expenses. Practice prior to the trip will be done on their own time.

CIP Results for 2003 - There was a discrepancy in the CIP results for 2003. Karla and Greg will follow up to identify the gap in reporting for the fourth quarter 2003 results.

Staffing – We are eliminating two Drafting positions (O&M), and filling two GIS Technicians (predominately Capital). We will save approximately \$63,800 in the O&M budget.

Review Bin List—All

The group discussed items for the BIN List and the agenda items for the March 8, 2004, ELT meeting. The agenda will include Greenbacks, Water Sales Analysis and Trends, Board Agenda, Unaccounted For Water, and Safety Shoes. Don McKay will be asked to attend ELT in about two weeks to discuss Risk Assessment Plan and Audit expectations.

Agenda for Next ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the next ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes March 8, 2004

Attendees: Karla Teasley, Ed Chestnut, Greg Heitzman, Kathy Holder, John Huber, Susan Lehmann, Bob Miller, Billy Meeks

Visitors: Kathie Johnson (Recorder), Nora Freeman, Amber Halloran, Sue Purdy

Minutes Approved and Agenda Reviewed

Minutes from the March 1, 2004, ELT meeting were reviewed and approved as presented. The Agenda for this meeting was discussed and approved. Karla Teasley informed the group the Safety Shoes topic may not be presented today since she has been unable to confirm the presentation with Angela Harris.

Shepherdsville Main Break Recognition by ELT – Greg Heitzman

Greg Heitzman distributed an email documenting the cooperative effort across systems to identify causes and implement steps to reduce water main breaks in Shepherdsville. Greg suggested that ELT formally recognize this and future examples of successful teamwork in the ELT minutes and in Newsleaks. Greg will draft an article for Newsleaks.

Board Meeting Agenda – John Huber

John Huber briefly commented on the Board agenda, noting that important items of interest to the Board are water usage and sales, and payment of the first quarter dividend.

Unaccounted for Water – Nora Freeman

Nora Freeman distributed a presentation, "Unaccounted for Water, Clarification of 2003 Reporting," for review and discussion. Nora indicated a reporting discrepancy was noted in late 2003 between what was being reported by Accounting and Leak Survey. There was discussion of whether all water is being metered and reported correctly, including water used by the plant. Greg is currently verifying that all metered water is being tracked and accounted for correctly. Sharon Dawson will be coordinating Leak Survey activity and Unaccounted for Water reporting in 2004. Karla Teasley asked ELT to begin thinking about a Corporate focus on unaccounted for water strategies. Greg Heitzman suggested an ELT sponsored team be formed to give this priority in 2004-2005, and Nora agreed this would be helpful.

Travel Request – Bob Miller

Bob Miller sent ELT an email last week requesting approval of Glen Mudd's March 25-27 travel to attend a National Safety Council meeting in Washington, DC at an estimated cost of \$610. Bob received qualified and unqualified approvals, and brought the matter to ELT for further discussion and to document approval of the travel. Greg said for the short term he

recommended ELT continue to review for approval such discretionary items for all travel above \$500. He also commented it was helpful that Bob started the process through emails, which cut down on discussion at ELT. ELT approved Glen Mudd's travel.

Greenbacks Report – Amber Halloran and Sue Purdy

Amber Halloran reported the auditors completed their work, and there were no adjustments to the financials. Work on the Annual Report is underway, and should be completed in time for the April Board meeting.

John Huber expressed his thanks to Amber and Sue for completing the financials in just four days while balancing many other priorities.

Analysis of Water Sales Data – Ed Chestnut

Ed Chestnut handed out high-level information analyzing the last five years water sales for discussion. Our customer base is increasing, but water usage is decreasing. We may be adding customers faster than population growth. He commented this very high level look at the situation confirms the need for more in depth analysis.

It was agreed that discussion of Strategic Plan Results for 2003 would be handled outside the ELT meeting.

Open Time

There were no topics discussed during open time.

Review Bin List—All

The group discussed items for the BIN List and the agenda items for the March 15, 2004 meeting.

Agenda for Next ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the next ELT meeting.

<p>*Decisions made by ELT and items requiring action are “shadowed” in these minutes.</p>
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ELT Meeting Minutes March 15, 2004

Attendees: Karla Teasley, Ed Chestnut, Greg Heitzman, Kathy Holder, John Huber, Susan Lehmann, Bob Miller, Billy Meeks

Visitors: Kathie Johnson (Recorder)

Minutes Approved and Agenda Reviewed

Minutes from the March 8, 2004, ELT meeting were reviewed and approved as presented. The Agenda for this meeting was discussed and approved.

Rewards and Recognition Program – Susan Lehmann

ELT discussed the Rewards and Recognition Program, and modified it for the first half of 2004 as follows: Team performance for the last quarter of 2003 and first two quarters of 2004 will be recognized. A budget of \$5,000 will be allocated for team recognition through July 2004, at which time team recognition will be reevaluated. ELT will approve all Team Recognition to assure consistent handling. Quality Celebrations will not be funded for the first half of the year and will be reassessed in July. This matter will be added to the bin list for discussion at that time..

Susan Lehmann's area will research and benchmark recognition programs of other companies in an effort to develop a more comprehensive recognition program at LWC consistent with best practices with the goal to introduce a new program in 2005.

Standards of Work Performance Follow Up – Susan Lehmann

ELT concluded that undesirable behaviors observed by management should be reported to the responsible BSO or Vice President.

ELT agreed the corporate policies in place are adequate and need to be enforced. Susan Lehmann emphasized the need for consistent enforcement of policies across the organization.

Next steps include communicating expectations to managers for handling unacceptable behaviors and communicating and enforcing the policies that are in place.

This topic will be added to the bin list for quarterly review.

Open Time

Susan Lehmann reminded ELT that the Next Level Plan updates are due by the end of March. She also reminded the group that requests for references from retirees and others should be given to HR for response, and will provide only dates of employment and title.

Bob Miller commended Karla Teasley's employees for the great job they did getting the wholesale rates filed with the PSC last Friday.

John Huber's travel plans to Denver on March 22 and 23 to attend a Water for People meeting were approved by ELT. The expenses are estimated to be around \$500.

Bob Miller informed the group he will be seeking feedback on a draft document regarding Principles of Governance for consideration by the Board.

Review Bin List—All

The group discussed items for the BIN List and the agenda items for the March 22, 2004 meeting.

Agenda for Next ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the next ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes March 22, 2004

Attendees: Karla Teasley, Ed Chestnut, Greg Heitzman, Kathy Holder, Susan Lehmann, Bob Miller, Billy Meeks

Absent: John Huber

Visitors: Kathie Johnson (Recorder)

Minutes Approved and Agenda Reviewed

Minutes from the March 15, 2004, ELT meeting were reviewed and approved as presented. The Agenda for this meeting was discussed and approved. Today's agenda consists of five objectives ELT is to complete in 2004. Bob Miller distributed a packet to the group consisting of correspondence and other documents pertinent to today's discussions.

Evaluate Rate Structure & Strategies for Alternatives

Bob Miller gave an overview of the ratemaking process. This is an ELT issue because it concerns LWC's pricing philosophy. Any strategy LWC considers should include rate stabilization for its customers and revenue stabilization for the owner.

After discussion by ELT, Bob summarized that LWC needs to maintain the high integrity of the cost of service rate making methodology in considering alternative rate structures and needs to add the objective of annual stabilization of revenues through creating a risk reserve. Recommendations need to be ready for the Board for a mid-year implementation, and should meet AWWA cost of service guidelines and be consistent with bond covenants.

Fixed vs. Variable Costs

ELT discussed ways to quickly recover financially in times of economic stress, including the use of variable costs such as contract or temporary employees and outsourcing some functions that could be terminated on short notice. Greg Heitzman said LWC needs to create a more flexible labor model. He also said LWC's water quality far exceeds the regulatory requirements, and savings could be realized by reducing the use of water treatment chemicals without significantly impacting water quality.

Greg summarized the approaches: (1) Development of a variable human resource model; (2) Prioritization of activities (including ways to reduce or eliminate activities) and determining variable work levels for lower priority activities.

Billy Meeks said he would like to see financial statements that show fixed versus variable costs.

Create Risk Mitigation/Rate Stabilization Fund

Karla said any fund we set up should be viewed from both the customer's and the Public Service Commission's perspectives, and must have clear guidelines and boundaries in place for its use. Greg sees the fund being built up after net income, for use to offset unplanned, unexpected expenses. Use of these funds would need Board approval.

Outcome for this item: This work will be done by John Huber, Bob Miller, Don McKay, and the Legal Department as needed to set up the fund. The expectation is the group would report back to ELT with recommendations. The timeframe is to have something in place for 2005 for overall budget purposes. Work on this would need to be completed in April-May in order to get board approval if a rate increase is proposed for mid-year implementation.

Slow Rate of Growth of Cost of Operations

Greg distributed a graph of O&M expenses for the period 1992-2002. The group discussed ways variable versus fixed expenses might be identified. Greg will follow up with Amber or Bob to see what data can be provided for analysis to understand the cost drivers for changes in expense levels and develop a strategy to control further increases. He will also check with John Huber to see if Ed Chestnut should be involved in the data analysis.

Summary: We are asking for additional data analysis that will give us cost drivers over time, by area of the company, and by type of expenditure, i.e. labor, material and supplies, contractual services, etc. and a breakdown by system or core.

Next Level Plan

ELT discussed whether the Next Level Plan work should be deferred in light of cost reduction work underway. The team concluded these efforts should be worked concurrently since cost reduction work will continue for the foreseeable future and that work is relevant to the NLP. Karla Teasley believes cost reduction strategies need to be incorporated into the NLP as part of the overall approach. Susan said each team leader should set a realistic deadline to get their team's work completed. Karla said gaps exist because of Steve Hubbs' departure. Greg will take on the Quality Management and ISO piece and Karla and/or Bob will take on the Organization Structure piece. ELT needs to look at the cost reduction and containment strategy and how it fits into the overall document.

Karla summarized: Schedules for completion will be furnished to Susan Lehmann by the end of March which will determine the overall schedule for completion of the document. This will be done concurrently with cost reduction work.

Open Time

Bill Meeks said he would like to bring two team recognition items to ELT, for the PAR Vault Preparation and Installation Improvements, and the SFO process for Reducing Bad Debt. Karla

suggested bringing the BSOs or POs to ELT during the presentation. These will be added to the bin list.

Kathy Holder said this was her last ELT meeting, and thanked ELT for the experience and perspective she gained from working as a client instead of as outside counsel. She expects to work with Barbara Dickens through the end of the week, and will be available at 589-5400 for consultation during the transition.

Greg Heitzman mentioned he will be on Spring Break next week, but anticipates becoming ELT Leader when he returns on April 5. He will send a BSO to represent him at next week's ELT meeting. He asked that Karla set the agenda for the April 5 meeting. Karla will ask Millie to update the Roles spreadsheet for distribution to ELT.

Review Bin List—All

The group discussed items for the BIN List and the agenda items for the March 29, 2004 meeting.

Agenda for Next ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the next ELT meeting.

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes March 29, 2004

Attendees: Jim Asseff (representing Greg Heitzman), Ed Chestnut, Barbara Dickens, Susan Lehmann, Billy Meeks, Bob Miller, John Huber, Karla Teasley

Absent: Greg Heitzman

Visitors: Kathie Johnson (Recorder), Angela Harris, Glen Mudd, Rhonda Plunkett, Kathy Schroeder

Minutes Approved and Agenda Reviewed

Minutes from the March 22, 2004, ELT meeting were reviewed. Bob Miller requested the heading on page 2, "Create Risk Mitigation/Income Stabilization Fund," be changed to, "Create Risk Mitigation/Rate Stabilization Fund." The minutes were approved with that change. The Agenda for this meeting was discussed and approved.

Affirmative Action Plan – Rhonda Plunkett and Kathy Schroeder

Rhonda distributed three handouts for review and discussion: (1) An Executive Summary of the Affirmative Action Program (AAP); (2) Year End 2003 Hiring Goal Results and 2004 Hiring Goals; and, (3) 2003 Affirmative Action Report providing comparison of Human Resources Transactions in 2002 and 2001.

ELT discussed the AAP Executive Summary. LWC is considered a federal contractor because it has federal contracts and provides water to federal employees. As a federal contractor, LWC is required to have an AAP. The AAP is governed by three federal regulations that include steps to increase the representation of women and minorities, promote equal employment opportunity, and eliminate discrimination against women, minorities, veterans, and individuals with disabilities. LWC Management is accountable for meeting AAP hiring goals.

In 2002 the Overall Female Representation was 34% compared to 36% in 2003; and in 2002 the Overall Minority Representation was 24% compared to 23% in 2003. The 2003 Hiring Goal Results indicate underutilization of minorities in the Administrative Supervisory job group.

ELT discussed how to achieve its 2004 hiring goals since external hiring will be held to a minimum. The possibility of setting goals for retention of females and minorities in 2004 was also discussed. Susan said HR is prepared to come back to ELT with some AAP goal recommendations next week. Karla will place this matter on the bin list for April 5 or April 12.

This is Rhonda's last ELT meeting before she leaves the Company, and Karla thanked her for her contributions to LWC over the last few years.

Susan said Liz Gross will become the interim EEOC Officer until Rhonda's position is filled.

Safety Shoe Policy – Angela Harris and Glen Mudd

Angela Harris distributed a proposed revision to the Safety Shoe Policy along with a list of the approved positions. Level 1 on the list consists of positions where daily use of safety shoes is mandatory, requiring replacement of the shoes on an annual basis. Level 2 on the list consists of positions having occasional exposure where safety shoes need to be worn, with replacement every two years.

Angela said the proposed policy and positions in Levels 1 and 2 had been approved by BSOs. ELT concluded that replacement of safety shoes for Level 1 was reasonable and expected, but replacement of safety shoes for Level 2 should be approved by BSOs based on need since occasional wear may not necessitate replacement every two years.

John Huber commended Angela and Glen for working through the changes to this policy. Angela commented the revised policy reduces the replacement cost of safety shoes from \$120 to \$100. The average replacement cost during 2003 was \$105. A 30-day expiration has been added to vouchers issued for replacement of shoes.

Angela summarized ELT's changes: Tier 2 replacements will be based on need and BSO approval. Angela will send the policy to Barbara Dickens for her review and approval. Cost savings will not be significant, but the new policy will provide better control over the process.

Open Time

Travel Request / Licensing Requirements - Jim Asseff asked for ELT's approval for Susan Dougherty's April 13-14 travel to renew her Distribution Operator's License. The travel is estimated to cost \$530. John Huber said he supports this, but inquired if this was the most cost effective alternative for license renewals. He asked that Jim Asseff and Greg Heitzman look into any other options. Billy Meeks commented LWC could do Continuing Education Unit classes in-house to maintain licensing. John Huber said he would like to see LWC do its own training in-house for plant and distribution operator licensing and renewal, and said LWC could do a superior job of this training.

Since Greg Heitzman should be involved in these discussions, this topic will be added to the bin list for discussion in two to three weeks.

Temporary Role Assignments - Susan Lehmann said Rhonda Plunkett's departure necessitates some temporary assignments: Kathy Schroeder will assume Labor Relations; Johnnie Rice will take on the Diversity Council; and Liz Gross will take on the Affirmative Action Program work until Rhonda Plunkett's position is filled.

Medical Insurance Premium Savings – Susan Lehmann said a communication will be sent to employees regarding a reduction in their medical insurance premiums, retroactive to March 1.

Board of Water Works – John Huber mentioned he is in the process of finalizing Board committee makeup for the coming year.

ELT Roles – Karla distributed an updated Roles list. Greg Heitzman becomes ELT Leader on April 5, Billy Meeks will serve as Scribe, Bob Miller as Timekeeper, and Karla as backup recorder. Karla will develop an agenda for the April 5 meeting.

Review Bin List—All

The group discussed items for the BIN List and the agenda items for the April 5, 2004 meeting.

Agenda for Next ELT Meeting—Karla Teasley

Karla will e-mail the agenda for the next ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes
April 5, 2004

Attendees: Greg Heitzman (Leader), Bob Miller (TKO), Ed Chestnut, Barbara Dickens, Nora Freeman (representing Karla Teasley), John Huber, Susan Lehmann, Billy Meeks

Absent: Karla Teasley

Visitors: Kathie Johnson (Recorder), Sharon Dawson, Amber Halloran, Roger LeMaster, Mike McGee, Don McKay, Laurie Hahn and Ed Olliges (Crowe Chizek)

Minutes Approved and Agenda Reviewed

Minutes from the March 29, 2004, ELT meeting were reviewed and approved as written. The agenda for this meeting was discussed. Bob Miller said the Outcome for the Risk Assessment Planning topic should be to communicate the plan to ELT, and the Outcome for the Risk Mitigation/Rate Stabilization Fund should be to gain feedback. The agenda was approved with those modifications.

Risk Assessment Planning – Roger LeMaster, Don McKay, Bob Miller

Don distributed a handout of an abbreviated list of operational risks ranked by system and said the plans are to schedule two dates with ELT to identify risks. Meetings will also be set with the BSOs to review risks they previously identified and to identify and rank any new risks. The update will also include the changes in the organizational structure and identify risks resulting from the organizational changes. Bob said the ELT will look at the top 10 of the biggest risks from a strategic perspective, while BSOs will focus on operating objectives. The BSOC is going to address the intersystem risks.

Greg summarized: Don McKay will set meetings with BSOs in parallel to meetings with ELT to get the Risk Assessment updated, grouped and consolidated, and develop a profile for each risk. Don will set up a 90 meeting with ELT within the next 45 days.

Team Recognition

(1) Capital Crew PAR Vault Installations Team Recognition – Mike McGee, Billy Meeks

Bill Meeks said the PAR Vault Installation process was an improvement completed in 2003. He introduced Mike McGee, who explained the use of the polystyrene concrete

forms used in the installation of large meter vaults. The process improvement has improved safety by reducing the time an excavation is left open from several days to only one to two days. The installation cost has been reduced from an average of \$6,700 using an outside contractor, to about \$2,200 using LWC employees to do the work with this new process. The final installation is stronger and more permanent than concrete block installations, and this method of installation is readily adjustable for different elevations from 5 feet to 8 feet. Bill said LWC has installed 12 vaults using this system, at an average cost of \$2,251 per vault.

(2) SFO Process Field Customer Service Team Recognition – Sharon Dawson, Billy Meeks

Sharon Dawson presented the SFO (Service Found On) team process improvement for reducing water theft and bad debt. The process includes new procedures for identification of SFO's and the proper shut off, including installation of meter plugs to prevent meters from being turned on except by LWC. Since rental properties historically presented problems in identifying the person responsible for bill payment, the team began using the Property Valuation Assessment (PVA) records to find owners and bring pressure to bear to identify and locate the responsible party. The new process has reduced SFO bad debt by about 50%. Billy Meeks said this has become a cross system effort which reduces service runs and bad debt.

Greg Heitzman summarized the outcome, which is that ELT approved recognition for both groups at \$50 per team member. There was consensus approval. The respective Process Owners (Cliff and Sharon) will follow with documentation to HR for the recognition.

Risk Mitigation/Rate Stabilization – Bob Miller

Bob plans to open communications on this topic with the City and the Board this week, and is soliciting feedback from ELT. He recommends creating a Risk Mitigation Reserve and said LWC needs to determine the timing, reserve size, how much will be established in 2004, and determine how to allocate the funds. Bob said he had contacted others around the country, and most PSCs cap such a fund at 25% of O&M, or 90 days of O&M expenses. Questions include: how to size the rate increase (the earliest would be June 1, 2004); how do we allocate in our rate making process, and what mechanism will be used for requisitioning to withdraw money from the fund. Greg suggested the process be to document the business case for the Risk Mitigation Reserve, present it to the Board for approval after which deposit can be made to the operating fund. If there is no need to requisition funds and the reserve has reached the cap amount we set, excess contributions could be made to the Infrastructure Replacement Reserve Fund, resulting in a much more stable fund. The Bond Resolution would need to be changed, requiring a legal opinion from the Bond Counsel as well as our General Counsel that bondholders will not be adversely impacted. Bob believes this action will be favorable to the bondholders.

A question remains to be resolved regarding the future role of the Contingency Fund, which presently serves as a backstop for unforeseeable risk events and unbudgeted items; however, the fund is too small for a major risk. Greg favors eliminating the Contingency Fund.

Further comments or ideas should be emailed to Bob Miller, who will meet with John to finalize the proposal for the Board. We will open up the topic and begin the dialogue with the Board at the April 13 meeting and plan to present to the Board in May.

Capitalization Issues – Amber Halloran and Crowe Chizek Auditors Laurie Hahn and Ed Olliges

Bob Miller said the purpose of bringing in Crowe Chizek was to provide clarification on rules we follow to identify whether certain expenses should be capitalized, amortized or expensed in the current period. Amber said the basic capitalization rule is to “match a future benefit to the expense that creates that future benefit”. Amber provided a handout prepared by Crowe Chizek that summarizes their opinions. The following expense categories were discussed:

Acquisition Expenses: Due diligence and business development costs leading up to Board approval for an acquisition cannot be capitalized, but costs following Board approval of an acquisition can be capitalized.

Capital Crew Expenses: Greg asked if LWC’s internal capital crew expenses can be accurately compared to outside contractor expenses since outside contractor expenses include general training and meeting time but LWC’s do not. Ed Olliges responded there is no different set of rules. All direct and certain indirect costs can be capitalized. General and administrative costs should be expensed. Learning costs are generally expensed or assigned to projects in place. All external contractor expenses to construct assets can be capitalized, since the contractor does not detail his expenses for general and administrative activities.

Manager’s (BSO, PO) Expenses: To be capitalized, a manager’s time must be specifically related to a project that yields the future benefit. Generally BSO and PO time is not capitalized, unless working on a specific capital project in a design capacity. Administrative oversight is expensed in the current period.

Engineering Conceptual Design Expenses: The group discussed projects that require conceptual evaluation of alternatives, such as Advanced Treatment Technology. Until a decision is made what capital asset to construct the costs are considered development costs and should be expensed in that time period. Amber advised that until a project is determined “feasible and probable”; the evaluation costs are expensed in the current period. The “feasible and probable” test validates the capital asset.

Property Acquisition Expenses: Once the need for a tank in a defined area has been identified, and the engineers determine the site is feasible and tank construction is probable, then costs for site acquisition can be capitalized, even though the actual site is not yet secured. Planning and hydraulic evaluation for locating storage tanks is expensed.

Greg commented that this will significantly impact the O&M budget allocation for engineering and planning areas (estimated over \$500,000) in 2004 and 2005. We need to be budgeting according to the accounting rules, in order that managers (BSOs and POs) can be held accountable to budgets in a consistent fashion (current budgets do not include adequate allocations for these expenses). Our challenge is to be consistent. Amber will work with affected areas to develop accounting guidelines for capitalizing expenses, and BSOs will prepare 2005 budgets using these capitalization guidelines.

Open Time

There was no discussion during Open Time.

Review Bin List—All

The bin list was reviewed for potential agenda items for the next ELT meeting. Susan Lehmann said she will send ELT the Affirmative Action Plan for offline handling.

Agenda for Next ELT Meeting—Karla Teasley

Greg will prepare and send out an agenda for the April 12, 2004 meeting.

Greg will e-mail the agenda for the next ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes April 12, 2004

Attendees: Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Billy Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy

Minutes Approved and Agenda Reviewed (9:00)

Minutes from the April 5, 2004, ELT meeting were reviewed. John Huber asked that an additional sentence be added under the Risk Assessment Planning topic, at the end of the first paragraph, as follows: "The BSOC is going to address the intersystem risks." The minutes were approved with that change. The Agenda for this meeting was discussed and approved.

Follow Up On Capitalization Issues (9:12)

ELT briefly discussed capitalization issues. Bob Miller will follow up with Amber Halloran regarding the status of the draft capitalization policy.

Review Board Agenda – John Huber (9:16)

John Huber reviewed the BOWW Annual Board Meeting agenda with ELT. Barbara Dickens will be sworn in at the meeting.

Greenbacks Report – Amber Halloran, Sue Purdy (9:20)

Amber Halloran and Sue Purdy provided copies of and discussed the Financial Highlights for March 2004. Amber commented the budget changes are still being uploaded, and movement to cost centers is expected to be completed this week. The budget comparison in the Financial Highlights is still to the original budget and not the revised budget. Future statements will show comparisons to both the original budget and the revised budget. Budget reductions will be added to the statements to show budget dollar savings. The financial statements continue to show the number of customers has increased but consumption has decreased.

In response to questions from ELT, Amber will provide further analysis on labor and overtime, as well as materials and supplies, contractual services and transportation.

Break (10:10)

HRIS Business Case – Bob Miller (10:22)

Bob Miller said pages 88-96 of the Board book contain a letter and Business Case related to the need for a new Human Resources Information System. He had hoped to take this to the board for authorization, but is not yet prepared to do so. Bob said LWC's present system creates operational issues, technical issues and business risks related to compliance and historical data integrity, and is unsustainable to meet future needs. Susan Lehmann provided a handout identifying Human Resources/Payroll Risks for review and discussion. Savings from a new system are not expected to offset the cost, which would range from \$750,000 to \$1,800,000 over five years. Bob explained he underestimated the cost of a new HRIS when setting the 2004 budget by authorizing only \$250,000. Karla Teasley pointed out the budget impact will be in 2005.

ELT discussed prioritization of this and other IT initiatives, including the Warehouse Management System. Bob believes HRIS is the number one IT priority this year. The Warehouse Management System will not be done in 2004, but could possibly be ready for implementation in 2005. Greg Heitzman said we can look at the warehouse annual inventory at mid year to see if manual processes have impacted ability to manage inventory within control limits and established goals.

ELT members will email their questions and comments to Bob so he can begin communicating with the Board.

Eroding Sales Base and Interim Rate Increase – Bob Miller (11:00)

Bob Miller said the problem that needs to be communicated to Board and LWC customers is a permanent erosion of base water sales, apparently attributable to conservation type fixtures. Bob is looking for a definition of the problem to take to the Board and customers to explain the need for a mid-year rate increase. Timing is important since Board action will be needed in May. John believes the erosion of base water sales will continue in the future as the use of conservation (low flow) type fixtures increases with new construction and plumbing retrofits.

Open Time (11:20)

Sale of Pickup Trucks (11:20) – Billy expressed his concern that the planned sale of pickup trucks would reduce the number of vehicles available for Middletown's use in planning and profiling their jobs. After discussion, Greg advised we will keep the target number of vehicles for sale (minimum of 20), but allow stakeholders to meet and prioritize a reallocation of vehicles (Bill Meeks, Jack Wang, Nora Freeman, Jim Brammell and Ralph McCord).

Decision Partners Team Update (11:30) – A workshop was held at UofL on Thursday, April 8 to focus on team dynamics and to help reenergize the team. Billy said the team lost some of its resources and is made up of mostly new members. John Huber emphasized the need to nurture the DPT and to support the members' attendance and participation at the meetings. Action items on the plan need to be integrated with other plans. Karla, Greg and Susan will make sure BSOs know participation and attendance at Partnership meetings is an operational priority to assure the success of the Labor-Management Partnership. Karla asked that this item be added to the bin list for future discussion.

Review Bin List (11:40)

The group discussed items on the BIN List and the agenda items for the April 19, 2004 meeting. Susan said the Next Level Plan work should be completed by the end May. Billy will present the NLP for Partnerships Among Employees at the next ELT meeting.

Agenda for Next ELT Meeting—Greg Heitzman

Greg Heitzman will e-mail the agenda for the next ELT meeting.

Adjourn (11:50)

***Decisions made by ELT and items requiring action are "shadowed" in these minutes.**

ELT Meeting Minutes April 19, 2004

Attendees: Greg Heitzman (Leader), Karla Teasley (TKO), Ed Chestnut, Barbara Dickens, John Huber, Susan Lehmann, Bill Meeks

Absent: Bob Miller

Visitors: Kathie Johnson (Recorder), Roger LeMaster

Minutes Approved and Agenda Reviewed (9:05)

Minutes from the April 12, 2004 ELT meeting were reviewed and approved as written. The agenda for this meeting was discussed. The agenda item for R5 Certification will be deferred to a future meeting when Bob Miller can be present.

I2 Certification (9:10)

Greg distributed copies of his April 19 memo to ELT regarding the System Certification of I2 - Facility Design, Construction and Maintenance. The audit revealed that I2 met the basic requirements for system certification, but identified three areas for improvement. Greg discussed the audit responses to each recommendation.

ELT Action – Karla Teasley recommended certification of I2, and there was consensus approval. Greg will communicate to the BSO and System SAC.

NLP Sub-team on Partnership Among All Employees – Bill Meeks (9:40)

Bill Meeks distributed the latest draft of Chapter 3 for discussion, and asked for comments for improvement. John Huber said we want to be sure Internal Customer Satisfaction (ICS) is placed somewhere in the Next Level Plan (if it is not included in the Partnership section) that discusses the need for dialogue between individuals and groups leading to understanding of customers' needs by suppliers.

Greg summarized that we need to make sure the NLP has a section on ICS related to suppliers and other relationships, and how information flows through these groups.

Susan will send an email to other NLP sub-teams to communicate the Next Level Plan must contain all of the sections/topics when completed, so if one sub-team drops an item it should be handed off to another sub-team for inclusion.

John Huber asked that the subsections in Chapter 3 be reorganized. Following the introductory paragraph, either "Achieving Partnership Through SACs and NWTs" or "Communications" will become the new Subsection 3.1. Billy will follow up on Internal Customer Satisfaction and Predecisional Involvement sections, and will make sure every subsection removed from the Partnership Among All Employees draft does not drop off the Next Level Plan. Greg also suggested including the date the Partnership Agreement was signed, and including a group of references used in the section (a bibliography).

ELT Action – ELT approved the substance of the Partnership Among All Employees section of the Next Level Plan, with the changes recommended by ELT. Billy will send ELT a copy of the revised draft upon completion.

Break (10:10)

Review Bin List (10:23)

ELT did a partial review of the bin list. Greg will update the bin list and will schedule another session to review the remainder of the list.

Travel Authorization for Jack Wang – Greg Heitzman (10:43)

Jack Wang plans to attend a World Health Organization and National Sanitation Foundation meeting in May on Water System Security, at an estimated cost of \$1,000.

ELT Action – ELT approved Jack's travel.

Open Time (10:50)

Board Terms (10:50) – Wendy Welsh's and Phil Bond's terms expire in April 2004, and John Huber received notice from the Mayor's office that Phil Bond will be replaced on the Board. Wendy Welsh will continue to serve on the Board. This will require some new committee assignments.

Increased Cost of Materials (10:53) – John commented growth in Asia has increased the demand for materials and driven up costs. LWC will need to analyze the projected impact before setting next year's budget. LWC will also need to consider its capacity to rebid some materials, rather than extend contracts using PPI.

Mercer Evaluations (10:58) – John said Mercer will be evaluating roles and doing market pricing for the Vice Presidents and Assistant to President roles.

Preserve America (11:00) – First Lady Laura Bush will be visiting the LWC Water Tower on Tuesday, April 20, 2004, at 2:00 p.m.

Diversity Training (11:03) – Susan Lehmann said train-the-trainer sessions for ELT and BSOs will be scheduled in June. The training is expected to take two days, and each person will have one topic they can facilitate.

ELT Effectiveness Work (11:06) – Susan said the plan is for two ELT members to facilitate a session with BSOs. Right Management will develop a template to assure consistent meetings are held.

Review Bin List (11:10)

ELT used the extra meeting time to complete its review of the bin list. Greg will incorporate changes to the bin list.

Agenda for Next ELT Meeting—Greg Heitzman (11:22)

Greg Heitzman will e-mail the agenda for the next ELT meeting.

TKO – Karla Teasley (11:24)

Adjourn (11:26)

***Items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes April 26, 2004

Attendees: Greg Heitzman (Leader), Bob Miller (TKO), Ed Chestnut, Barbara Dickens, John Huber, Susan Lehmann, Bill Meeks, Karla Teasley

Visitors: Kathie Johnson (Recorder), Roger LeMaster, Nora Freeman

Agenda Reviewed (9:05)

Greg Heitzman reviewed the agenda with ELT.

Minutes Approved (9:07)

The minutes were reviewed and approved as submitted.

R5 Certification (9:08)

Bob Miller distributed copies of his April 26 memo to ELT regarding the System Certification of R5 – Managing Business Risk System. The audit for system certification identified six areas for improvement in R5. Bob discussed the System's responses to each of the audit recommendations. ELT discussed the audit recommendations and the merits of certification with specific follow up action items, or to postpone certification until several key recommendations (NWT/SAC structure, process measures, empowerment, and internal customer satisfaction) are addressed. A suggestion was also made to have the HROE area provide training in statistical process control (SPC) since this is a valuable tool in measuring process effectiveness.

ELT Action – ELT agreed that R5 would not be certified at this time. It will be considered for certification again in early October, after the audit recommendations are addressed.

Metered Water Ratio Draft Charter – Nora Freeman (9:45)

Nora Freeman distributed a draft team charter for review, discussion, and approval by ELT. She said the draft included comments from other affected system owners. Nora reviewed the content of the charter with ELT, and commented she believed implementation of strategies would not occur before 2005, at which time five year goals for improvement might be included in the Strategic Plan. ELT asked Nora to bring forward any budget gap issues as early as possible. A change was suggested for Item A, No. 6 under Deliverables, to read as follows: "Implement corporate strategies and develop an action plan to increase the metered water ratio and integrate into system operating plans."

Karla Teasley requested that quarterly progress updates be added to the bin list.

ELT Action – ELT is sponsoring the Metered Water Ratio Team, and approved the charter with modifications suggested.

Break (10:10)

Request for 2 Part-Time Summer Students for AwwaRF Projects – Greg Heitzman (10:25)

Greg Heitzman described the need for two part-time students to work on AwwaRF projects. For the first Project #03002, Bank Filtration System Plugging, the student labor is funded from an AwwaRF grant, having no net impact on the 2004 O&M budget. Steve Hubbs had initiated this Tailored Collaboration Project in summer 2003, before his retirement. Kay Ball will replace Steve as the Project Manager, and Steve will be working on the project as an employee of the University of Louisville, Center for Infrastructure Research. The student labor for this project is not funded from AwwaRF in 2005. LWC must fund 5 months of salary in 2005 O&M budget, if the work is not completed in 2004.

The second student will document processes and procedures for Project # 2954, Distribution Water Quality in New Development and Low Flow Areas. We have a commitment to participate and provide \$15,000 of in-kind contribution, however there is no 2004 budget allocation for the graduate student. A portion of the commitment will be offset by existing staff as in-kind contributions, and approximately \$7,500 will come from Jack's P1 budget. The expense will be absorbed with the P1 budget.

ELT Action – ELT agreed to hire the two students on a Part-Time basis for the AwwaRF project work. A communication will be placed in NewsLeaks regarding these positions.

Open Time (10:45)

Focus Groups on ELT Effectiveness (10:45) – Susan Lehmann distributed an outline for the focus group sessions providing background and main themes. The outline will provide consistency in the meetings. Susan also distributed facilitation guidelines. She recommended one member of each facilitation team take on the role of capturing notes and providing those to her for compilation.

First Quarter Goals Results (11:00) – Ed Chestnut distributed and discussed first quarter results for ELT Shared Goals, Incentive Plan Goals for President, Vice Presidents and BSOs, and the 2004 Corporate Performance Award. Ed will follow up with Amber Halloran whether the first quarter results for the President, Vice Presidents and BSOs 2004 Incentive Plan Goals were based on the original or revised budget figures. Time did not permit ELT's review of the LWC Corporate Measures for the first quarter. This item will be scheduled for review at a future meeting.

Agenda for Next ELT Meeting and BIN List review—Greg Heitzman (11:30)

Greg will email the agenda for the next meeting. Susan noted most NLP Sub Teams will be complete at the end of May, so ELT review of NLP documents will likely roll into June. Greg will look at the bin list to determine if he can schedule Next Level Plan items for discussion at a special ELT meeting during the late May or early June.

Greg Heitzman will e-mail the agenda and minutes for the next ELT meeting.

TKO – Bob Miller (11:35)

Agenda was adjusted to accommodate 1st Quarter Goal Review and Focus Groups. The meeting started five minutes late and finished seven minutes late. All members actively participated. Greg also advised of format changes to the minutes, including time reference, bolded ELT action items, and shaded follow up action items.

Adjourn (11:37)

*Items requiring action are "shadowed" and ELT Decisions are "Bolded" in these minutes.

ELT Meeting Minutes May 3, 2004

Attendees: Greg Heitzman (Leader), Bob Miller (TKO), Ed Chestnut, Barbara Dickens, Susan Lehmann, Bill Meeks, Karla Teasley

Absent: John Huber

Visitors: Kathie Johnson (Recorder), Vince Guenther, Barbara Crow

Minutes Approved and Agenda Reviewed (9:00)

The Minutes from the April 26 meeting were approved as written. Greg Heitzman reviewed the agenda with the team.

NLP Sub-Team for Risk Assessment / Risk Management – Bob Miller (9:10)

Bob Miller gave an overview of the proposed draft. The section opens with definitions for business risk, business risk controls and risk management. Next he discusses the cost of risk measure and discusses the COSO Internal Control Model and defines the five primary components of the COSO model. The last page of the document discusses ways in which ELT and the organization intend to improve controls and manage business risks: identify, assess and control risks that occur at the corporate level and develop appropriate business continuity plans. Bob discussed the draft with ELT, including its similarity to ELT's response to the Internal Control Evaluation/Questionnaire and Risk Assessment work completed by Don McKay and Roger LeMaster last year.

ELT suggested we define the acronym COSO for the document and decide the appropriate length in light of the other sections of the NLP drafts. Team members suggested some other brief revisions to the language which Bob will make. Bill indicated that the language is somewhat technical and detailed for front-line use. We may want to edit this and include some of the information in the appendix. Bob agreed to do two versions, one long version and one short version, and let the editing team decide which to use.

C3 Empowerment Pilot Results – Karla Teasley (9:35)

Karla reviewed the documentation for the pilot including Roger LeMaster's report on his review of the pilot. Bill discussed the pilot and indicated that he is seeing more coordination between the process employees in communicating better and reducing non-value added work.

ELT Action - ELT agreed that this met the certification requirement for the Empowerment Pilot, and that all certification requirements have now been met.

Travel Authorization for Jack Wang – Greg Heitzman (9:45)

Greg discussed a proposed trip for Jack Wang to participate in an AwwaRF research workshop in Prague, Czech Republic in June. The workshop concerns herbicides and their metabolites in water, and Jack's expenses are fully reimbursable by AwwaRF.

ELT Action – ELT agreed no approval is required when travel expenses are fully reimbursable by an outside party (i.e. AWWA).

Open Time (9:50)

Job Description Project – Susan said Kathy Schroeder is working on revising job descriptions, and hopes to have the work completed on BSO and PO job descriptions by September 2004. Kathy's goal is for all other job descriptions to be completed by the end of the year. No pay adjustments or grade changes will be made until all of the work is completed.

Recognition for Employees Obtaining Degrees – The practice of awarding plaques to employees who obtain a college degree will be discontinued due to cost reductions. Recognition of employee graduations will be made in NewsLeaks.

ELT Communication Forums – The Communication Forums will begin again in June 2004, and will include certain topics for communication, and topics to obtain feedback from employees on a variety of issues.

Derby Preparations – Because of some significant issues last year and higher security needs, a great deal of preparation was done for the Derby by various systems and processes. The result was that there were no issues, and there was great cooperation between the various areas which prepared us well for any potential emergencies.

Break (10:05)

Review LWC Corporate Measures – Ed Chestnut (10:20)

Ed distributed a chart of LWC Corporate Measures for review and update by ELT. Karla commented the chart initially had been put together by the NLP Corporate Measures Sub-Team, and Ed has updated it with 2003 and 2004 goals. ELT assigned names to items with incomplete goal information so Ed can follow up for data to develop the goals. Ed will update the chart with goal information once the information is made available to him from the identified BSOs.

Karla suggested Notices of Violation (NOVs) be added to the measures chart, and also suggested a column be added to show if goals are being met. The Measures Sub-Team will continue to meet, and Ed will provide trend information to assist in setting five year goals.

Rate Increase Discussion – Bob Miller (11:02)

Bob Miller distributed to ELT a proposed letter to the Board for review, discussion and feedback. Bob said LWC is recommending a 4% water rate increase to be applied across the board, with the exception of the wholesale rate (just changed), Kentucky Turnpike 2 rates, Goshen Utilities rates, Shepherdsville rates, fire service rates, and elevated service area surcharge. The purpose of the 4% increase is to make up the revenue gap in 2004, and will be used to offset a mix of operating expenses.

Bob believes the analysis prepared by Dr. Cerito will help LWC better predict what future water rates should be. Greg asked that any further comments on the proposed Board letter be provided directly to Bob. Barbara Crow said a communication plan for the rate increase is now being prepared.

TKO Report – Bob Miller (11:28)

Bob Miller said good time estimates were made for agenda topics, the presenters were well prepared and had documents ready for discussion. He thought the team slowed up somewhat during the review of Corporate Measures, possibly because the team was unsure of the intended outcome.

It was a successful meeting overall.

Agenda for Next ELT Meeting and Bin List Review – Greg Heitzman (11:30)

Greg reviewed the bin list with ELT for the next meeting, which will probably include Review of Board Agenda, Greenbacks Report, Assessment Tool Presentation, and Capital Budget Sheet Process.

Greg will email the agenda and minutes for the next ELT meeting.

Adjourn (11:35)

*Items requiring action are "shadowed" and ELT Decisions are "**Bolded**" in these minutes.

ELT Meeting Minutes
May 10, 2004

Attendees: Greg Heitzman (Leader), Bob Miller (TKO), Ed Chestnut, Barbara Dickens, Karla Teasley (Recorder), John Huber, Susan Lehmann, Billy Meeks

Visitors: Rick Cartor with Right Management, Amber Halloran, Sue Purdy

Minutes Approved and Agenda Reviewed

Minutes from the May 3, 2004 ELT meeting were reviewed and approved as written. The agenda for this meeting was discussed. Five Open Time items were added to the agenda. The agenda was approved with those modifications.

Assessment Tool Presentation

Rick Cartor of Right Management was asked to propose an assessment tool for ELT's consideration. Rick reviewed the features of the Campbell-Hallam Team Development Survey with ELT. Participants (ELT) and Observers (a customer group) rate the team in the following categories: resources, efficiency, improvement, and success. The survey takes about 30 minutes to complete. Rick recommends a survey frequency of no more than twice each year, and once each year is preferable. Observers could be picked randomly and Rick recommends that we might want to include the BSOs as the observer group. Greg summarized the discussion and referenced that we will continue to evaluate the input from BSOs and focus groups to improve ELT effectiveness. The plan is to review the use of this team assessment tool in the fourth quarter to establish a baseline for performance in 2005. Greg will place this item on the agenda for October.

Review Board Agenda

John reviewed items that will be presented at the Board meeting. The Compensation Committee Charter and LWC Governance documents will be held for a later Board meeting. The agenda will include minutes from the Public Affairs and Customer Satisfaction Committee meetings held last Friday. John covered the RBF topic including the status of land acquisition issues and revisions to the project budget. The proposed rate increase was discussed. In light of the proposed LG&E rate increase and further cost cutting at Metro Government, the LWC 4% rate increase may not be recommended. John also discussed options for further cost cutting. He explained that additional reductions in O&M costs could result in added risk and may cut into levels of service. Also, we are still assimilating cuts and staff reductions made earlier this year. As an alternative to a rate increase, Bob will present a scenario of deferring deposits to the infrastructure replacement reserve until the end of the year. This alternative may require advancing the schedule for borrowing for needed capital.

Review Operating Performance (Greenbacks Report)

The Finance staff is in the process of completing the budget changes, although most of them are complete. The group will then spend more time analyzing the variances YTD and work on preparing a year-end forecast.

We are under budget in consumption by 259 million gallons and \$897,000 in water revenue. O&M expense is over budget by \$156,000 but more than this amount (several hundred thousand) relates to advance sick time and PTO paid to early retirees. Depreciation is \$590,000 below budget. Non-operating income/deductions include about \$900,000 paid to early retirees. Budget savings are being tracked as noted on page 3 of \$366,582 in savings through the end of April. Customers are up 4,594 over 2003. Unaccounted for Water is 15.83 YTD, under percentages for 2002 and 2003.

Open Time

Fund for the Arts – Bob stated that the appeal this year will be fairly straightforward and will be handled by staff in Bob's Core in May. We will run the campaign without additional expense to LWC.

Desk Top Computers – Bob referenced his e-mail on this topic from earlier in the week. The issues relate to use of personal software packages on company computers. This causes concern with viruses and other problems. Also, the traffic load on the LWC system is high when employees use the internet for personal use, as well as issues regarding handling personal business on company time. Bob is evaluating the removal of all computer games from computers consistently across the company, including games that come with the company software. Bob is looking for feedback from ELT on these topics and will begin the process to update the policies regarding personal computer use.

APWA Truck Roadeo - Karla reported that the 2004 APWA Truck Roadeo is scheduled for Saturday, May 15. We are still looking for someone to drive in the serpentine event. Contact Larry Hornek for participation or information on the event.

Diversity Council - Susan said they are looking for a volunteer ELT member to serve on the Council for a six month period and participate in planning LWC events including brown bag lunches and the annual diversity celebration. Train-the-Trainer diversity training is scheduled for June 23-24 for ELT members and BSOs.

Auction – The auction was held last Saturday. Twenty-two vehicles were sold for about \$112,850. This is about \$30,000-\$35,000 higher proceeds than was anticipated from the auction.

Review Bin List—All

The bin list was reviewed for potential agenda items for the next ELT meeting.

Agenda for Next ELT Meeting – Greg Heitzman

Greg will prepare and send out an agenda for the May 17, 2004 meeting.

Greg will e-mail the agenda for the next ELT meeting.

***Decisions made by ELT and items requiring action are “shadowed” in these minutes.**

ELT Meeting Minutes
May 17, 2004

Attendees: Greg Heitzman (Leader), Bob Miller (TKO), Ed Chestnut, Barbara Dickens, Karla Teasley, John Huber, Susan Lehmann

Absent: Bill Meeks

Visitors: Kathie Johnson (Recorder), Kate Farrow, Johnnie Rice

Minutes Approved and Agenda Reviewed (9:05)

Minutes from the May 10, 2004 ELT meeting were reviewed. Under the topic "Assessment Tool Presentation", Susan Lehmann amended the minutes from, "Rick recommends a survey frequency of twice each year", to read, "Rick recommends a survey frequency of *no more than twice each year, and once each year is preferable*". The minutes were approved with that amendment. The agenda for this meeting was discussed. The Capital Budget Sheet Process presentation will be deferred to a future meeting since Jim Smith could not be present. The revised agenda was approved.

2004 Internal Customer Satisfaction Survey – Kate Farrow (9:10)

Kate Farrow distributed materials for discussion related to the Internal Customer Satisfaction (ICS) survey. The ICS survey is currently set for August 2004, with a budget of \$27,000. Kate outlined some of the difficulties that will be faced in analyzing data at the process level due to the reorganization. Scores at the corporate level will still be valid. After some discussion ELT concluded the data are still valid and will be used at the process level even though analysis and comparison will be more difficult than in the past.

ELT discussed whether the ICS should be held in August 2004 as planned or deferred to the first or second quarter of 2005. ELT decided having the survey in August is important to keep the emphasis on internal customer satisfaction, to help new processes identify and communicate with customers about their needs and expectations, and to keep communications open to find out what customers need. John Huber pointed out with a leaner organization, it is even more important to identify and deliver what the customer wants. He also said that systems need to be operating in a manner where the system is self sustaining and not dependent on any one employee for the success of its operation.

ELT Action: Decision was made to conduct the Internal Customer Satisfaction Survey in August 2004. Kate will coordinate the survey with System and Process Owners.

Consensus Tool – Johnnie Rice and Kate Farrow (9:55)

Johnnie and Kate introduced a tool for measuring levels of consensus from a 1 (least) to a 5 (highest) level of agreement. This allows everyone to express their level of consensus and opens up communications on why the differences exist. Greg suggested using the tool through June 30 and evaluating its value to ELT for continued use. John and Ed pointed out that no matter what level of consensus an individual may express, any decision ELT makes by consensus must be fully supported by each team member. Discussion of the consensus tool surfaced questions regarding the appropriate use of ELT's time in making some decisions that could be handled at the President, VP, or BSO levels. Greg will add this to the bin list for further discussion.

ELT Action: The consensus tool will be used through June 30 and evaluated at that time for continued use.

Travel Expenses – Greg Heitzman (10:25)

Greg reported travel through April of 2004 was \$6,490 compared to \$28,568 for the same period of 2003. The savings could be a result of travel budget reductions or possibly the review and approval by ELT for travel over \$500.

Bob will do further checking to assure all expenses through 2004 are reported.

John Huber said we need to decide how many employees to send to the AWWA KY-TN Section Annual Conference in July, and what future level of support LWC will provide for tapping teams. Greg and Karla will follow up with Bill Meeks on the issue of tapping team support. Barbara, Bob, Greg, Karla, and Susan will determine how many employees should be sent to the AWWA KY-TN Section Annual Conference. Attendance in the past included eight tapping team members and seven to ten other employees.

Open Time (10:35)

David Chervenak, Sr. passed away last week. He was an auditor with the firm of Cotton & Allen and worked with LWC as lead external auditor for many years and was also father to LWC employees Paul and Dave (retired) Chervenak.

Joan Malone's father also passed away last week.

TKO Report (Bob Miller) (10:38)

Bob said he didn't do a very good job as Timekeeper today, but observed there was honest and open discussion in the meeting.

Review Bin List—All (10:39)

The bin list was reviewed for potential agenda items for the next ELT meeting. Greg will add to the bin list a Review of ELT Shared Goals for Weighting, as well as weightings for EEO Goals and Women & Minority Hiring.

Agenda for Next ELT Meeting – Greg Heitzman (10:43)

Greg will prepare and send out an agenda for the May 24, 2004 meeting.

Greg will e-mail the agenda for the next ELT meeting.

Meeting Adjourned (10:50)

***Items requiring action are “shadowed” and ELT Decisions are “Bolded” in these minutes.**

ELT Meeting Minutes
May 24, 2004

Attendees: Greg Heitzman (Leader), Bob Miller (TKO), Ed Chestnut, Barbara Dickens, Karla Teasley, John Huber, Susan Lehmann

Absent: John Huber

Visitors: Kathie Johnson (Recorder), Amber Halloran, Jim Smith, Anna Norris, Ellen Mackin, Kathy Schroeder

Minutes Approved and Agenda Reviewed (9:01)

Minutes from the May 17, 2004 ELT meeting were reviewed and approved as written. The agenda for today's meeting was reviewed and approved.

Open Time (9:06)

ELT Communications Forums – Susan Lehmann distributed an overview of the 2004 Communications Forums and a schedule of meetings and rotations. The meetings have been added to ELT members' calendars through Outlook. The meetings will be held about every five weeks, with at least two ELT members present at each meeting. Bonnie Gimbel will coordinate the meetings.

Upcoming ELT Meetings – Greg is coordinating the scheduling of a special meeting on June 1 on the Next Level Plan reviews. The June 7 meeting will focus on Greenbacks, etc. Greg will also determine if there is a need for an ELT meeting the week of June 14 since he, John and Karla will be attending the AWWA Annual Conference in Orlando.

Capital Budget Sheet Process – Jim Smith, Amber Halloran, Anna Norris (9:15)

Jim Smith distributed proposed new forms for discussion. He stated the purpose of the presentation was to get ELT's opinion whether work on the new process for capital budget sheets was headed in the right direction. Jim said the process will provide more accountability at the process level and will assure changes are entered into the FINS system. Projects under \$100,000 will not require as many signatures if there are no changes in the budget. Anna Norris will be preparing monthly and/or quarterly reports for ELT and the BSOs on projects underway.

Jim said the plan is to submit a Capital Project Proposal form just once each year. Amber said the Budgeting area will provide approved Capital Project Proposals in a binder to each BSO. The format is very similar to the old form but requires more stringent justification up front. When a change in status necessitates a Change Action, the change action form will be submitted. Any change in status will go through the approval and documentation process. ELT requested that Jim and Amber prepare guidelines on what constitutes a change action. Greg commented it might be a 10% change in scope, time, or cost.

Bob said it will be helpful to be able to compare progress reports against planning documents. ELT discussed how one initiative may be made up of several projects, i.e., provide water to residents in a geographical area, and Karla asked if there would be a good way to relate

projects that contribute to the intended outcome. One manager should be accountable for the intended outcome.

Greg expressed his concern whether we have the resources necessary to coordinate and track the additional paperwork flow he foresees being generated using the new system.

Capital project status meetings will continue to be held. BSOs will have the primary control of their programs along with their Process Owners. Jim said the project proposal will be rolled out first, and we may institute the change this year or next year. Amber said the new system will be introduced to the BSOC tomorrow. Examples will be developed to share with them.

Greg suggested an Empowerment Matrix be prepared as a tool to get everyone on the same page. The Consensus Decision Tool (CDT) was used to determine levels of consensus on whether to roll out the new process. Everyone agreed to move forward with the proposed changes in the Capital Budget Process, with CDT levels above 3. Comments during the consensus process included not knowing enough about the existing budget process and concerns regarding the approvals, roles, and coordination. This will be addressed with an Empowerment Matrix.

ELT Action: ELT reached consensus (CDT level 3 plus) on proceeding with the new Capital Budget Process. Amber and Jim will rollout the process to the BSOC tomorrow for feedback and then finalize the process, including an Empowerment Matrix. The fully documented process will be returned to ELT in the form of a Capital Budget Process policy/procedure for full implementation with the 2005 Capital Budget.

Break (10:15)

Remove Sufficient Costs from 2004 Operations – Amber Halloran (10:30)

Amber distributed information on how the dividend to the City of Louisville is calculated. Included in her handout was a statement on the Status of Cost Reductions.

Amber was optimistic that net income will allow payment of the dividend.

For follow up, Amber will send a spreadsheet to ELT of the makeup of the \$1,982,796 in Budget Reductions to Date in 2004.

Review ELT Goals for Weighting, EEO Goal, MBD Goal – Susan Lehmann and Greg Heitzman (10:38)

Goals Weightings - Susan distributed material on goals weightings for ELT, BSOs, POs, and frontline employees for discussion. The VP/ELT goals and weightings have been set by John with input from Susan. Each Vice President will set the weightings for their BSOs; the BSOs will decide for the POs; and POs will decide for frontline employees. Job descriptions are being updated to include competencies for individual jobs. To assure the goals weightings are not arbitrary and are realistic, managers will need to articulate to employees how and why the assigned weighting is determined.

ELT goals weightings distribution are 30% for Shared President and VP Goals, 60% for Individual Goals (up 6% for 2003), 10% for Corporate Diversity Goals (down 6% from 2003), yielding a total 100% for goals. Mr. Huber desires to use 30% for the Competency weighting (down 10% from 2003). The PA weighting rates for overall scores is 70% for Goals (up 10%) and 30% for Competencies (down 10%).

BSO and PO goals weightings distribution are 90% for Individual or Shared Goals (up 6% from 2003) and 10% for Corporate Diversity (down 6% from 2003), yielding a total of 100% for goals. The Competency weighting can vary from 20% to 40% for BSOs, POs, and front line employees.

Kathy Schroeder will present these changes at the BSO and PO meetings and then rollout to frontline employees. Susan said employees have input on what the percentages should be, but managers have the final decision.

MBD Goal – Ron Green discussed the 5% MBD goal with ELT. He felt it should be raised to 7%, but as yet does not have the data to support such a change. ELT asked that data be gathered and analyzed before a decision is made to raise the MBD goal. Amber Halloran said she will work with Ron to see where we ended last year and will return to ELT with a recommendation for the 2004 MBD goal within 30 days. In the meantime, communication will be made that the goal is expected to go up. Greg will add this to the bin list for the third or fourth week of June.

Diversity Goal – Susan distributed a document on the Diversity Goal for discussion. She said each VP, CBSO, BSO, and PO will have a goal weighted at 5% that states “I actively support Diversity at LWC and serve as a role model to the organization”. Indicators will be used instead of measures, and the document contained 40 examples of indicators for diversity-related behaviors. Corporate indicators will include Affirmative Action (hiring, promotions, and progressions), Diversity Training/Communications, and Employee Complaints (EEO, grievances, behavioral, environmental complaints).

Outcome – ELT will implement the Goals and weightings as provided by Kathy. ELT members may provide feedback to John or Susan regarding the goals and weight distribution. Kathy Schroeder will present this plan at the BSOC meeting tomorrow.

TKO Report – Bob Miller (11:28)

Bob commented since the agenda and minutes were approved well before the next topic was scheduled, ELT made good use of its time by discussing Open Time topics. He also said ELT may want to identify the desired outcome before beginning discussion of a topic. He felt there was a high consensus level among ELT.

Bin List and Agenda – Greg Heitzman (11:35)

Greg will review the bin list and send out the agenda for the June 1 meeting.

Meeting Adjourned (11:37)

***Items requiring action are “shadowed” and ELT Decisions are “Bolted” in these minutes.**

ELT Meeting Minutes June 1, 2004

Attendees: Greg Heitzman (Leader), Bob Miller (TKO), Ed Chestnut, Barbara Dickens, Bill Meeks, Karla Teasley, John Huber, Susan Lehmann, Kate Farrow

Minutes Approved and Agenda Reviewed (10:10)

Minutes from the May 24 meeting were reviewed and approved. The agenda was adjusted to allow John to discuss the Capital program and for Greg to update the ELT on the May 30 power outages.

Capital Program (10:15)

John provided a summary of recent capital projects that have exceeded budget. These include: Riverbank Filtration; HRIS system; Crescent Hill Waste System; Crescent Hill Slate Roof; and increasing bid prices. Further, the Infrastructure Reserve will be used for a second year to supplement lower revenue. John suggested that we need to review our Capital strategy, impact on borrowing schedule, and rate increase. The ELT Capital Sub-team will begin to look into these issues and report back to ELT.

Power Outage (10:20)

Greg provided a summary of plant operations during the power outages on May 30. There were two storm fronts that moved through the service area. The first front moved through Louisville at 4:00 pm, and did not impact operations. The second front came through Louisville between 11:00 pm and 12:00 midnight causing power outages at the Crescent Hill Treatment Plant, Zorn Pump Station, and several booster pumping stations in the distribution system. Power supply from LG&E's Clifton substation was interrupted, causing partial power outages at Crescent Hill and Zorn facilities. Although the plant was not shut down, production levels were significantly reduced for a four hour period, until pump units could be transferred to the Hillcrest power supply. Several chemical feed systems were impacted with the power feed interruption. The storms also disrupted power supply to major pumping stations, including Westport, Freys Hill, and Chamberlain. SCADA phone line signals were lost from a number of remote pump stations and storage tanks. This limited the ability to conduct remote operations of key facilities. Backup power was restored and there was adequate storage in the distribution system that prevented loss of water supply. There were no water outages related to the storm and no boil water advisories were issued.

Facility Management workers were brought in on Memorial Day to remove fallen trees at Crescent Hill on Reservoir Avenue and a number of other remote facility sites. Staff is working to clear the downed trees and compile costs associated tree removal. At this time there appears to be no building or facility damage. John recommended we follow up with LG&E regarding the critical importance of power to key facilities.

NLP Process (10:30)

Greg explained the process for the NLP section review and the use of the CDT for approval of each NLP section. The agenda will be adjusted to accommodate sections with varying length. Greg and Kate will perform an assessment at the break to determine if meeting strategy needs to be adjusted after the break.

NLP Sections 1 & 2 (10:40)

ELT reviewed Sections 1 and 2 of the NLP. Kate and Greg will work with John to update Section 1. ELT identified several items for John to consider in the Section 1 update (see attached table). John will be the primary author for Section 1, to set the tone for the NLP document. Greg presented Section 2. The follow up items are documented in the attached table.

ELT reached consensus level 4+ approval for Section 2, including the assigned follow up tasks. Greg will coordinate completion of Section 2 with Kate and assure all follow up items are completed. Kate will e-mail a final version to ELT members for information only.

Break (12:00)

NLP Sections 3 (1:05)

ELT reviewed Section 3. Bill previously submitted Section 3 to ELT for approval. Several follow up items are included in the attached table. Bill will continue to serve as the coordinator for Section 3 and work with Kate to finalize this section. Kate will e-mail a final version to ELT members for information only.

NLP Section 4 (1:25)

Susan presented the draft Section 4 for ELT review and comment. The follow up items are included in the attached table.

ELT reached consensus at level 4+ approval for Section 4, including the assigned follow up tasks. Susan will coordinate completion of Section 4 with Kate and assure all follow up items are completed. Kate will e-mail a final version to ELT members for information only.

NLP Section 5 (2:20)

Bob presented the draft Section 5 for ELT review and comment. The follow up items are included in the attached table.

ELT reached consensus at level 4+ approval for Section 5, including the assigned follow up tasks. Bob will coordinate completion of Section 5 with Kate and assure all follow up items are completed. Kate will e-mail a final version to ELT members for information only.

Summary/Housekeeping (3:00)

A summary of the meeting was provided by Greg. Sections 1, 6, and Appendix need ELT review and approval. This will require another special meeting. Greg will schedule this meeting before the end of June, to complete review and approval of these sections. Greg also provided a brief overview for the June 7 ELT meeting and will prepare an agenda from the Bin List and e-mail to members.

TKO report (3:10)

Bob summarized the meeting and reported active participation. Agenda was adjusted to adequately cover the content. A majority of the time was spent on Systems-based Management elements of the NLP. Bob also suggested the group consider what the NLP update will be titled. A follow up meeting will be required to complete the NLP review process.

Adjourn (3:15)

* ELT Decisions are "Bolded" in these minutes.

NLP Update 2004

Section	Task	Responsible Party	Date
1	Integrate the following in Section 1. <ul style="list-style-type: none"> - Cost Reduction Strategy - The need for flexibility and the ability to reorganize when necessary (add emphasis) - LWC is "Operating As" vs. "On Our Way" to a TQO - Internal Customer Satisfaction drives External - Incorporate Key Industry Trends information (referring to info from Ed Chestnut and Bob Miller) - Changes in business conditions <ul style="list-style-type: none"> o Revenue and income reductions o Decrease in base sales 	John Huber	
2.5	Validate core descriptions	Karla Teasley Susan Lehmann	6/4
2.5	Discuss with John Huber how to list or if to list the Office of the President	Barbara Dickens	6/4
2.7	Insert Relationship Chart into text	Kate Farrow	Final
2.8	Insert measures table into text and add in the employees' role	Karla Teasley Ed Chestnut	6/11
2.9	Add language addressing the organizations move to create a corporate Standard Operating Procedure template for future ISO certification	Greg Heitzman	6/4
2.10	Integrate MBD, communicating the message, and central procurement	Bob Miller	6/11
2.11	Update to include 2-3 examples of its Matrix use <ul style="list-style-type: none"> - HR Benchmarking - Risk Management - Customer Service 	Bob Miller	6/11
2.11	Define Metric vs. Process benchmarking	Bob Miller	6/11
2.12 2.13 2.15	Combine to reflect significant process changes driven by the ELT	Greg Heitzman	6/11
2.14 2.16	Combine to discuss continuous process improvement	Greg Heitzman	6/11
2.18 2.19	Merge 2.19 into 2.18	Greg Heitzman	6/4
2.18 2.19	Review HROE's role in Certification Audits Merge 2.19 into 2.18	Susan Lehmann	6/4
2.20	Review section with John Huber to validate expectations for ISO 9001:2000 versus 14000	Greg Heitzman	6/4
3.1	Update subsection to include or reference "Performance Partnerships"	Susan Lehmann Bill Meeks	6/4
3.3	Need the date of the latest Partnership Agreement was	Bill Meeks	6/4

Section	Task	Responsible Party	Date
	signed and a copy for inclusion in Appendix		
3.5	Review Communications sections in entire document and coordinate with Section 4	Kate Farrow	Final
4	Include Leadership Institute in Section 4	Susan Lehmann	6/11
4.2	Add more specifics regarding corporate goals and results of ICS & OEI	Susan Lehmann	6/11
4.3	Incorporate diversity hiring goals and update the reference to management goals for diversity	Susan Lehmann	6/11
4.4	Review with other "communication sections" in Sections 1, 2, 3, 5, and 6 and combine or clarify differences	Kate Farrow	Final
4.7	Update Rewards and Recognition section to discuss in more detail the plans for 2005-2007, sub-team's survey results, and opportunities for continuous improvement	Susan Lehmann	6/11
4.8	Review section for possible inclusion in Section 3 – Partnerships	Susan Lehmann Bill Meeks	6/11
5	Review subsection order (i.e. Section 5.5 to 5.3)	Bob Miller Kate Farrow	6/11
5.1	Link to Boundaries section (5.6) - Reference employee boundaries	Bob Miller	6/11
5.2	Review and coordinate on managers' and employees' responsibilities from section 5.2 and 4.8	Bob Miller Susan Lehmann	6/11
5.3	Update to include Consensus Decision Tool used by ELT, DPT – toolbox	Bob Miller	6/11
5.3	Prepare text on employee's ability to communicate "bad news" – "tell the truth". Coordinate with Kate on where to include.	Bob Miller	6/11
5.10	Review the old Section 2.18 NLP to update, Consider moving to Section 4.8; consider including a union/non-union discussion on accountability and non-performance	Bob Miller Susan Lehmann Bill Meeks	6/18

Final – This task will be completed when the document is finalized.

ELT Meeting Minutes
June 7, 2004

Attendees: Greg Heitzman (Leader), Bob Miller (TKO), Ed Chestnut, Barbara Dickens, John Huber, Bill Meeks, Karla Teasley, Susan Lehmann

Visitors: Kathie Johnson (Recorder), Amber Halloran, Cindy Kowalski, Carol Stuecker (Stuecker & Associates), Ruth Lancaster

Minutes Approved and Agenda Reviewed (9:06)

Minutes from the June 1, 2004 ELT meeting were reviewed and approved as written. The agenda for today's meeting was reviewed and approved.

New Employee Assistance Program (EAP) Provider – Stuecker & Associates – Cindy Kowalski and Carol Stuecker (9:10)

Cindy Kowalski distributed an overview packet of services provided by Stuecker & Associates, as well as a Supervisor Guideline. She then introduced Carol Stuecker of Stuecker & Associates, who described her company and the services they provide. Stuecker is a regional firm with offices all over the United States and throughout Kentucky. Companies they serve locally include Colgate Palmolive in Jeffersonville, Indiana and ten school systems throughout the state. They consider themselves workplace specialists and all staff therapists have at least 15 years of experience.

Cindy Kowalski said rollout to employees will occur in 30 minute presentations in two weeks to let employees know what services are offered. Supervisor training will occur in six to eight weeks and will include BSOs and POs.

A plan has been developed to transition employees currently with Value Options to Stuecker, based on where they are in their counseling. Employees with only a few sessions left will finish up with Value Options and others will transition to Stuecker.

In response to Greg Heitzman's inquiry, Ms. Stuecker said her company can furnish statistical reports that indicate how LWC compares with other clients. Greg stated the reports may help identify training needs at LWC.

Travel Authorizations (9:45)

Travel for Bill Meeks, Tom Cushing and Bruce Mingus - Bill said he, Linda Kaboolian, and Aileen Beach are doing a piece on Labor Management Partnerships at Harvard. Bill has secured funding from AFSCME for travel expenses for himself, Tom Cushing, and Bruce Mingus, but asks ELT approval for the time away from work June 20-30. This trip is tied to the ASCME Convention, and both are completely funded by ASCME.

ELT Action: Reimbursed travel does not require ELT approval; however ELT endorsed the participation in this Labor Management Program. Approval will proceed through the CBSO and President. Greg will coordinate interim staffing issues with Jim Brammell. Greg will add a Labor Management Partnership report from Bill Meeks to the bin list for July or August.

Travel for Glenn Mudd - Bob Miller said Glenn Mudd is Chairman of the Utility Division of the National Safety Council and will be attending a division meeting (the third of four such meetings) in Denver at a cost of \$1,700. The National Safety Council will pay \$800 and LWC's part of the expenses will be \$900.

ELT Action: ELT approved Glen Mudd's travel. A report by Glen Mudd on this activity will be added to the bin list for late 2004 (following Glen's fourth division meeting).

Board Agenda – John Huber (9:50)

John Huber said the agenda is long and asked presenters to give concise reports. He discussed the possibility of deferring some items on the agenda to a future meeting. He is considering holding a special meeting, possibly the fourth Tuesday of June, to discuss Corporate Governance. Bob Miller suggested the committee assignments could be coupled with the Governance meeting. Margaret Harris will attend her first meeting as a Board member on June 8. She will serve on the Public Affairs and Customer Satisfaction Committee. Phil Bond will be at the Board lunch tomorrow and will be presented with a Julep Cup commemorating his service to the Louisville Water Works Board.

Break (10:10)

Review High Level Financial Information – Amber Halloran (10:17)

Amber distributed high level financial information for review and discussion. A full-blown Greenbacks report will be presented at the next ELT meeting (June 21). Bob expects to distribute a year-end forecast later today, and commented it appears we are ahead of the revised budget plan. Amber also advised the new wholesale rates are now being billed.

Operators Licensing – Ruth Lancaster (10:40)

Ruth Lancaster gave a PowerPoint presentation with an overview of operator licensing at LWC. She and ELT discussed logistical and budget issues with training and testing, and the need to have licensed employees in the pipeline for job openings. Greg recommended LWC support training, testing and license renewals for positions where licensing is required as well as training, testing and license renewals for positions where licensing is not required to keep qualified employees available to maintain flexibility in staffing.

ELT used the Consensus Decision Tool (CDT) on two issues:

Scenario I – LWC will cover expenses (fees, travel, work hours) related to training and license renewal for employees in positions requiring operator licensing as part of the job duties (union and non-union).

ELT Action: ELT reached consensus level 4+.

Scenario II – LWC will cover expenses (fees, travel, work hours) related to maintaining license renewals for those employees that possess an Operators License and may not currently be in a job position that requires the license. (ELT did not address the situation where employees who do not possess the license and desire to obtain the license for future job eligibility.)

ELT Action: ELT reached consensus above level 3+.

Follow up: Greg will work with Ruth Lancaster and Jack Wang and will bring a policy position statement back to ELT for consideration. The policy will address Operator License requirements, license expenses, and authorizations for travel and training to maintain licenses. The policy also needs to address the situation where employees desire to become licensed for future job eligibility and career advancement and the policies associated with reimbursement for expenses.

Susan Lehmann observed this topic could have been handled by the BSOC.

Executive Session – Mr. Huber requested ELT go into executive session. Upon returning to open session the meeting concluded.

TKO Report – Bob Miller – Bob Miller noted that the meeting ran very close to the scheduled time until the final topic and agreed with Susan that the final topic could have been handled by the BSOC.

Bin List and Agenda – After discussion of the attendance at the AWWA Annual Conference (John, Karla, Greg, Bill attending) and review of BIN list, it was decided to skip the June 14 ELT meeting and resume with expanded meetings on June 21 and June 28. Greg Heitzman advised he would review the BIN list and prepare an agenda for June 21.

Meeting Adjourned

*Items requiring action are “shadowed” and ELT Decisions are “Boded” in these minutes.

ELT Meeting Minutes
June 21, 2004

Attendees: Greg Heitzman (Leader), Bob Miller (TKO), Ed Chestnut, Barbara Dickens, John Huber, Karla Teasley, Susan Lehmann

Absent: Bill Meeks

Visitors: Kathie Johnson (Recorder), Ron Green, Amber Halloran, Sue Purdy, Kate Farrow

Approval of minutes and agenda was deferred until a quorum could be present at the meeting.

Greenbacks Report – Amber Halloran (8:15)

Amber Halloran distributed the Greenbacks report to attendees and discussed financial highlights for the month of May. Amber commented that wholesale water sales are up due to the rate increase.

At Greg Heitzman's request, Amber will have footnotes added to the Greenbacks report showing revisions from the original budget for the employee count, O&M expenses, and income statement (to note changes from the Board adopted budget). On the page where the Sale of Water Revenue graph appears, Amber will add a graph showing the monthly consumption pattern. Greg said the new monthly report prepared by Anna Norris showing capital projects routed for approval during the month was very helpful.

Revised budgets have been distributed to BSOs.

Bob Miller said the current NewsLeaks includes a communication to employees on LWC's financial performance through May 2004.

Minutes Approved and Agenda Reviewed (9:07)

Minutes from the June 7, 2004 ELT meeting were reviewed. A revision was made under the section "Review High Level Financial Information." The sentence, "A full-blown Greenbacks report will be presented to ELT on Monday, June 14," has been amended to "A full-blown Greenbacks report will be presented to ELT on Monday, June 21." ELT did not meet on June 14th. The minutes were approved with that change. The agenda for today's meeting was reviewed and approved.

2004 M/WBE Spending Goal – Amber Halloran and Ron Green (9:15)

Ron Green distributed copies of a presentation on M/WBE Spending Goals and led ELT through the presentation. Ron and Amber Halloran recommend resuming the 5-year plan to achieve 15% MBE spending by 2007 and establishing a 9% MBE and 5% WBE spending goal in 2004. The annual goal will increase 2% each year until the 15% spending goal is reached in 2007. Ron mentioned that considerable communication and partnering has occurred with other businesses and contractors promoting the hiring of M/WBE vendors. Work will continue to build a diverse vendor database and educate prime contractors on hiring minorities. Ron also reported that KMBC will be hosting a conference June 23-24 at the Convention Center and encourages ELT and BSOs to attend.

At Greg's request, Amber will also add M/WBE spending to the Greenbacks report each month. ELT used the Consensus Decision Tool for adoption of the 2004 M/WBE spending goals.

ELT Action: ELT reached 4+ consensus to adopt the MBE spending goals of 9% in 2004, 11% in 2005, 13% in 2006, and 15% in 2007, and continue with the current 5% goal for WBE spending.

Susan Lehmann and Amber Halloran will return to ELT with a recommendation to recognize members who worked on the M/WBE team.

John Huber asked Ron to prepare a communication to the Board on the new MBD program to be made in July or August along with any changes in the certifying agencies.

Recognition Request for Time Recap Sheet Team – Amber Halloran (9:40)

Amber Halloran distributed and discussed her recommendation for a \$50 per team member recognition for the Time Recap Report Team members. The team met during the months of March, April, and May working to simplify Oracle time recap reports for Union employees. The simplified time recap was rolled out the week of June 21 to communicate changes to the Union body.

The team members were: Joe Lueke, Kate Farrow, Terrance Cobb, Diana Smith-Cohen, Mike Howard, Willy Yates, and Bill Meeks. Greg recommended recognition also be given to Amber Halloran and Jim Brammell for their sponsorship and participation, for a total of nine recognitions (if consistent with past team recognition for BSOs). ELT used the Consensus Decision Tool.

ELT Action: ELT reached 4+ consensus to award \$50 per team member recognitions to Amber Halloran, Jim Brammell, Joe Lueke, Kate Farrow, Terrance Cobb, Diana Smith-Cohen, Mike Howard, Willy Yates and Bill Meeks. Amber will follow up with processing the recognition award.

Travel Authorization for Shannon Strulson – Greg Heitzman (9:45)

The estimated expense for Shannon Strulson to travel to Pine Mountain to attend the Certification Class and take the exam is \$698.00. Shannon is a Lead Operator Apprentice, a position that requires the Operator Class IV license. Greg recommended approval for her travel. ELT used the Consensus Decision Tool.

ELT Action: ELT reached 4+ consensus to approve Ms. Strulson’s travel expense to take the Certification Class and Exam.

Break (9:50)

Next Level Plan – Greg Heitzman (10:05)

Kate Farrow distributed the latest draft of the NLP and Appendix, and an NLP Outline of sections and owners for deliverables (updates).

Section 1

Section 1 will be an overview to employees of our strategies to meet goals on quality, customer satisfaction, and value. The following topics captured in today’s meeting may duplicate some of the brainstorm topics from the June 1 ELT meeting:

1. Cost reduction strategy
2. Need for flexibility
3. Need to reorganize
4. Change LWC from “as is” to TQO
5. Internal Customer Satisfaction
6. Energy market
7. Slower growth curve
8. Growth strategy

The Consensus Decision Tool was used.

ELT Action: ELT reached 4+ consensus that John Huber and Kate Farrow are empowered to complete Section 1 of the Next Level Plan.

Section 3

John Huber raised concern that Internal Customer Satisfaction is not adequately covered in the plan. After discussion, the team felt a subsection should be created in Section 3. Kate Farrow volunteered to write the new subsection to Section 3 regarding Internal Customer Satisfaction.

Section 6

Section 6 will be renamed Organization Structure and Roles. Bob Miller volunteered to be the coordinator for this section, and Karla Teasley agreed to provide assistance. Everything in the Appendix related to Roles will be moved to Section 6, and each section coordinator will decide what charts and reference material go into the Appendix.

The need for timelines was discussed. Everyone agreed an overall timeline was not needed for the Plan. Each section coordinator will determine if there are critical deliverables that are time dependent, and if so, will include critical target dates in the respective section.

ELT Action: ELT reached 4+ consensus that Kate Farrow and Bob Miller are empowered to complete Section 6. Kate will coordinate completion of the Appendix from information supplied from section coordinators.

Greg will put time on the next agenda to discuss the information Bob provided in his June 18 email regarding defining and naming the Next Level Plan Update. The topic will also cover other logistical elements of the Plan, such as editing the Plan, publishing, and communications roll-out to employees.

Loaned Executive for Metro United Way – Karla Teasley (11:32)

Karla asked ELT if LWC should provide a loaned executive this year considering employee cuts were significant. John Huber will contact Metro United Way to see if LWC can step out for a year. The Company will sponsor an internal campaign for 2004, with leadership by the HROE Core.

Executive Session

Mr. Huber requested ELT go into executive session. Upon returning to open session the meeting concluded.

TKO Report – Bob Miller

Bob Miller said an occasional four-hour meeting can be effective and productive for accomplishing ELT work. Bob said a change in the routinely scheduled starting time needs to be accompanied by an update to the electronic calendars. Bob said there were good candid discussions.

Bin List and Agenda

Greg will develop the agenda from the Bin list.

Meeting Adjourned (approximately Noon)

***Items requiring action are “shadowed” and ELT Decisions are “Bolded” in these minutes.**

ELT Meeting Minutes
June 28, 2004

Attendees: Greg Heitzman (Leader), Bob Miller (TKO), Barbara Dickens, John Huber, Kathy Schroeder (representing Susan Lehmann), Karla Teasley

Absent: Ed Chestnut, Susan Lehmann, Bill Meeks

Visitors: Kathie Johnson (Recorder), Kate Farrow, Roger LeMaster, Don McKay, Sandra Beyerle

Minutes Approved and Agenda Reviewed (8:07)

Minutes from the June 21, 2004 ELT meeting were reviewed and approved as written. The agenda for today's meeting was reviewed and approved.

Elimination of Severance Policy for Office Personnel – Kathy Schroeder and Amber Halloran (8:25)

Kathy and Amber distributed information regarding past practices for vacation accrual, severance, non-union pay cycle, and advance pay for non-union employees. These changes were approved by the Board of Water Works at its October 2003 meeting. Changes involving the pay cycle going to one week in arrears and discontinuance of advance pay for non-union employees have already been implemented. The Board approved the vacation accrual payout to be implemented in July 2004. The payout applies to non-union employees. Union employee vacation and sick leave accrual will remain unchanged at this time. Amber and Kathy asked for approval of their plan to implement the changes for vacation accruals and sick leave, as well as their draft communication to LWC salaried employees.

Kathy Schroeder will include examples and charts in the communication to non-union employees showing how 7/12 of their next year vacation accrual will be converted to sick leave. Non-union employee accrued vacation time (7/12) will be reduced by the 5 days that were advanced the week of 9/29/03 to place non-union salaried employees on the one week in arrears pay cycle, and the remaining accrued vacation time will be placed in the employee's sick leave account. The sick leave policy will be amended so employees can bank up to 20 days per year instead of the current 15 days per year (consistent with Union employees), and any excess over 20 days will be paid out in February 2005. The vacation policy will remain as is with vacation earned on January 1 (for the previous year) and added to the employees' vacation account at that time (i.e. non-union employees will be granted vacation PTO earned from the previous year into the PTO account on January 1, based on years of service eligibility).

ELT used the Consensus Decision Tool.

ELT Action: Consensus was reached at level 5 to eliminate the severance policy for office personnel as set out above.

Karla Teasley suggested that meetings be scheduled to explain the changes, where employees can attend on a voluntary basis, and Kathy Schroeder agreed.

Corporate Policy Gaps – Barbara Dickens and Roger LeMaster (8:57)

Barbara Dickens distributed a memorandum to ELT regarding gaps in corporate policy, the policy adoption process, and official corporate procedures for discussion. She asked that ELT members review the memo and particularly the items on page 4 listing policies that may need to be adopted and communicate any additional gaps and comments to her. Barbara also discussed the lengthy process followed in policy adoption. She suggested an improved, streamlined process would be origination of the new policy or revised policy at the PO or BSO level, initial review by legal, subsequent revisions (if necessary) by BSO, approval by appropriate VPs, final approval by legal, then reporting the change to ELT. Barbara is looking for input on the new process and will return to ELT for approval of the new process in the third quarter. Greg will place the topic back on the bin list for further discussion in August or September 2004.

Vehicular Accident Policy – Don McKay and Sandra Beyerle (9:28)

Don McKay distributed copies of the latest draft of the Vehicular Accident Policy. The expected outcome from today's presentation is approval of the revised policy by ELT. Changes to the draft were discussed, particularly Section 7.6 concerning the points to be assessed to a driver in the event of an accident. Points are assessed on a 1-5 scale (see Appendix A).

Don also pointed out Section 8.4 provides that even if an employee is not at fault in an accident, the employee is still subject to discipline up to and including termination if he is in violation of the Employee Code of Conduct Policy and/or Drug & Alcohol Policy at the time the accident occurred.

The chart of Motor Vehicle Accidents for 2002-2004 YTD shows 30 accidents through June 22, 2004, whereas the yearly total was 49 for 2002 and 56 for 2003. Don McKay said motor vehicle accidents have risen to the top of the list on BSOC risk assessments.

The Consensus Decision Tool was used.

ELT Action: ELT reached consensus of 4+ to adopt the revised Vehicular Accident Policy to become effective July 1, 2004 (pending Mr. Huber's approval of policy).

Don said that points previously assessed against employees will be removed so each employee driving company vehicles can begin under the new policy with a clean slate. Don advised an information card describing steps to take in the event of a vehicular accident will be placed in each vehicle.

Break (10:00)

System Certification Audits – Kate Farrow (10:20)

The administration of system certifications was moved from Roger LeMaster to Kate Farrow in January 2004 following the reorganization. Kate will not make any changes to the 2003-2005 certification audit plan, so the process and expectations will remain the same. Kate and John Huber will meet with select employees (NWTs and SACs) to gain feedback regarding the certification process and the importance of the Quality Program. Kate will work with Roger LeMaster, David Simmons, Jack Wang, and Greg Heitzman to develop future certification

requirements for the 2006-2008 review cycle. Future certification requirements will be adopted that position the Company for ISO 9000 certification by 2008. BSOs should notify Greg Heitzman if they desire to participate in developing the 2006-2008 ELT system certification requirements.

Kate also distributed a copy of her new Job Description and 2004 Performance Goals (with weightings) to ELT. Kate has a direct reporting relationship to Susan Lehmann.

Next Level Plan Logistics – Greg Heitzman and Kate Farrow (11:35)

Completion of Sections:

Section 1 – John Huber will have this section completed by July 2 or July 9.

Section 6 – Bob Miller will have this section completed by July 2.

Title of NLP Document

ELT considered several names, and decided the new document will be titled 2004 Next Level Plan and Beyond - LWC Organizational Effectiveness and the four pillars of quality will be shown on the cover. Kate will prepare and circulate a cover page to ELT for review. John Huber will approve the final cover page.

Editing

Barbara Crow and Kelley Dearing-Smith are available internally, but Kate will check with two external editors, Cindy Stairs and Katherine Murrell, and get estimates. Kate Farrow and Susan Lehmann will make a decision based on cost whether to use internal or external editors.

Printing

Black and white hard copies will be furnished to Process Owners, Business System Owners, Vice Presidents, Union leaders and SAC members, plus 25 extra copies will be printed. The document will be made available in color online. Kate will follow up on costs and will determine the final number of copies to be printed.

Communication/Rollout

Greg and Kate will work on communications and rollout, and Bob Miller will be available as a resource to them. Bob suggested rollout could be done serially to place more emphasis on each section.

Overall NLP Timeline

Draft to BSOC by 7/15
Editing done by 8/1
Printing done by 9/1
Rollout from 9/15 – 10/31

John said draft copies should go to BSOs as they develop operating plans.

The topic will be put back on the bin list for discussion before rollout in September.

ELT used the Consensus Decision Tool.

ELT Action: Consensus was reached at level 4 on the logistics and procedures for completion and rollout of the Next Level Plan as set out above.

NLP communications and rollout will be added to the bin list.

Review Bin List – Greg Heitzman (11:30)

Greg said he will work with Bob Miller on transitioning the role of ELT Leader to Bob for the third quarter of 2004. Greg reviewed the bin list with ELT and will make the agreed upon changes. He will add Next Level Plan Rollout and certification audits to the bin list.

Open Time (11:55)

Hiring Vacancies – Kathy Schroeder said there are two clerical positions that will be posted.

Travel Expenses for attending AWWA KY-TN Meeting – Kay Ball is the Treasurer, and her expenses are estimated at \$700; Greg and Karla will attend the full conference, which will be about \$500 each. The Consensus Decision Tool was used.

ELT Action: Consensus was reached at level 4+ to approve travel expenses for Kay Ball, Karla Teasley and Greg Heitzman to attend the AWWA KY-TN Conference in July 2004. Other employees are approved for attendance at the conference per JLH email of June 11. The one and two day trips to Nashville are less than \$500 and do not need ELT approval.

Manganese – Greg briefly explained the manganese precipitation problem that is causing an increase in black water complaints. He will follow with a communication from Rengao to ELT.

TKO Report – Bob Miller (12:10)

Bob said when reviewing the agenda, ELT needs to reach agreement on the topic and outcome. Bob said we are 10 minutes over, due to taking a 20 minute break.

Bin List and Agenda (12:12)

Greg will develop the agenda from the bin list.

Meeting Adjourned (12:12)

***Items requiring action are “shadowed” and ELT Decisions are “Bolded” in these minutes.**

ELT Meeting Minutes
July 12, 2004

Attendees: Bob Miller (Leader), Karla Teasley (TKO), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy

ELT Roles – Roles changed at the beginning of the new quarter: Bob Miller is ELT Leader, Karla Teasley is Timekeeper, Susan Lehmann is Scribe, and Bill Meeks is Backup Recorder.

Minutes Approved and Agenda Reviewed (9:08)

Minutes from the June 28, 2004 ELT meeting were reviewed. In the Corporate Policy Gaps section, fourth line, the sentence, "She suggested an improved, streamlined process would be BSO recommendation to Legal, then signoff by Vice President or President, then reporting the change to ELT," was amended. Barbara Dickens changed the sentence to read: "She suggested an improved, streamlined process would be origination of the new policy or revised policy at the PO or BSO level, initial review by legal, subsequent revisions (if necessary) by BSO, approval by appropriate VPs, final approval by legal, then reporting the change to ELT." (Highlighting added to denote change.)

It was also noted that review of the ELT Agenda should have been reported as 8:07 instead of 9:07. The minutes were approved with those amendments. The agenda for today's meeting was reviewed. The Procurement Card Risk Management topic will be rescheduled to next week, and the time will be used to discuss the status of the Next Level Plan. The agenda was approved with those changes.

Board Agenda – John Huber (9:20)

Governance items will be discussed at a special board meeting to be held in July if schedules will permit. John Huber will meet with Stewart Conner and Gerald Martin this week to discuss how to proceed and he also hopes to receive feedback from the Mayor's office.

There continue to be quorum issues, but at present it appears all six Board members will attend the rescheduled Board meeting on July 20. The agenda for the July 20 Board meeting is straightforward. Ron Green will give an update on the MBE program. The 10-year financial plan is a key issue for discussion.

Treatment for Manganese – Greg Heitzman (9:25)

Greg updated ELT on the successful treatment for manganese that was the cause of black water complaints. He called attention to the water quality complaints chart in the board book. Total water complaints are down, but black water complaints were up and peaked in June. The source was determined to be a higher concentration of manganese in the ferric chloride used in the coagulation process. Greg is pursuing a credit from the supplier. He will also pursue with

AWWA getting standards established for the amount of manganese present in ferric chloride used in the water treatment coagulation process.

Review Operating Performance (Greenbacks Report) – Amber Halloran and Sue Purdy (9:28)

Amber distributed the June Greenbacks report, and guided ELT through the highlights. She said water sales and water consumption were both over budget.

Amber asked ELT's assistance in getting invoices paid timely so expenses can be recognized in the current period.

After discussion of the financial results, Bob summarized follow up items that Amber is to provide to ELT via email:

- Detailed breakout of non operating income and expenses
- Detailed analysis of transportation and variances
- Labor report
- Miscellaneous expense variances
- A report of deductions from Labor budget and what was added (total number by system)

Break (10:15)

Travel Request for Mike McGee – Greg Heitzman (10:30)

Because a Class IV Distribution License is required in Mike McGee's new position, Greg Heitzman recommended approval for Mike's travel to attend the Certification seminar and workshop, and take the test for certification. Expenses are estimated at \$511 if Mike attends the August 24-27 workshop/test.

ELT Action: ELT approved Mike McGee's August 24-27 travel request to obtain a Class IV Distribution License.

Resources – Susan Lehmann (10:33)

Next Level Plan - Susan Lehmann committed that her department will provide the resources to complete the Next Level Plan, and will keep to the schedule established by ELT for completing, printing, editing and publishing the NLP Document. John Huber and Bob Miller will complete Sections 1 and 6 this week.

Karla, Greg and Susan will schedule a meeting between them to discuss communications, and will then schedule a meeting with BSOs.

Certification Audits – Susan said HR will also keep to the schedule for Certification Audits since Kate Farrow has accepted a new position. In the interim the current HR staff will handle Certification Audits. John Huber asked Susan to distribute a schedule for the audits remaining to be completed in 2004.

Internal Customer Satisfaction Survey - Susan said the interim plan is for Helena Dahman and Kathy Schroederl to handle the Internal Customer Satisfaction Survey in August.

Agenda and Bin List – Bob Miller (10:40) – Bob Miller reviewed the bin list with ELT, and will send out the agenda for the next meeting. Greg asked that discussion of the Consensus Decision Tool be added to the bin list to decide whether it was effective and whether its use should continue.

TKO Report – Karla Teasley (10:47)

Karla said the meeting started five minutes late, but moved on schedule to the Greenbacks Report, and ran over by 5 minutes. The Procurement Card Risk Management topic was deferred to another meeting, and ELT ended 40 minutes early. This was a consistent meeting on communication.

Meeting Adjourned (10:50)

***Items requiring action are “shadowed” and ELT Decisions are “Bolded” in these minutes.**

ELT Meeting Minutes
July 19, 2004

Attendees: Bob Miller (Leader), Karla Teasley (TKO), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran

Minutes Approved and Agenda Reviewed (9:05)

Minutes from the July 12, 2004 ELT meeting were reviewed. Greg Heitzman corrected the minutes to read "Treatment for Manganese" instead of "Treatment for Magnesium." The word "magnesium" also needs to be replaced with the word "manganese" throughout the paragraph.

Susan Lehman asked that the minutes be amended in the "Certification Audits" paragraph under the "Resources" heading: The sentence, "Her position will be filled, but in the interim the current HR staff will handle Certification Audits" will be changed to, "In the interim the current HR staff will handle Certification Audits."

Susan also asked offline that the "Internal Customer Satisfaction Survey" under the "Resources" heading, be amended to say, "Susan said the interim plan is for Helena Dahman and Kathy Schroeder to handle the Internal Customer satisfaction Survey in August."

The minutes were approved with those changes. The agenda was reviewed and modified to combine the topics on 2005 Budget Parameters and Schedule with the Rate Equalization/Risk Mitigation Reserve Fund.

2005 Budget Parameters and Schedule, and Rate Equalization/Risk Mitigation Reserve Fund – Bob Miller and Amber Halloran (9:10)

Bob Miller distributed a presentation titled, "Development of 2005 Annual Budget Parameters, Presentation to Executive Leadership Team" and led ELT through the presentation.

John Huber said LWC needs to roll out the methodology on the Risk Equalization/Risk Mitigation Reserve Fund to the Board and the City as soon as possible. Susan Lehmann said it was important to distinguish between the Risk Mitigation Reserve Fund and the Infrastructure Replacement Reserve.

Break (10:10)

2005 Budget Parameters and Schedule, and Rate Equalization/Risk Mitigation Reserve Fund – Bob Miller and Amber Halloran – Continued (10:25)

Bob commented that pages 2-5 of the presentation represents work the company must complete. Karla expressed concern about communicating the rationale to customers for a 2005 borrowing to secure a lower interest rate than what could be expected for a 2006 borrowing.

ELT discussed a rate increase of 9.8%. John said he feels if LWC asks for more than 6.5% it would be a multi-year increase. That is, a large increase this year would make it difficult to increase rates at all next year.

Bill Meeks asked about the difference the company would pay in interest rates if its bond rating went from AA to A. Bob Miller will furnish that information to ELT via email.

Discussion was held regarding the baseline budget increase for 2005 and the role of ELT and the BSOs in setting the budget and making decisions on discretionary items over the baseline. Bob suggested he and Amber develop a communication for review and approval by John Huber.

John Huber and ELT commended Bob and Amber on the work and preparation that went into their presentation.

Evaluate Rate Structure and Strategies for Alternatives – Bob Miller (11:20)

Bob Miller will be sending out an email to ELT describing the strategy alternatives.

Decision Partners Team Update – Bill Meeks (11:19)

To save time, Bill distributed a July 19, 2004 update to ELT, and asked that any comments be sent to him.

Open Time – (11:22)

Training Room A – Susan Lehmann said she has booked Training Room A for the period September 10 through October 29 or HRIS demos. As it is not needed, the room will be made available.

Metro United Way Campaign – Susan would like to get dates scheduled for the campaign. Bob will let Susan know whether any funds were budgeted for the MUW campaign. Susan proposes the campaign be held the last week in October. Bill Meeks said Union planning for their campaign is underway, and sponsorship will need to be considered and approved by ELT.

Agenda and Bin List – Bob Miller (11:25) – Bob Miller reviewed the bin list with ELT. At Susan's suggestion, Bob will remove Kate Farrow's name as presenter for topics on the bin list and will replace Kate's name with Susan's. Bob Miller will send out the Agenda and bin list for the next ELT meeting.

TKO Report – Karla Teasley (11:28)

Karla said ELT is finishing on time because two items were removed from the agenda. ELT went 45 minutes over on the Budget Parameters/Rate Equalization/Risk Mitigation Reserve Fund combined topics, and no outcome was reached except agreeing that additional work was required. There was good discussion.

Meeting Adjourned (11:32)

<p>*Items requiring action are “shadowed” and ELT Decisions are “Bolded” in these minutes.</p>
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ELT Meeting Minutes
July 26, 2004

Attendees: Bob Miller (Leader), Karla Teasley (TKO), Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann

Absent: Barbara Dickens, Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran, Roger LeMaster

Minutes Approved and Agenda Reviewed (9:05)

Minutes from the July 19, 2004 ELT meeting were reviewed. Under the "2005 Budget Parameters and Schedule, and Rate Equalization/Risk Mitigation Reserve Fund" heading appearing on the first page, John Huber corrected the second paragraph, second sentence, to read, "John said he feels if LWC asks for more than 6.5% it would be a multi-year increase. That is, a large increase this year would make it difficult to increase rates at all next year." (Underscoring denotes change.)

A correction was made to the action block under the same heading as follows: "Bob suggested he and Amber develop a communication for review and approval by John Huber." (Underscoring denotes change.) The sentence, "If they get consensus the topic will go on the agenda for next week" was stricken from the minutes.

Susan Lehmann asked that clarification be added to the Training Room A topic under Open Time, as follows: "Susan Lehmann said she has booked Training Room A for the period September 10 through October 29 for HRIS demos. As it is not needed, the room will be made available." (Underscoring denotes change.) The minutes were approved with those changes.

The agenda for today's meeting was discussed and approved.

Second Quarter Goals Review (Incentive, Shared, Employee Performance) – Ed Chestnut (9:10)

Ed Chestnut distributed and discussed the second quarter results.

President, Vice Presidents and BSO 2004 Incentive Plan Goals – During discussion of results of preventable vehicular accidents (Objective V), a request was made for a report of vehicular accidents by Core. Bob Miller will ask Don McKay to send out reports to the CBSOs for their review.

2004 ELT Shared Goals – After brief discussion of the funding and timing for the RBF Phase III, Bob Miller said he and Greg Heitzman will meet to determine how to provide funding for the remaining RBF Phase III activities for 2004. Bob will put this item on the ELT agenda for the August 2 meeting.

John Huber asked Susan Lehmann for a synopsis of certification audits completed and those remaining to be completed this year.

Bob will follow up with Amber Halloran on plans to compute the amount of capital project commitments.

Bob summarized the Goals Review discussion: Problem areas are tied to water sales, capital expenditures, and vehicular accidents.

Break – 10:08

Procurement Card Audit – Bob Miller, Amber Halloran, Roger LeMaster (10:25)

Roger LeMaster discussed the results of the Procurement Card audit. The previous Procurement Card audit was performed in 2000, and it is Roger's recommendation audits be done annually going forward. LWC will be changing to 5/3 Bank for Procurement Cards this year. Amber said each of the current 231 card holders will be required to re-enroll during the transition to 5/3 Bank.

The audit report noted five recommendations to further strengthen controls and reduce costs, and Amber Halloran reviewed her responses to the audit recommendations. Amber stated that monthly procurement card usage reports were available from the liaisons in each area.

John Huber requested a listing of each procurement card holder and their per transaction and monthly limits.

Open Time (11:15)

Bluegrass Consortium –Greg Heitzman said the next step for the Bluegrass Water Consortium is to get a legal entity created. Nine of ten local entities have signed the document to create a water commission. The remaining entity to sign is Fayette County government. The Consortium has met with state and federal elected officials to discuss potential grant funding. The Consortium will need to create a grid of interconnects. They are still a long way from building a treatment plant.

Closed Session (11:18)

Meeting Adjourned (11:30)

***Items requiring action are “shadowed” and ELT Decisions are “Bolded” in these minutes.**

ELT Meeting Minutes
August 2, 2004

Attendees: Bob Miller (Leader), Bill Meeks (Volunteer TKO), Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann

Absent: Karla Teasley

Visitors: Kathie Johnson (Recorder), Jim Smith

Minutes Approved and Agenda Reviewed (8:03)

Minutes from the July 26, 2004 ELT meeting were reviewed and approved, and the agenda for today's meeting was reviewed.

Water Sales Information and Implications – Bob Miller (8:05)

Bob Miller reported that LWC was approximately \$700,000 ahead of the revised financial plan as of the end of June. He also noted that the revised financial plan anticipated a deposit of \$620,000 to the Infrastructure Reserve Fund. However, the estimated water sales variance for July is \$500,000 less than budgeted. With the lower pumpage numbers for July, Bob said that he anticipates that we will not be able to make a deposit into the Infrastructure Replacement Reserve in 2004, and that if water sales continue to lag, we will not be able to achieve the targeted results in the revised financial plan without further expense reductions or an interim rate increase or a carryover into next year. Ed Chestnut is working with Dr. Cerito to update the forecast through year end.

Advanced Treatment Phase III Funding – Bob Miller and Greg Heitzman (8:20)

Greg gave a brief overview of the project. The objective is to present the best alternative to the BOWW for approval next year.

John Huber noted that the strategies behind Advanced Treatment Technology were overall risk management and customer satisfaction. The investment required to meet the known regulatory requirements could be less than that needed for the total scope of Advance Treatment Technology. He stated that we need to research three key assumptions for treatment options at the Crescent Hill plant:

- Because of the varying energy requirements for each alternative, what is the future for energy prices?
- What is the future use of the Zorn Pumping Station?
- What is the future of the Crescent Hill Filter Plant?

Greg said they are proposing taking a recommendation to the Board of Water Works for approval to spend 30-40% this year, and the balance next year. The total estimate for the work is \$370,000. \$150,000 of that amount would be spent in 2004. The \$150,000 is unbudgeted and would be funded from the \$770,000 earmarked for unbudgeted items in 2004. \$220,000 would be budgeted for 2005.

Quality Celebration – Susan Lehmann (8:30)

Susan Lehmann distributed a report on Quality Celebrations. She recommends suspending the peer to peer and quality celebrations for the remainder of 2004. ELT discussed further reducing

spending for 2004 team recognitions. Greg recommends reducing the team recognition spending from \$20,000 to \$10,000. Bob checked for consensus to further reduce 2004 spending to \$10,000, recognizing we have already spent about \$3,000.

ELT Action: ELT reached consensus to reduce the 2004 spending for team recognitions from \$20,000 to \$10,000.

ELT considered Amber Halloran's request to recognize the five-member M/ WBE team at \$50 each, or \$250 total, for their work in implementing a process to increase minority and women participation in all areas of procurement.

ELT Action: ELT reached consensus to award \$50 each to the five M/WBE team members, Ralph McCord, Denise Hettinger, Lynn Humphrey, Barbara Mullen, and Ron Green.

Open Time (8:52)

ICS Survey – Susan Lehmann said the ICS surveys are being distributed today, and she requested 100% participation in order to achieve valid statistics.

2005 O&M Budgets – John Huber said we must keep focused on the long term and balancing the funding of current needs with creating future organizational capabilities. This requires training and development of employees as a key part of succession planning. Bob said he will be distributing a prioritized Strategic Plan to BSOs shortly to keep the focus on strategic initiatives.

Bin List and Agenda – Bob Miller (8:57)

Bob reviewed the bin list with ELT. Bob will prepare and email an agenda for the next ELT meeting.

TKO – Bill Meeks (8:57)

Bill Meeks commented ELT started on time and stayed on track. We ran over by approximately 15 minutes.

Meeting Adjourned (9:00)

***Items requiring action are “shadowed” and ELT Decisions are “Bolded” in these minutes.**

ELT Meeting Minutes
August 9, 2004

Attendees: Bob Miller (Leader), Karla Teasley (TKO), Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann

Absent: Ed Chestnut

Visitors: Kathie Johnson (Recorder), Amber Halloran, Glen Mudd

Minutes Approved and Agenda Reviewed (9:05)

Minutes from the August 2, 2004 ELT meeting were reviewed. John Huber asked that the second paragraph under the Advanced Treatment Phase III Funding topic be changed to read as follows:

“John Huber noted that the strategies behind Advanced Treatment Technology were overall risk management and customer satisfaction. The investment required to meet the known regulatory requirements could be less than that needed for the total scope of Advance Treatment Technology. He stated that we need to research three key assumptions for treatment options at the Crescent Hill plant.” (Underscoring denotes new sentence added to paragraph).

The August 2 minutes were approved as modified. The agenda for today’s meeting was reviewed and approved.

Review Special Board Meeting – John Huber (9:13)

John Huber and ELT discussed the August 5 meeting during which the Board decided to proceed with changes in governance, including separation of the CEO role from the Board Chair, and establishment of an Executive Committee and a Nominating Committee. He noted that the Board wanted an enhanced orientation program for new members.

The Nominating Committee will nominate the Board Chair and Vice Chair from among the board members, who will be elected annually. The Executive Committee will be made up of the Board Chair, two board members, and the President. The Executive Committee will have significant authority to take action and to recommend action to the Board. The current Board members want to see high level topics, less detail, and they want to concentrate more on policies, controls and guidelines. They also want more streamlined board reports from LWC leadership. These changes may place additional oversight responsibility on Internal Audit to assure policies and procedures are being followed.

John Huber said he would like to have the new governance system in place by the November Board meeting.

Board Committee meetings are considered public meetings, and notices will be sent to the media who have asked to be notified.

John said the City is satisfied with the leadership team at LWC and noted that the governance changes are being adopted as a best practice.

Board Agenda Review – John Huber (9:50)

John reviewed the agenda items for the regular meeting to be held on August 10th and asked for brief board reports that cover the core issues.

Travel Request for AWWA DSS and WQTC Conferences - Greg Heitzman (10:00)

Greg requested approval for travel of Kim Reed and Mike McGee to attend a Distribution Symposium in Chicago. They will be driving to Chicago. Expenses are estimated at \$1,630 for Kim Reed and \$1,439 for Mike. Greg said both Kim and Mike will benefit from the training because of their new roles. Greg also expects them make a knowledge transfer to their colleagues when they return.

ELT Action: ELT approved the estimated travel expenses for Mike McGee and Kim Reed to attend the symposium.

Department of Transportation Hours of Service and Travel Request for NSC Conference – Glenn Mudd and Bob Miller (10:07)

Glen Mudd is Chair of the Utility Division of the National Safety Council which is composed of safety professionals from all utilities. He is a member of the Board Delegates of the National Safety Congress, where a key topic for discussion is the Hours of Service Rule which restricts the number of hours a DOT driver can be active and potentially drive. Utilities are no longer exempt from this rule. Glen distributed a synopsis of the issues for discussion.

Bob said Glen's travel expense is estimated at \$1,080, and asked for ELT's approval for Glen to attend the NSC meeting.

ELT Action: ELT approved Glen Mudd's travel to attend the NSC meeting.

Break (10:22)

Financial Results for July 2004 – Amber Halloran and Bob Miller (10:34)

Amber Halloran distributed and reviewed a high level report of results for July 2004. Bob said that the financial results for the year are not expected to achieve the revised financial plan targets.

Executive Session (10:57)

Introduce Carl Blanton – Susan Lehmann (11:25)

Carl Blanton, the new BSO for Organizational Effectiveness, was introduced to ELT. Carl has 29 years of experience in human resources, including training and development, performance management and quality initiatives.

Bin List and Agenda – Bob Miller (11:35)

Bob Miller reviewed the bin list with ELT, and will send out an agenda for the next ELT meeting.

TKO Report – Karla Teasley (11:40)

Karla said ELT had an aggressive schedule today, and finished up 10 minutes over schedule. The items discussed in Executive Session took longer than anticipated, but there was good discussion.

Meeting Adjourned (11:43)

ELT Meeting Minutes
August 16, 2004

Attendees: Bob Miller (Leader), Karla Teasley (TKO), Greg Heitzman, John Huber, Susan Lehmann

Absent: Barbara Dickens, Ed Chestnut

Visitors: Kathie Johnson (Recorder), Amber Halloran, Kathy Schroeder

Minutes Approved and Agenda Reviewed (9:05)

Minutes from the August 9, 2004 ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

Policy Considerations – Susan Lehmann and Kathy Schroeder (9:10)

ELT reviewed and discussed recommended policy changes.

Travel Request for AWWA WQTC Conference (10:20)

Greg Heitzman requested ELT approval for Roger Tucker to attend the AWWA WQTC Conference in San Antonio, TX beginning November 12. Roger will be a presenter in the algae monitoring session at the conference and the cost is estimated at \$645. The question was raised whether it would be more cost effective for Roger to attend and get the benefit of the full conference. The cost would be approximately \$1,645 for the full conference. Once the conference program is published, Greg will decide whether to recommend Jack Wang or Rengao Song for attendance as well. John Huber commented attendance at the conference allows LWC to hear the latest industry issues.

ELT Action: Travel for Roger Tucker to attend the AWWA WQTC Conference in November 2004 was approved as requested.

Travel Requests – John Huber (10:27)

John Huber asked ELT's approval for his travel to attend Water for People meetings in August and September. The first trip is to attend Water for People Board meetings in Denver, CO, August 26-27, estimated at \$650 and the second Water for People trip is to Pittsburgh, PA, September 2, estimated at \$500.

ELT Action: Travel requests for John Huber to attend Water for People Meetings in Denver, CO, and Pittsburgh, PA were approved.

Break (10:30)

Financial Results – Amber Halloran (10:44)

Amber Halloran reviewed the Greenbacks report with ELT. In response to John Huber's question, Karla Teasley will follow up on the water usage for the body contact water feature at Waterfront Park. She will also seek additional information to determine whether the water feature being used by the public, but not designed for public use, is using recycled water, which may be a potential health risk. The budget process was briefly discussed. Karla asked if there

is an expectation of a summary operating plan to accompany the budget information. Bob and Amber will discuss this and communicate back to ELT.

Open Time (11:25)

Opening of Crescent Hill Reservoir - Greg said the Crescent Hill Reservoir opened this morning, and will be open from 7:00 a.m. to 7:00 p.m. daily. Installation of the fence continues on the north bank. The reservoir is open two-thirds of the way, from the entrance to the northeast corner. If Homeland Security raises the security alert level to orange, the reservoir will be closed to public use; if the alert level is raised to red, Reservoir Avenue will be closed.

Fleet – John Huber expressed interest in existing fleet issues, and would like to see more emphasis on ensuring adequate investments in the capital budget, where appropriate. Greg will set up a separate meeting and will invite ELT members to discuss the issues.

Bin List and Agenda – Bob Miller (11:33)

Bob Miller reviewed the bin list with ELT. Bob will email the agenda for the next ELT meeting.

TKO Report – Karla Teasley (11:35)

Karla reported the team started five minutes late, and took longer than anticipated to discuss certain topics. Information sent in advance of the meeting was helpful.

Meeting Adjourned (11:40)

ELT Meeting Minutes
August 23, 2004

Attendees: Bob Miller (Leader), Karla Teasley (TKO), Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks

Absent: Ed Chestnut

Visitors: Kathie Johnson (Recorder), Carl Blanton, Amber Halloran, Don McKay, Roger LeMaster, Marianne Butler

Minutes Approved and Agenda Reviewed (9:07)

Minutes from the August 16, 2004 ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

Risk Assessments – Don McKay and Roger LeMaster (9:12)

Don McKay distributed a packet to each ELT member, which included:

- 2004 ELT/BSOC Risk Assessment Tasks
- LWC Strategic Risk Profile
- Potential Strategic Risks/Vulnerabilities Previously Identified by ELT
- Draft Risk/Control Assessment Worksheet
- Risk Assessment/Control Catalog
- Top 15 BSOC Composite Operational Risks
- LWC Operational Risk Interactions by System

ELT discussed and assigned risk values to several of the Potential Strategic Risks/ Vulnerabilities that were identified by ELT earlier in 2004. Bob Miller will either set aside sufficient time at an upcoming ELT meeting or schedule a separate meeting to complete the assignment of risk values to the list.

System Certification Update for Managing Business Risks – Don McKay and Bob Miller (10:03)

Don McKay distributed copies of his August 6 memorandum to Bob Miller giving his responses to audit recommendations made by Internal Audit in December 2003. ELT approval of the System Certification of Risk Management was considered in April 2004, but was postponed until adequate action and response was made to the audit recommendations.

Don McKay reviewed each recommendation and response, and answered questions asked by ELT during his presentation. ELT agreed Managing Business Risks had fully addressed the recommendations made by Internal Audit.

ELT Action: ELT approved System Certification of Managing Business Risks.

Break (10:20)

System Growth Opportunities – Greg Heitzman and Karla Teasley (10:35)

Greg Heitzman said he and Karla Teasley met last week with representatives of the Hardin County District and learned the Lincoln Trail Regional Water Commission has been established in Hardin County. Greg described the circumstances that may increase LWC's opportunity to provide water and/or related services to Ft. Knox. After October 2005, the Department of Defense will no longer operate the system or subsidize the cost of water production at Ft. Knox. LWC may be able to construct a water supply pipeline into Hardin County for either baseline use or emergency use

through either the I65 corridor or the Dixie Highway corridor. Jim Smith is their key contact at LWC. We will be following up with them in the near future.

Debt Management Planning – Bob Miller and Amber Halloran (10:52)

Bob Miller distributed and discussed his presentation to ELT on Debt Management Planning. He reviewed the scope of work to be performed by the Financial Advisor. He identified the elements to be included in the Debt Policy and Investment Policy. He described the attributes, benefits, and challenges of our existing debt structure. He reviewed the alternatives for alleviating the issues related to interest rate risk and the front loading of principal maturities.

Every 1 Reads – John Huber and Marianne Butler (11:15)

John Huber said this is a partnership between Jefferson County Public Schools, Metro Louisville and Greater Louisville Inc. to get students reading at grade level. Marianne Butler and Bill Meeks met with Sam Corbett last week to discuss LWC's possible involvement in the program. Employees interested will take 90 minutes of training and will meet with a student 30 minutes each week. It is not feasible for union employees to participate because the schools want the consistency of the same employee with the same student each week. Marianne will develop a rollout communication. We are looking for 10 participants, and are encouraged to enlist spouses and retirees. Employees must get their Manager's approval to participate. Most sessions will be between the hours of 11:00 and 3:00, and no overtime will be paid to employees as a result of their participation.

Open Time (11:35)

Diversity Training Facilitation – Susan Lehmann asked ELT to participate in Diversity Training, and to encourage their BSOs to participate as well.

Diversity Activities Packs – Susan Lehmann said there are Activities Packs available for use in NWT and SAC meetings.

Board Member Orientation – Susan is putting together an orientation program for new board members, and will send a draft to ELT today. Each ELT member will be on the agenda to talk about their Core. The orientation is expected to be held in late September or early October.

Fair Labor Standards Act Changes – Susan said HR is evaluating how recent changes will affect Louisville Water Company.

Labor Day Holiday – Bob Miller asked if ELT should reschedule its September 6 meeting to Tuesday, September 7 because of the holiday, or cancel the meeting. The September 6 meeting will be canceled.

Bin List and Agenda – Bob Miller (11:43)

Bob Miller reviewed the bin list with ELT. Bob will email the agenda for the next ELT meeting.

TKO Report – Karla Teasley (11:45)

Karla Teasley said the meeting started on schedule. The material distributed by Don McKay for the Risk Assessment was very beneficial and the group was able to reach consensus in assigning risk values. The Debt Management Planning presentation by Bob Miller was beneficial. The meeting ended 15 minutes late.

Meeting Adjourned (11:46)

ELT Meeting Minutes
August 30, 2004

Attendees: Bob Miller (Leader), Karla Teasley (TKO), Barbara Dickens, Greg Heitzman, Susan Lehmann, Bill Meeks

Absent: Ed Chestnut, John Huber

Visitors: Kathie Johnson (Recorder), Jim Asseff, Jim Brammell, Amber Halloran, Kathy Schroeder

Minutes Approved and Agenda Reviewed (9:05)

Minutes from the August 23, 2004 ELT meeting were reviewed. Susan Lehmann asked for a change to the minutes: on the second page, under the Diversity Training Facilitation heading, the sentence should read: "Susan Lehmann asked ELT to participate in Diversity Training, and to encourage their BSOs to participate as well." The minutes were approved with that change. The agenda for today's meeting was reviewed and approved.

Susan announced that Janet Geurin Muller accepted the position of Manager of Workforce Diversity.

BSOC Recommendations on Management Roles – Kathy Schroeder, Jim Asseff and Jim Brammell (9:10)

Kathy Schroeder distributed and discussed the BSOC's position paper concerning the responsibilities of the ELT and BSO. The paper described ELT as Strategists, and BSOs as Developers/Implementers.

In response to Susan Lehmann's question about what the BSOs would like to see done differently, Kathy said a good example is the work they're doing on the budget for 2005.

Bob Miller asked whether "setting the organization structure" is defined as what the cores and systems will be. Jim Brammell said ELT would establish core systems and business systems, but defining processes and resources would be an operating issue for BSOC. The BSOs would allocate their employees within the system.

Jim Brammell said the position paper is a first attempt to define the roles of the BSOC and ELT, and is not a final product. The BSOC is seeking validation of their approach before developing an implementation plan to accomplish this intent. The ELT was generally supportive of the approach but want to consider it further.

Discussion of BSOC Recommendations – ELT (9:50)

ELT discussed the BSOC position paper. Bob Miller will review the recommendations with John Huber and Susan Lehmann. This topic will be on the agenda for further discussion at the next ELT meeting.

Mailing Paychecks – Amber Halloran (10:04)

Amber Halloran shared information with ELT regarding a change being considered in the way distribution of paychecks/deposit stubs is handled. A cost/benefit analysis is being done on the feasibility of mailing paychecks to employees instead of distributing them at work.

Long-term strategies for payroll include requiring all employees to receive direct deposit and consideration of a move to bi-weekly payroll.

Break (10:25)

Revenue Shortfall – Bob Miller (10:40)

Bob Miller estimates revenues will be between \$700,000 and \$800,000 below budget for August. As a result, the overall financial results will be \$100,000 to \$200,000 below the revised financial plan results even after reducing the funding of the Infrastructure Replacement Reserve to zero. Rainfall is 11 inches above normal for the year. The temperature for July was 4 degrees colder than normal, while August was 6 degrees colder than normal. It appears that the earnings target will not be met.

Bob will add this topic to the agenda for the next ELT meeting to review August results and continue the discussion.

Risk Mitigation/Rate Stabilization Reserve – Bob Miller (11:20)

Bob Miller reviewed plans for development of a Risk Mitigation / Rate Stabilization Reserve. He reviewed the sequence for use of funds. He also reviewed the causes for significant potential swings in revenues and expenses that impact the dividend. He identified the alternatives available for "smoothing out" those swings and recommended establishment of this reserve. He described the criteria for the size of the reserve and outlined the change that would be needed to the dividend covenant of the bond resolution.

Open Time (11:25)

Audit Committee Meeting – The meeting will cover the annual inspection, annual inventory, an overview of the revenue audit, an update on the procurement card audit, and any outstanding issues.

Public Affairs & Customer Satisfaction Meeting – The meeting will be held Friday, September 3. Correspondence and communication around the rate increase will be discussed, as well as service deposit work as a mechanism to reduce bad debt. The service deposit capability is there, and we have met the legal tests. This would target one-third to one-half of bad debt.

Bin List and Agenda – Bob Miller (11:30)

Bob Miller reviewed the bin list with ELT. Bob will email an agenda for the next ELT meeting to be held September 13.

TKO Report – Karla Teasley (11:32)

The meeting ran over by five to 10 minutes on each item. The BSOs did a good job of defining roles of ELT and BSOC and putting together a good starting product. The paycheck issue was of value. The revenue shortfall issue went about 20 minutes longer than planned.

Meeting Adjourned (11:37)

ELT Meeting Minutes
September 13, 2004

Attendees: Bob Miller (Leader), Karla Teasley (TKO), Barbara Dickens, Greg Heitzman, John Huber, Carl Blanton (for Susan Lehmann)

Absent: Ed Chestnut, Susan Lehmann, Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran

Minutes Approved and Agenda Reviewed (9:05)

Minutes from the August 30, 2004 ELT meeting were reviewed and approved as written. The agenda for today's meeting was reviewed and approved.

BSOC Recommendations on Management Roles – ELT (9:12)

ELT discussed the Position Paper prepared by the BSOC and identified points to further define the BSOC responsibilities:

- Responsible as primary stewards of organizational resources
- Responsible for the efficient and effective operation of the company to be accomplished through the use of TQO practices
- Responsible for a streamlined organization committed to high levels of quality and customer satisfaction.

ELT then discussed the BSOC role as Developers/Implementers and identified points to further define the BSOC role:

- Accountable for operational risk management
 - overall emergency response planning that goes beyond terrorism
 - emergency response drills
- Effective stewards of resources (human resources, financial resources, LWC's reputation and image, etc.)
- Corporate social responsibility and service to the community
- Cultivate effective internal and external relationships at the operating level (Public Works, Homebuilders Association, drinking water programs and Division of Water related to water pollution)
- Mentor, coach and develop employees
- Assure a work environment that is safe and provides a high quality of work life
- Ensure regulatory compliance by analyzing regulatory proposals and recommending approaches for shaping regulations

ELT agreed that Bob Miller will capture the ideas for inclusion in BSOC role, and will prepare a communication for review with John Huber and Susan Lehmann. Bob and Susan will meet with Kathy Schroeder, Jim Asseff and Jim Brammell to share ELT's suggestions and answer any questions.

ELT will further discuss their role as Strategists at the September 20 ELT meeting. ELT will incorporate insights gained during work with Right Management into the ELT role. Bob will discuss with Susan whether publication of the Next Level Plan needs to be delayed pending completion of this work on ELT/BSOC roles, since changes may be necessary in the NLP Roles Section to maintain consistency. The ELT/BSOC Roles document may be added to the NLP Appendix. Bob asked ELT members to bring their Right Management material to the September 20 ELT meeting for reference during the ELT roles review.

Public Financial Management Group (PFM) – Bob Miller (9:50)

Bob announced that representatives from PFM will be meeting with LWC this afternoon. Jerry Martin will also attend to hear their presentation. If they are accepted as the Financial Advisor, they will provide consulting services on debt management planning, benchmarking, and preparation of financial disclosure information in support of a debt issuance.

Review Board Agenda – John Huber (9:58)

This meeting will be held at B.E. Payne, and will include an Audit Committee Report (annual inspection progress and annual inventory results); a Public Affairs and Customer Satisfaction Committee Report (public information approach to rate increase, and initiation of a customer deposit); Return on Equity target for 2005; debt management issues; and, recommendations on establishing a Risk Mitigation / Rate Stabilization Reserve. John Huber said Board approval will be sought for Chapter 32 local ordinance changes so the changes can be acted on by the Metro Council. By-Laws changes will be considered at a future BOWW meeting.

Break (10:25)

Review Financial Results for August 2004 – Amber Halloran, Sue Purdy (10:38)

Amber Halloran distributed the Financial Results for August, and discussed the highlights with ELT. For future reports Sue Purdy will add an “as of” date next to the employee count since there was some confusion about the count. Karla Teasley was appreciative of the work Anna Norris has done in preparing and distributing monthly Capital Budget Reports. Amber Halloran also distributed and briefly reviewed a new analysis report on labor hours.

Discussion of Revenue Shortfall – ELT (11:20)

ELT discussed the strategies that could be used to address the revenue shortfall. Bob Miller said he will recommend either carrying a dividend prepayment into next year or using debt management techniques this year so there is no carryover into next year. Bob Miller will prepare an updated forecast of year-end financial results.

TKO Report – Karla Teasley (11:42)

There was good dialogue related to the financial information, but the topic exceeded the time allotted. Karla suggested 45 minutes is the appropriate amount of time for the review of monthly financial results. The information provided in the revenue shortfall discussion was good.

Meeting Adjourned (11:44)

ELT Meeting Minutes
September 20, 2004

Attendees: Bob Miller (Leader), Karla Teasley (TKO), Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Ed Chestnut, Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran, Jim Brammell, Kim Reed, Janet Geurin Muller

Ed Chestnut was welcomed back!

Minutes Approved and Agenda Reviewed (9:05)

Minutes from the September 13, 2004 ELT meeting were reviewed and approved as written. The agenda for today's meeting was reviewed and approved.

BSOC Recommendations on Management Roles – Define ELT Role as Strategists (9:13)

Bob Miller said he and Susan Lehmann will be meeting with Kathy Schroeder, Jim Brammell and Jim Asseff on Friday to discuss ELT's suggestions to further define the BSOC Role. Susan will also meet with Rich Cartor of Right Management this week to discuss the work in progress.

ELT extensively discussed their role as "Strategists." Susan Lehmann will provide an updated draft incorporating the ideas and suggestions from today's meeting. Bob Miller will put time on the September 27 ELT agenda to further discuss the role and make the language and intent consistent with the Strategic Plan and Next Level Plan documents and consistent with the Right Management work.

Break (10:13)

Fleet Cost Analysis Presentation – Amber Halloran, Jim Brammell, Kim Reed (10:22)

Amber Halloran explained that through August 2004 the Transportation account is \$335,027 over budget. This variance is due to:

- | | |
|--|-----------|
| ▪ Fleet Maintenance Department over budget | \$142,586 |
| ▪ Fleet Hourly Rates approximately 5% too high | \$109,019 |
| ▪ Allocation to Capital less than expected | \$ 83,422 |

Kim Reed distributed and discussed her Fleet Cost Analysis explaining the \$142,586 variance from budget in O&M expenses. The items contributing to the variance include increased cost of fuel, an unfunded initiative (cement truck), previously capitalized items not funded in fleet (accounting rules changed qualifying amount from \$500 to \$2,500), and preventable vehicle accident repairs.

In response to Greg Heitzman's request, Kim will email mileage data for the past two years to ELT. Jim Brammell said benchmarking data is under development and will be furnished to ELT when completed.

ELT thanked Kim Reed and Jim Brammell for the well-prepared presentation.

Introduction of Janet Geurin Muller, Director of Workforce Diversity – Susan Lehmann (11:07)

Susan Lehmann introduced Janet Geurin Muller, Manager of Workforce Diversity, to the ELT. Janet most recently was Program Coordinator for Jewish Family Vocational Services

Open Time (11:10)

Board Member Orientation – Susan Lehmann reminded ELT to submit presentation outlines to her by September 21, and to let her know whether Powerpoint will be used in the presentation.

O&M and Capital Budgets – Bob Miller said additional items have been identified that were not included in the individual system O&M budgets. These items will be given to the BSOC for prioritization. Jim Smith will be working with the BSOs to realign timing of cash flows for the capital improvement plan. The Budget Department will be bringing updated information to the next ELT meeting.

Policy Development – Barbara Dickens noted that she will be bringing updated information about new policies that need to be developed at the October 4th or 11th meeting.

TKO Report – Karla Teasley 11:25

The fleet cost analysis by Kim Reed and Jim Brammell provided an excellent and detailed review of information on fleet budget variances. Bob noted that Bill Meeks will be the ELT Team Leader beginning in October.

Meeting Adjourned – 11:26

ELT Meeting Minutes
September 27, 2004

Attendees: Bob Miller (Leader), Karla Teasley (TKO), Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Ed Chestnut, Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy

Minutes Approved and Agenda Reviewed (9:05)

Minutes from the September 20, 2004 ELT meeting were approved as written. The agenda for today's meeting was reviewed and approved.

BSOC Recommendations on Management Roles – Finalize ELT Role as Strategists – Susan Lehmann (9:07)

Susan Lehmann distributed a memorandum from Bob Miller, dated September 21, addressed to Kathy Schroeder, Jim Asseff and Jim Brammell, that was used to communicate ELT's feedback on the BSOC/BSO Position Paper and BSOC/BSO roles and responsibilities. She said the BSOs were in agreement with the recommended changes, and were optimistic about the progress being made.

ELT reviewed and made further refinements to the ELT role. Susan Lehmann will make the changes and send out to ELT, and will provide a copy to Rick Cartor and Ron Raque for their feedback. Susan had met with Rick Cartor last week. He expects to work through the tactical differences during the October and November meetings.

Break (10:15)

Preliminary 2005 Operating and Capital Budgets – Amber Halloran and Sue Purdy (10:30)

Amber Halloran said she expects to have the preliminary 2005 budget book ready for print by October 1. Amber distributed and discussed information related to the budget. Amber also discussed a proposed revision to the method of calculating the dividend that would not exclude the Goshen and Bullitt County rate differentials from net income, thus allowing LWC to pay a larger dividend to the City of Louisville. Bob Miller and Barbara Dickens will assure this action will not violate any existing agreements or covenants before proceeding.

Greg Heitzman discussed the need to put \$3,000 to \$5,000 in the 2005 budget for the purpose of conducting Fund for the Arts and Metro United Way fundraising campaigns. Karla Teasley said the loaned executive for United Way is another issue to be considered. Greg suggested the United Way loaned executive issue be reviewed on a quarterly basis.

Amber said the Capital Budget will be \$75,409,780 before contributions. Amber will send a copy of the Capital Budget to ELT. Bob, Amber and John will move forward with finalizing the preliminary 2005 budget.

Standards of Work Performance – Susan Lehmann (11:15)

Susan reported that it appears that unacceptable behaviors are being addressed, and the situation has improved.

Travel to WQTC Conference – Greg Heitzman (11:20)

Greg recommended sending Jack Wang to the conference in San Antonio at an estimated cost of \$1,500. Greg will check to see if he has any remaining budget to cover the travel; however, due to the importance of this conference to LWC, John Huber recommended Jack attend the conference. Greg Heitzman will email ELT whether he has remaining budget to cover the travel.

ELT Action: ELT approved Jack Wang's travel to attend the WQTC Conference at an estimated cost of \$1,500.

Open Time (11:27)

Metro United Way Campaign – Susan Lehmann said the team met last week. There is a funding gap, and Susan requested the four Core Vice Presidents contribute \$1,000 each from their budgets to fund the 2004 campaign.

ELT Action: ELT agreed the four Core Vice Presidents will provide \$1,000 each from their budgets to fund the 2004 Metro United Way Campaign.

Agenda and Bin List – Bob Miller (11:32)

Bill Meeks becomes ELT Leader at the October 4 meeting; other roles are Barbara Dickens – Scribe; Greg Heitzman – TKO; and, Susan Lehmann – Backup Recorder. Bob Miller and Bill Meeks will work together on the minutes and agenda for the October 4 meeting for distribution to ELT.

TKO Report – Karla Teasley (11:35)

The meeting started on time but went over on the ELT roles topic. ELT made good progress reaching the intended result. Karla suggested more time should have been allotted to the budget topic. There was good participation among ELT at the meeting. She commended the budget group for the work they did in working with the BSOs to prioritize the budget, and in working with the capital budget team to get the capital budget finalized.

Meeting Adjourned – (11:38)

ELT Meeting Minutes
October 4, 2004

Attendees: Bill Meeks (Leader), Greg Heitzman (TKO), Ed Chestnut, Barbara Dickens, Bob Miller, John Huber, Susan Lehmann, Karla Teasley
Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy

Minutes Approved and Agenda Reviewed (9:06)

Minutes from the September 27, 2004 ELT meeting were approved as written. The agenda for today's meeting was reviewed and approved.

Next Level Plan Communication Sub Team Report – Greg Heitzman, Karla Teasley and Susan Lehmann (9:11)

Susan Lehmann reported she, Greg Heitzman and Karla Teasley met last week with the BSOC. The recent work done on BSO and ELT roles will be incorporated into the Next Level Plan document. The Next Level Plan rollout will be done in small group team meetings, with the appropriate management present, during December 2004 and January 2005. A Powerpoint presentation will be made to provide consistency between the meetings, and a handout of the presentation will be given to employees instead of the full Next Level Plan document. The complete Next Level Plan document will be made available for review upon request. Greg Heitzman, Bill Meeks, Susan Lehmann and Carl Blanton will work together on the Powerpoint presentation, and the CBSOs will work with BSOs to set up team meetings. Bill Meeks will add a review of the Powerpoint presentation to the bin list for mid November.

2004 Metro United Way Campaign – Susan Lehmann (9:22)

The campaign will be held October 15 to November 5. The goal for 2004 is set at \$60,000.

Open Time (9:47)

Customer Satisfaction Index - Karla Teasley distributed and discussed the favorable CSI Results for the third quarter 2004. The Service CSI total is at an all time high of 806, and is the piece most impacted by LWC employees.

Internal Customer Satisfaction Survey – Susan Lehmann is expecting results from Deyta soon, and will schedule a meeting with ELT to discuss the results and the rollout.

New Executive Education Program at UofL – Susan Lehmann mentioned that Louisville Water Company is entitled to send two employees to the Executive Education Program at the University of Louisville, two days a week during the period January-May 2005. The focus is on leading change, and is appropriate for the Vice President/BSO level. There will be 20-25 students in the class.

Break (10:00)

Preliminary 2005 Operating and Capital Budgets Status Report – Amber Halloran (10:17)

Amber Halloran said the budget went to the printer last Friday. She commended the work Sue and the budget department did in completing the budget. Amber distributed and discussed a comparison of 2004 budgets to 2005 proposed budgets, the ten year proforma income statement, and the ten year financial plan.

John Huber suggested we might want to propose to the board, once we meet the net income target, to set aside some money in the Infrastructure Reserve Fund.

Karla Teasley said the Capital Budget Sub Team will meet a few more times to set expectations for the economic analysis that needs to be done, and to create an implementation plan for the capital budget.

Travel Request – Amber Halloran (10:47)

Amber Halloran requested approval for Ron Green to attend the National Minority Business Supplier Business Opportunity Fair in Washington, DC, October 18-21, 2004 at an estimated cost of \$1,850. The expectation is Ron will provide a report to ELT upon his return. Greg suggested Ron discuss the tunneling project with Kay Ball before he leaves.

ELT Action: ELT approved Ron Green's travel to attend the National Minority Business Supplier Business Opportunity Fair in Washington, DC, October 18-21, at an estimated cost of \$1,850.

Discretionary/Variable Costs – Bob Miller (10:50)

Bob Miller recommends a plan be developed to quickly extract costs from the 2005 budget should a need exist. He suggested the \$800,000 of discretionary items prioritized by the BSOs for inclusion in the 2005 budget would be the place to begin to identify and plan for quickly extractable costs. John Huber said two items to consider in planning whether or when to extract costs are winter costs and mid year sales. After ELT develops guideline and boundary conditions, this project will be given to the BSOs to develop a plan to quickly extract costs that will include prioritization, timing elements and conditions. A plan should be completed by December 15 if possible, and the plan would become part of the 2005 Operating Plan.

In response to a request by John Huber, Bob Miller will develop and communicate to ELT data on trends for the last 5-10 years for inactive services.

TKO Report – Greg Heitzman (11:22)

There was full attendance and the meeting started on time. We saved time on the Next Level Plan topic, and the other topics took longer than scheduled. Communication was good, but Karla and Greg spent more time than others discussing budget items. Greg suggested a conscious decision be made to either extend time or conclude discussion when the Timekeeper indicates time is up on a particular topic.

Agenda and Bin List - Bill Meeks (11:25)

Bill reviewed the bin list with ELT. John Huber requested these items be added to the bin list:

- 10 Year Proforma - look deeper into assumptions
- Water sales growth
- Depreciation forecast – what is our capacity for completing capital programs, etc.
- 4.5% rate increase
- Fixed v. variable costs
- Rate Equalization/Risk Mitigation

Bill Meeks will email the agenda for the October 11 meeting.

Meeting Adjourned (11:30)

ELT Meeting Minutes October 11, 2004

Attendees: Bill Meeks (Leader), Greg Heitzman (TKO), Ed Chestnut, Barbara Dickens, Bob Miller, John Huber, Kathy Schroeder (for Susan Lehmann), Karla Teasley

Visitors: Kathie Johnson (Recorder), Amber Halloran, Scott Muhlenbeck

Minutes Approved and Agenda Reviewed (9:06)

Minutes from the October 4, 2004 ELT meeting were reviewed. Kathy Schroeder said Susan Lehmann had a correction to the minutes. The last sentence under the Metro United Way topic should be deleted since the Metro United Way team has no follow up planned with ELT. Greg Heitzman also had a change. Under the Next Level Plan topic, the first sentence should read, "Susan Lehmann reported she, Greg Heitzman and Karla Teasley met last week with the BSOC." The minutes were approved with those changes. The agenda for today's meeting was reviewed and approved.

Review Board Agenda – John Huber (9:09)

John Huber reviewed the agenda for the October 12 Board Meeting.

Policy Review Process – Barbara Dickens (9:22)

Barbara Dickens presented and discussed her recommendations for policy revisions and approvals. Her recommendation for a more streamlined process would allow for a more frequent policy review and would be in keeping with ISO standards as required for ISO certification. ELT made suggestions for Barbara to consider in a new draft. Suggestions included review and recommendation by the President to the BOWW for approval of "corporate" policy matters to be designated later. Most other policy revisions would be acted on by the BSOC after a first reading and formal information flow to the ELT and then a final reading prior to BSOC approval. Barbara will incorporate the suggestions into a new draft to be considered at a future ELT meeting. Karla asked that Barbara consider and prepare a draft of how procedures would be approved, so that the entire process for policy and procedure approval could be considered together. Bob stated that he would provide further feedback to Barbara after the meeting.

Break (10:17)

Greenbacks Report – Amber Halloran, Scott Muhlenbeck (10:35)

Amber distributed and discussed the financial highlights for the month of September. She commented that additional review work will be done on the depreciation account.

Open Time (11:17)

United Way Breakfast – Kathy Schroeder said the United Way Leadership Breakfast will include Process Owners, Business System Owners and ELT, and will be held October 20 in Training Room A.

HRIS Travel – Kathy Schroeder said the budget for the HRIS project includes site visits, but she felt it appropriate to notify ELT the travel would be taking place. Kathy will send an email to ELT regarding the planned travel.

Zoo Event – John Huber reminded everyone of the October 23 Fall Fun Fest at the Louisville Zoo.

Risk Assessment – Bob Miller noted that Don McKay has provided a timeline for the remaining work by the ELT and BSOC on corporate-level and system risk assessments that are scheduled for completion by year-end. Bob will work with Bill Meeks to place this on the bin list.

Agenda and Bin List – Bill Meeks (11:25)

Bill Meeks reviewed the bin list with ELT for next week's agenda. Bill will complete the agenda and email it to ELT.

TKO Report – Greg Heitzman (11:30)

There was full attendance since Kathy Schroeder filled in for Susan Lehmann. We exceeded the allotted time on topics during the first half of the meeting. Greg said in future meetings he will give TKO status about 5 minutes before time is up on a topic to see whether the group agrees to extend the time or end the discussion. The group seemed engaged. There were different levels of participation depending on the topic being discussed.

Meeting Adjourned (11:33)

ELT Meeting Minutes October 18, 2004

Attendees: Bill Meeks (Leader), Greg Heitzman (TKO), Ed Chestnut, Barbara Dickens (Recorder), Bob Miller, John Huber, for Susan Lehmann, Karla Teasley

Visitors: Kathy Schroeder; Carl Blanton; Jaeson Welch & Neil Smith from Deyta Corporation

Minutes and Agenda Approved (9:07)

Minutes from the October 11, 2004 ELT meeting were reviewed. There were no changes to the minutes and they were approved. The agenda for today's meeting was reviewed and approved.

Internal Customer Survey (ICS) Results Reviewed (9:10)

Susan Lehmann introduced Jaeson Welch & Neil Smith, who were present to review the ICS results for 2004. Neil reviewed the questions and the range of responses. 2015 surveys were sent out and 95% were returned. 38 were returned without response, which is a very low number overall. Scores for LWC remain moderate in 2004, with results neither exceeding 4 nor fully below 3. Significant changes in ratings for LWC were: "Importance of this process to you" increased and "Timeliness of service" decreased (from 3.30 to 3.22). The process importance overall for the Company was 4.29, up from 4.21 in 2003. Overall satisfaction dropped from 3.35 in 2003 to 3.30 this year. Staff courtesy received the highest satisfaction rating. Key satisfaction drivers for 2004 are "quality and accuracy of services" (108) and "timeliness of services" (59). Those two, plus the following three made up the Top 5 satisfaction drivers: "explanations provided about delays" (48, "courtesy and friendliness of staff" (44) and "quality and accuracy of product received" (38). One of process performance rankings for the 39 processes ranked significantly higher than LWC Overall, and five process performance rankings ranked significantly lower than LWC Overall.

Jason advised that it is difficult to evaluate performance on our Company goals because the reorganization resulted in not having the same systems to compare. Both Greg and Karla believed that a comparison could and should be done, stating that 80% or more of systems remained intact in the reorganization so we should be able to drill down and compare results from 2003 to 2004. Greg commented that we have accumulated a wealth of information over the years with these surveys and it would be regretful if we had to disregard the previous information. Deyta advised it would work with Susan and Carl to show comparison of systems to last year so that Deyta can compile a comparison to evaluate performance on Company goals.

In terms of customer comments, many were complimentary of specific individuals. There were negative comments as well. Deyta recommends we focus on quality and accuracy of services provided and timeliness of services to improve our ICS results next year.

Susan recommended each ELT member review his or her results and that we discuss it again at ELT in two weeks. If anyone has specific questions for Deyta, those should be presented to Carl so that one person is communicating with Deyta.

Break (10:15)

System Certification Audit – Supplying Information Technology (10:30)

Bob advised that the IT System is not ready for certification. Bob feels that the recommendation for approval last year was premature and adequate controls to ensure steps for improvements were being taken was not put in place last year. Bob intends to address all structural deficiencies in the next month. Karla cautioned Bob to not rush an important initiative such as this, understanding that Bob is eager to see improvements in place. Bob discussed the ICS results for Supplying IT Resources. John feels that there needs to be more discussion about and ownership of what IT's role should be as a part of a Total Quality Organization. ELT agreed that quality principles require that how work is done is as important as what is done. Bob will report back to ELT on this systems certification audit in an appropriate time frame.

Metro United Way Update (11:13)

The first event is the kickoff breakfast scheduled for Wednesday, October 20th at 8:15. Karla advised that a location competition is being discussed. Each site is brainstorming for events ideas. Susan asked the ELT to encourage BSOs and POs to attend the breakfast. An event is being planned for retirees, and we are repeating the agency visits, allowing individuals to see how Metro United Way funds are critical in our community.

Open Time (11:17)

Waterworks Management Workshop – Greg attended this workshop in Chicago, Illinois on October 14 and 15. Greg reviewed the questions that were submitted by LWC and others that were of particular importance to us.

Courier-Journal Article on Proposed Rate Increase – John stated that the article was correct on the majority of points. We contacted MSD to make sure they were aware that we didn't discuss anything about MSD with the C-J reporter, but that the reporter gathered any information about MSD on his own. We also advised the C-J that we only recommend action to be taken by the Board.

Agenda and Bin List – Bill Meeks (11:34)

Bob discussed that some strategic planning items on the Bin List need to be considered by the full Strategic Planning Committee. He will work with Bill on these items. Bill Meeks reviewed the bin list with ELT for next week's agenda. Bill will complete the agenda and email it to ELT.

TKO Report – Greg Heitzman (11:38)

There was full attendance. We took less time on the ICS results but more time than allotted to discuss the IT System Certification and the Open Time items. The group seemed engaged and participated fully, except for Barbara who kept minutes.

Meeting Adjourned (11:40)

ELT Meeting Minutes October 25, 2004

Attendees: Bill Meeks (Leader), Jim Asseff representing Greg Heitzman (TKO), Barbara Dickens, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Absent: Ed Chestnut

Visitors: Kathie Johnson (Recorder), Nora Freeman, Sharon Dawson, Carl Blanton and Vince Ilari

Minutes and Agenda Approved (9:05)

Minutes from the October 18, 2004 ELT meeting were reviewed. Barbara Dickens noted the time for the Minutes and Agenda Approved heading should be 9:07, not 9:0. Under the Internal Customer Satisfaction Survey topic, she corrected the name from Dale to Neil in the second sentence. The minutes were approved with those changes. The agenda for today's meeting was reviewed and approved.

Metered Water Ratio Update – Nora Freeman, Sharon Dawson and Vince Ilari (9:08)

Nora Freeman said the team is seeking feedback from ELT on the format for their recommendations to be presented to ELT next month.

Sharon Dawson distributed information including:

- Metered Water Ratio Team Update;
- Draft 2003 Water Audit for LWC using the International Water Association Format;
- Statement of Unavoidable Annual Real Loss; and
- Draft Metered Water Ratio Team Recommendations Format.

She said the team was tasked with three deliverables, a water audit, development of an action plan to improve management of the metered water ratio, and development of a metered water ratio goal for 2005. Recommendations to improve management of the metered water ratio will be presented to ELT for feedback/approval in November.

Vince Ilari discussed the draft LWC Water Audit for 2003, which uses the International Water Association Format. Karla Teasley asked ELT to provide feedback on the proposed format for making improvement recommendations. Bob Miller agreed with the format but suggested lines be numbered on the Water Audit to tie back to the line recommendation for improvement, and state the benefit being targeted. Nora Freeman said this work is an iterative process that will continue to be refined.

ICS Update – Susan Lehmann and Carl Blanton (9:45)

Carl Blanton distributed a comparison of 2003 results with 2004 results, and discussed the calculation used to arrive at a score. He emphasized the need to focus on what the scores reveal rather than how the scores are calculated. The value of the ICS points management in the direction to make improvements.

Break (10:15)

Quarterly Goals Update – Bob Miller (10:30)

In Ed Chestnut's absence, Bob Miller presented the third quarter results. On ELT Shared Goals, the items for follow up are the budgeted sales and RBF Phase III Alternative Treatment measurement

criteria. Bob reviewed the 2004 Incentive Plan Goals; the light switch goal is not achievable. We are at 75% for the Corporate Performance Award.

Open Time (10:55)

Employee/Diversity Event at the Louisville Zoo – John Huber said the event went very well Saturday.

AWWA Regional Officers Meeting – John Huber said he attended the AWWA Regional Officers Meeting in Indianapolis last week and spoke with Tom Curtis of AWWA. Mr. Curtis referred to the Washington Post article on lead, and said he expects a revision will be made to the regulation to get an MCL at the tap instead of at the meter.

Next Level Plan – Susan Lehmann said she sent ELT an email attaching proposed language describing roles for ELT and BSOs for inclusion in the “Beyond the Next Level Plan” document. She asked for ELT’s revisions or comments by Friday, October 29. Kathy Schroeder is reviewing the document with the BSOs to get their comments.

UofL Executive Education Program – Susan Lehmann said an article will be placed in Newsleaks concerning LWC’s entitlement to two places in UofL’s Executive Education Program. The employees will be selected from among CBSOs, BSOs and POs.

Metro United Way Agency Visits – Susan encouraged attendance at Metro United Way Agency tours.

Observance of 2005 New Year’s Holiday – Susan Lehmann said the holiday will be observed on Friday, December 31, 2004. Amber Halloran is working on the accounting aspects of observing the holiday in 2004 instead of 2005.

Agenda and Bin List - Bill Meeks (11:12)

Item 6 can be removed from the bin list. An item will be added concerning action by ELT related to the Internal Customer Satisfaction results. Bill will email the agenda for the November 1 ELT Meeting.

TKO Report – Jim Asseff (11:15)

There was good participation and ELT kept on track with the agenda.

Meeting Adjourned (11:17)

**ELT Meeting Minutes
November 8, 2004**

Attendees: Karla Teasley (Leader), Greg Heitzman (TKO), John Huber, Susan Lehmann, Bob Miller

Absent: Ed Chestnut, Barbara Dickens, Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy, Carl Blanton, Ralph McCord, Daniel Tegene

Minutes and Agenda Approved (9:05)

Minutes from the November 1, 2004 ELT meeting were reviewed and approved. The agenda was reviewed and approved.

Metro United Way Update – Susan Lehmann (9:07)

Susan Lehmann reported the Metro United Way Goal has been reached, with \$61,582 in pledges as of this date. We are down by the number of givers, 206 this year versus 258 last year. There were 90 Care Share givers this year, versus 72 last year. John Huber will draw for prizes on Tuesday, November 09, 2004. Susan requested that Vice Presidents follow up to assure all pledge cards are turned in.

Operating Performance Review – Amber Halloran (9:10)

Amber Halloran reviewed the October 2004 Financial Highlights with ELT. Revenue exceeded the budgeted revenue. Amber and Sue will look at the Commercial accounts to see whether this customer class may have been over budgeted for 2004, and Scott Muhlenbeck will look into variances in the larger accounts.

Amber distributed and discussed a revised budget forecast for operating expenses, which she will distribute to BSOs. She will continue to work with the BSOs to refine this forecast.

Break (10:00)

Board Meeting Agenda – John Huber (10:16)

Barbara Dickens will either be late or absent for the Board Meeting, and Bob Miller will take minutes in her absence. The two key issues for the meeting are the budget and rates. The Nominating Committee will meet at 11:45. The Compensation Committee will present a report. The outside legal services report will be deferred if Barbara Dickens is unable to attend the meeting.

I4 System Certification Audit – Karla Teasley, Carl Blanton (10:25)

Karla said the certification audit contained no recommendations for improvement, even though major organizational changes were made to I4 in early 2004 as a result of the corporate reorganization. Carl Blanton commended the documentation and application of quality principles, the active Natural Work Teams and System Advisory Council.

ELT Action: ELT agreed to Certify the I4 - Pipeline Design and Construction Business System.

Open Time (10:35)

US Pipe & Foundry – Greg Heitzman gave a brief update on the status of discussions with US Pipe & Foundry regarding corrosion of fire hydrant stems. Greg and Jim Brammell are working with US Pipe to resolve this issue.

Dechlorination Patent – John Huber asked whether LWC was pursuing getting a patent for the dechlorination device developed and used by LWC employees. Karla Teasley will follow up on whether to pursue a patent or whether to share the information with other entities. Bob Miller asked Karla to keep Don McKay apprised of the direction we take on this.

Lexington-Fayette Council Elections – Following the election, the Council stands at 9-6 against condemning Kentucky American's franchise to serve Lexington and Fayette County, where it previously stood at 9-6 in favor of condemnation. No action has been taken.

Bin List and Agenda – Karla Teasley (11:05)

Karla Teasley reviewed the bin list, and no items appeared ready for presentation by Monday, November 15. There is time set aside for a special ELT meeting on Friday, November 12, from 1:00-3:30 to continue work on the Strategic Risk Assessment. Karla will determine which date works best for ELT to work on the Risk Assessment, Friday, November 12, or Monday, November 15, and will confirm a date. The other ELT meeting will be cancelled.

TKO Report (Greg Heitzman) 11:13

Karla acted as Leader in Bill's absence. The team went through all the items on the agenda. The Greenbacks report was done in the allotted time. The System Certification of I4 took less time than anticipated. There was balanced participation in the meeting. The meeting finished 15 minutes early.

Meeting Adjourned (11:15)

**ELT Meeting Minutes
Special Meeting
November 12, 2004**

Attendees: Bill Meeks (Leader), Greg Heitzman (TKO), Karla Teasley, Barbara Dickens, John Huber, Susan Lehmann, Bob Miller

Absent: Ed Chestnut

Visitors: Don McKay

Minutes and Agenda Approved (1:00)

Minutes from the November 8, 2004 ELT meeting were reviewed and approved. The agenda was reviewed and approved.

Strategic Risk Review (1:10)

Bob Miller and Don McKay, reviewed the risk rankings by ELT members, the strategic risk map, and "red zone" risks. The team used the risk assessment tool to assess targeted risks, using a consensus approach to identify triggers, consequences, and pre-event and post-event controls. The team assessed four high level risks, and will continue the risk assessment at a future ELT meeting.

Open Time (3:10)

Metro United Way - Susan updated the ELT on the Metro United Way Campaign totals and participation levels, and Greg, Bob. Karla agreed to have \$1,000 moved from their materials and supplies budget to Susan's budget to cover the United Way expenses for the campaign.

TKO Report – Greg Heitzman (3:20)

The meeting started five minutes late, but the team stayed on task and ended topics within the allotted time. There was good progress made in reviewing the high level strategic risks. There was balanced participation. The meeting adjourned ahead of schedule at 3:25 pm.

Meeting Adjourned (3:25)

**ELT Meeting Minutes
November 22, 2004**

Attendees: Karla Teasley (Leader), Jim Asseff for Greg Heitzman (TKO), Barbara Dickens, Bob Miller

Absent: Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks

Visitors: Kathie Johnson (Recorder), Johnnie Rice

Minutes and Agenda Approved (9:05)

Minutes from the November 12, 2004 Special ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

Career Planning and Development Process – Johnnie Rice (9:10)

Johnnie Rice distributed information and discussed the Career Planning and Development Process with ELT. She emphasized that each employee is responsible for their own career planning and development. Mentoring of employees will be part of the career planning and development process, but this element of the process remains to be developed. Johnnie proposes bringing together a cross-functional group to develop the process.

Johnnie will schedule time to attend staff meetings to share information on the Career Planning and Development Process with BSOs and POs. Information will be shared with employees through posters and articles in Newsleaks.

NLP Rollout – Johnnie Rice (9:42)

Johnnie said a PowerPoint presentation is being developed in order to provide consistent information in rollout meetings. Karla suggested the presentation be emailed to BSOs for their feedback before the presentation is finalized. The goal is to finalize the presentation and then begin scheduling rollout meetings with the NWTs and SACs.

Open Time (9:46)

Identification of Cost Reductions – Bob Miller discussed the next steps to be taken by the BSOC on identification of cost reductions. Bob will continue to communicate with Kathy Schroeder, as BSOC Team Leader, and Amber Halloran, as Controller, on further expectations regarding cost reductions.

Break (10:00)

Risk Assessment – Bob Miller and Don McKay (10:15)

Since there were few ELT members present at today's meeting, a decision was made to defer this topic to a future meeting when more members are present to participate.

TKO Report – Jim Asseff (10:25)

There was good participation today.

Meeting Adjourned (10:25)

**ELT Meeting Minutes
November 29, 2004**

Attendees: Bill Meeks (Leader), Jack Wang for Greg Heitzman (TKO), Barbara Dickens, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Absent: Ed Chestnut, Greg Heitzman

Visitors: Kathie Johnson (Recorder), Don McKay, Roger LeMaster

Minutes and Agenda Approved (9:05)

Minutes from the November 22, 2004 ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

Residential Water Treatment Devices – John Huber (9:06)

John Huber reported on a recent meeting he had with Gary Metzgar of General Electric. Mr. Metzgar requested the meeting to discuss GE's home water treatment devices. There is a good market for these devices in Europe because failing infrastructure cannot deliver high quality drinking water to the home. GE believes the United States will be in the same position at some point and foresees a growing market for home water treatment devices. This item will be added to the bin list for further discussion in approximately two months, and will also be discussed in a Strategic Planning Team meeting.

Risk Assessment – Don McKay (9:25)

ELT continued work on Risk Assessments.

Open Time 11:15

Susan Lehman provided an update on the Right Management follow-up with ELT members and John Huber. An email detailing this process will follow.

TKO Report

Jack Wang communicated it was a good meeting. Expressed interest in follow-up on in-home treatment devices.

Meeting Adjourned 11:30

**ELT Meeting Minutes
December 6, 2004**

Attendees: Bill Meeks (Leader), Greg Heitzman (TKO), Barbara Dickens, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Absent: Ed Chestnut

Visitors: Kathie Johnson (Recorder), Jack Wang, Don McKay, Amber Halloran, Carl Blanton

Minutes and Agenda Approved (9:05)

Minutes from the November 29, 2004 ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

Open Time (9:07)

AwwaRF Futures Project Meeting - Greg Heitzman reported on the AwwaRF Futures Project meeting he attended in Huntington Beach, California last week. Greg distributed the work product from the meeting which identified the top ten trends impacting the water industry. These trends will be published in issues of the AWWA Journal over the next three to six months. The topic will be added to the bin list for further discussion.

Water Quality Technology Conference – Jack Wang (9:15)

Jack Wang reported on his recent attendance at the Water Quality Technology Conference. The seminar provided new information and tools on how to establish a comprehensive distribution system water quality monitoring plan. With regards to the Lead and Copper Rule, the EPA does not require any adjustment on LWC's part at this time. EPA will promulgate the Stage 2 D/DBP Rule and LT2 ESWTR in 2005 and no major changes will be anticipated. He recommended that LWC consider adoption of best management practices for distribution system management. This will be considered at an upcoming Strategic Planning Team meeting.

Jack also reported on his recent attendance at the AWWA Workshop on Utility Accreditation. He recommended that LWC consider participation in piloting the AWWA's standards to determine effectiveness and auditability of the standards. The "standards" are a compilation of industry best management practices. Some 2006 budget resources will be required, and this item will need to be added to the Strategic Plan. This topic will be added to bin list. Greg and Jack will bring back resource requirements, etc. to ELT at a future meeting. Jack also recommended that LWC consider pursuit of ISO 14000 certification instead of ISO 9000 certification. This will also be considered at an upcoming Strategic Planning Team meeting.

R3 (Supplying Financial Resources) System Certification Audit – Bob Miller, Amber Halloran, Carl Blanton

Bob Miller, Amber Halloran and Carl Blanton discussed the audit findings, and corrective action taken by R3, and recommended R3 be certified.

ELT Action: ELT approved the certification of R3

Bob Miller said he will bring the System Certification Audit for R4, Supplying IT Resources, to ELT next week to demonstrate R4 has now met the requirements for certification, and to recommend certification. Another review in second quarter of 2005 will be made to assure requirements continue to be met.

Break (10:13)

Risk Assessment (10:25)

ELT continued its work on the Risk Assessment.

TKO Report

Meeting Adjourned 11:35

ELT Meeting Minutes December 13, 2004

Attendees: Bill Meeks (Leader), Greg Heitzman (TKO), Barbara Dickens, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Absent: Ed Chestnut

Visitors: Kathie Johnson (Recorder), Carl Blanton, Amber Halloran, Sue Purdy, Jack Wang

Minutes and Agenda Approved (9:05)

Minutes from the December 6, 2004 ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

Board Agenda – John Huber (9:07)

John Huber reported the Audit Committee met last Friday, December 10 and said the committee is looking forward to hearing more about the inventory software business case. The 2005 water rate schedule will be presented at tomorrow's board meeting, as well as service installation fees, and declaration of the 4th quarter 2004 dividend, approval of the merger of Goshen Utilities into LWC, and appointment of board members to Goshen Utilities Board of Directors. The LWC dividend will be paid to the City as forecast, with payment of any additional dividend resulting from the new computation method to be made after the first quarter of 2005. On January 1, 2005, Goshen Utilities will be dissolved and LWC and Goshen will become one system. A presentation on the Mobile Dispatch system will be given during lunch.

Greenbacks and CERS Increase – Amber Halloran and Sue Purdy (9:25)

Amber and Sue distributed and discussed the November financial highlights. November revenue was lower than expected. Amber will prepare and distribute the 2005 consumption budget, and will research the increase in fire services consumption.

Amber said the CERS rate increased from 8.48% to 10.98%, effective June 30, 2005. Amber will research why CERS raised the rate more than anticipated.

Break (10:25)

System Certification of P1 (Managing Water Quality & Production) - Jack Wang, Carl Blanton (10:30)

Jack Wang discussed the certification audit findings and steps taken to implement the recommendations. Greg said we have various forms of documentation, including forms, flow charts, and SOP documentation, and feels we need to look at a corporate standard for documentation. SOPs and documentation will be added to the bin list for future discussion, as well as LWC becoming ISO certified relative to procedures, SOPs, flowcharts, etc.

John Huber requested that Jack Wang prepare a synopsis on the merits of becoming ISO 9000 certified vs. becoming ISO 14,000 certified.

Carl Blanton said he is satisfied that P1 has met the requirements for certification.

ELT Action: ELT approved the system certification of P1, Managing Water Quality & Production.

TKO Report – Greg Heitzman (11:02)

The meeting started five minutes late. Two agenda items had already been deferred to a future meeting, and the meeting ended 30 minutes early.

Bin List and Agenda (11:04)

Bill Meeks reviewed the bin list for agenda items. He asked if ELT could be present for an 8:30 meeting to allow extra time to address remaining bin list topics. Bill will send out the agenda for the next meeting.

Greg asked that the topic of a briefing on ISO 9000 vs. ISO 14,000 certification be added to the bin list.

Susan Lehmann will begin as ELT Leader in January. Bob Miller will be the Scribe, Bill Meeks will be TKO, and Barbara will be backup recorder.

Meeting Adjourned (11:05)

ELT Meeting Minutes December 20, 2004

Attendees: Bill Meeks (Leader), Greg Heitzman (TKO), Barbara Dickens, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Absent: Ed Chestnut

Visitors: Kathie Johnson (Recorder), Nora Freeman, Sharon Dawson, Vince Ilari, Carl Blanton, Tony Gregory, Jim Smith

Minutes and Agenda Approved (8:35)

Minutes from the December 13, 2004 ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

Metered Water Ratio – Nora Freeman, Sharon Dawson and Vince Ilari (8:40)

Nora distributed copies to ELT of the Water Audit for 2003 and the Metered Water Ratio Team's Recommendations and Strategies. Nora said the team wants ELT's agreement on the priorities listed, or suggestions on prioritizing the items. After gaining input from ELT on prioritization, the team will set goals for 2005-2006. Bob Miller committed to meet with IT to include Items Nos. 1, 2, 5, 9, 10, 11, and 13 in IT's 2005 Operating Plan, and will direct them to coordinate with Nora. Nora requested ELT to place this item back on the Bin List for discussion in the first quarter of 2005.

Corporate Policy Approval Process – Barbara Dickens (9:20)

Barbara Dickens distributed flowcharts for the approval processes for both policies and procedures, an example of a good policy statement (media relations), an example of an LWC policy that is in fact a procedure, and ISO certification document control requirements.

Barbara discussed her proposed methods for approvals of policies and procedures. She said her goal is for Legal to become the central repository for all policies and procedures, and to have the policies and procedures posted on the intranet. She discussed the example of a policy statement as being a very broad statement of intent, including the "why" and "what" we believe. The team agreed we need to identify which corporate policies should be approved by the board versus what can be approved through the BSOC approval process. Barbara will incorporate the suggestions made by ELT and will send out a new flowchart for Policy approvals to ELT. Barbara will continue to work on the procedures model, and will get on the BSOC agenda to discuss the process and seek BSO feedback.

ELT Action: ELT approved the model presented by Barbara Dickens for approval of LWC Policies.

Break (10:12)

R4 System Certification – Bob Miller, Carl Blanton and Tony Gregory (10:25)

Bob commented that the IT area has now met all the requirements for certification, and he recommended they be certified with the condition that the system be audited again in 2005 to assure certification requirements continue to be met. Tony commented the group now has more structured meetings with a formalized agenda, improved communications, minutes being

posted on the intranet, etc. In response to Karla's questions about the benefits of holding focus group meetings with major customers, Tony said it helped them better understand the ICS survey results. They learned end users were satisfied with the services and products provided, but had issues with timeliness and communications, which colored their overall rating of IT. The result is that IT has instituted a formal communication process, and plans to meet once a quarter to discuss customers' operating plans. This will allow IT to plan and provide the appropriate tools and technology to meet customers' needs. After some discussion, Karla Teasley recommended R4 be certified.

ELT Action: ELT approved the system certification of R4.

I1 System Certification – Karla Teasley, Carl Blanton and Jim Smith (10:47)

There were four recommendations, and all but a portion of one of the recommendations have been completed. Carl Blanton said he is satisfied I1 has met the requirements for system certification.

Karla recommended approval of system certification of I1 with the condition the integration opportunities and process changes for the GIS, Infrastructure Records, and Surveying process be documented, reviewed by Carl Blanton, and submitted to ELT before end of 2Q 2005.

ELT Action: ELT approved the I1 system certification.

Open Time (11:10)

Winter Preparedness – John Huber said the winter storm being forecast for the next several days includes very low temperatures and snow. He recommended scheduling crews to work instead of relying on calling them out. Public Information may also want to get some advisories out to help customers prevent frozen pipes.

Dividend Forecast – Bob Miller clarified the reason why a portion of the funds resulting from the new dividend calculation for 2002 and 2003 could not be used to create a Risk Mitigation Reserve. He said the action the board approved related to using the new dividend calculation for dividends that would have been payable in 2002 and 2003, and it was not appropriate to use the funds to create a Risk Mitigation Reserve.

Strategic Planning Team Leadership – John Huber said Susan Lehmann will lead the Strategic Planning Team next year. He commended Bob on his performance as SPT Leader in 2004. Karla said an issue that came up in the last SPT meeting was SPT and ELT roles.

TKO Report (11:32)

Greg said the meeting started a few minutes late, but most items were covered on time. One item was deferred to a future meeting.

Karla thanked Bill Meeks for his leadership during the last quarter. Susan Lehmann is the next ELT leader.

Agenda and Bin List (11:35) – Susan Lehmann will distribute the agenda for the next meeting. A request was made to add a review of Ed Chestnut's work-in-progress to the bin list.

Meeting Adjourned (11:40)

ELT Meeting Minutes January 10, 2005

Attendees: Susan Lehmann (Leader), Bob Miller (Acting TKO), Ed Chestnut, Barbara Dickens, Jack Wang (representing Greg Heitzman), John Huber, Susan Lehmann, Karla Teasley

Absent: Bill Meeks

Visitors: Kathie Johnson (Recorder), Carl Blanton, Amber Halloran, Maria Mullaney, Kathy Schroeder

Minutes and Agenda Approved (9:08)

Everyone welcomed back Ed Chestnut!!

Minutes from the January 3, 2005 ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

Boundary Conditions for Cost Reductions – Kathy Schroeder (9:12)

Kathy Schroeder reported on the current BSO work product on cost reduction planning. The purpose of today's presentation is to gain feedback on the BSO's proposals and on items that were previously considered off-limits for cost reduction planning.

Bob Miller said he now believes a better approach for LWC would be to have costs for winter emergencies and similar events passed on to the customer instead of cutting valid and needed commitments from the budget, or delaying work that needs to be done. As effective managers, we need to remedy inefficiencies on an ongoing basis, but not as a reaction to an emergency situation.

Bob thanked the BSOs for their work in identifying items for reduction, but he feels the organization needs a case for why we should not respond in a crisis mode. This topic will be added to the bin list for further discussion in approximately two weeks.

Draft Preliminary Financial Statements– Amber Halloran, Maria Mullaney (9:53)

In about three weeks the external auditors will be here. Amber discussed the preliminary financial results for 2004 year end. We are \$1 million over the forecast in revenue for December, but \$2.8 million under for the year. Amber will further review O&M expenses to assure 2004 expenses are charged in 2004.

Break (10:12)

Draft 2005 Shared VP, Incentive, and Corporate Performance Award Goals – Susan Lehmann, Bob Miller, Carl Blanton (10:20)

2004 shared goal results are not yet available, but we should have them in the next few weeks. Susan does not propose a change for the corporate performance award for non-union employees, Process Owners and below. Karla asked whether the goals were challenging enough. After some discussion, Susan asked Ed to begin looking at what the 2005 goals should be.

Susan discussed whether the large number of goals each ELT member has (4-6 individual goals, 5 shared goals, 8 competencies, 2 Diversity goals) makes the each goal more “diluted” because of the volume of goals to be measured. She would like to have a team develop alternatives for consideration to provide greater focus on priorities. Bob Miller said goals should provide direction, motivation and accountability. ELT discussed the value of shared goals in making “strategic generalists” of ELT members.

Susan Lehmann, Carl Blanton, Karla Teasley and Barbara Dickens will develop recommendations for John Huber and will bring them back to ELT in two weeks.

Board Agenda John Huber (11:12)

Mr. Huber went over the agenda with ELT. He mentioned the Audit Committee minutes will be presented for information only. A special issue is Service Rules and Regulations. The Mobile Dispatch presentation will be made at lunch. The CERS contribution rate increase will be discussed.

Open Time (11:18)

Performance Review Process – Susan Lehmann said the deadline for submission of Performance Partnerships is February 28. It is very important that everyone meet the deadline this year because HR has many concurrent deliverables, and timing is tight. Penalties for not meeting the deadline are being identified and considered. HR will be updating the salary matrix to reflect market movement and ranges to be used for pay increases. Salary changes for ELT must be reviewed and approved by the Board in April.

Flood – Jack Wang said we are prepared for the high water. John Huber asked that attention be given by our geo-technicians to possible landslides at Cardinal Hill because of saturated soil.

Agenda and Bin List – Susan Lehmann (11:25)

Susan will send out the agenda and bin list for the next meeting. Karla asked to add recognition for the GIS project to the bin list.

TKO Report – Bob Miller (11:27)

Bob felt the agenda was well planned and executed. There was some catch up required for those absent from the first part of the meeting.

Meeting Adjourned (11:30)

**ELT Meeting Minutes
January 18, 2005**

Attendees: Susan Lehmann (Leader and Acting TKO), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Bob Miller, Karla Teasley

Absent: Bill Meeks, John Huber

Visitors: Kathie Johnson (Recorder), Carl Blanton, Amber Halloran, Sue Purdy, Jack Wang

Minutes and Agenda Approved (9:05)

Minutes from the January 10, 2005 ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

Recognition for Process Improvements – Jack Wang, Carl Blanton (9:09)

Improving Response to Customers' Water Quality Complaints – Jack Wang distributed an LWC Operational Improvement form describing the past practice of dealing with water quality complaints, which never identified a root cause for the complaint, and the new practice where CSRs use screening questions so WQ staff may identify the root cause. This allows WQ staff to properly address the issues. Water quality complaints decreased 26% in 2004 compared to 2003, and decreased 15% compared to the five year average. Carl Blanton distributed a summary showing how the team used LWC Core Values in this effort.

ELT Action: Approval was given for a recognition award of \$50 per team member. The team members are: Rhonda Thome, Robert Calloway, Nora Freeman, Rengao Song, Mark Campbell, Scott Smith, Kent Horrell, Don Spanyer, Mary Helen Blume, Tony Sweazy and Susan Camp. ELT also approved adding Jack Wang's name to list to receive a \$50 recognition award.

Utility Accounts Cost Cutting Strategy – Jack Wang distributed an LWC Operational Improvement form. Jack said telephone utility bills had previously not been furnished to Water Quality and Production for usage verification. Staff determined five circuits could be eliminated at a savings of \$1,166 per month, and also worked with Accounting to properly allocate some costs that had been inappropriately allocated to the Water Quality and Production system. Carl Blanton provided a summary showing the team used LWC Core Values.

ELT Action: Approval was given for a recognition award of \$50 per team member. The team members are: Cindy Kowalski, Kent Horrell and Kerry Forster. Carl Blanton will process these awards for payment.

Both of these team accomplishments occurred in 2004. Carl Blanton stated that while recognition for these achievements will come from the 2005 Recognition Budget, he will be revamping the recognition program for 2005 accomplishments. His business system is developing the new program and will be communicating that in the near future.

Metered Water Ratio Team Recognition – Karla Teasley, Carl Blanton (9:28)

Karla Teasley distributed a January 10 memorandum from Nora Freeman requesting recognition for the Metered Water Ratio Team in the amount of \$50 per participant, and also attaching a copy of the Operational Improvement form. Karla said the work done in 2004 is significant enough to warrant team recognition. Their work included benchmarking metered

water ratio practices of the Philadelphia Water Department, completing a water audit, and developing recommendations and strategies. Carl Blanton provided a summary showing how Core Values have been demonstrated by this team.

ELT Action: Approval was given for a recognition award of \$50 per team member. The team members are Ginny Adwell, Laura Amshoff, Cliff Buechel, Brian Burba, Sharon Dawson, Kate Farrow, Jayne Guidry, Vince Illari and Tammy Raley. ELT also approved adding Nora Freeman's name to the list to receive a \$50 recognition award.

Karla Teasley said she will bring recommendations to a future ELT meeting for recognition awards for the GIS Project, Service Rules & Regulations, and Mobile Dispatch teams. Greg will check to see if there are any remaining recognitions that need to be made from his Core. Susan asked to have recognitions for 2004 efforts completed by mid February.

Greenbacks Report – Amber Halloran, Sue Purdy (9:37)

Amber led ELT through the Unaudited Financial Results. She said the figures have changed from the preliminary report because of charges and accruals. The financial results for the year 2004 will not close until after approval by the external auditors.

Break (10:15)

Roundtable Update (10:30)

Bob Miller – Bob commented on a recent Letter to the Courier-Journal Editor criticizing LWC's rate increase. Bob feels consideration should be given to John Huber sending a rebuttal Letter to the Editor. ELT discussed the pros and cons of such an action.

Bob said in the process of disclosing information related to a borrowing, Standard & Poor's asked how the new merged government was working for LWC. Mr. Huber will be asked for an official answer to the question, but Bob commented he feels it has been seamless, with no major impacts on LWC. Karla commented free water is an issue, and expects more entities and fire districts will request free water. Greg sees fewer county issues under the merged government, and thinks we are better aligned for growth and development issues.

In answer to S&P's question regarding what new perspectives our Board of Directors has brought, Bob responded he believes it is a strong business acumen.

Bob requested Vice Presidents to urge staff to timely process invoices. More than \$200,000 in additional expenses were submitted during the second week of January. Discussion ensued whether this is an operational issue that should be managed by the BSOs. Susan commented it is an operational issue to be addressed by the BSOC, but ELT needs to be aware of it.

Karla Teasley – The Capital Projects Authorization Committee work was approved by the Board last week. The committee will begin its work in the next two weeks, and Karla anticipates the work will take a good portion of her time. Jim Asseff has agreed to become a team member.

Services Rules and Regulations were approved at the board level, and work is underway on the communications aspect. Copies will be furnished on request, and the document will be posted on the website. We will continue to work with the Homebuilders Association which takes issue with the System Development Charge (SDC).

Public relations work needs to continue regarding the wholesale rate increase. Work will continue in order to gain PSC approval of the rate increase.

Barbara Dickens – Most LWC policies need to be updated. Barbara will attend a BSOC meeting at some point to discuss.

Barbara continues to work on condemnation cases related to RBF.

Sonja Davis and Beverly Soice started timekeeping and task accounting on January 3. This will provide good measurement for goals and a better understanding of how resources are allocated.

Legal is in the process of making requests for distribution of funds on foreclosure cases where funds were not previously recovered.

Greg Heitzman – The winter impact has settled back down and 2005 is starting off well. The flood has not significantly impacted LWC.

LWC is scheduled to open bids on the RBI project on February 16. A pre-bid meeting will be held in about two weeks.

Standard construction specifications for distribution pipeline were last done in 1997. The last audit recommended separating contract documents from technical specifications. We are ready to finalize. Technical specifications have to go through the Department of Water for approval. A meeting is set to discuss in parallel what to do to update contract documents.

More water quality modeling will be required to meet distribution water quality requirements driven by regulations. We are increasing the cross-connection control program this year, potentially developing a draft ordinance working with Vince Guenther

Karla asked about the Alternative Treatment Technologies (ATT) Steering Group, and requested to attend the meetings. Greg said the first meeting is Tuesday, January 25.

Greg asked that names of individuals being recommended to attend the AWWA Annual Conference be furnished to Kathie Johnson.

Ed Chestnut – Ed will be sending out the template for semi-annual reports with key measures. He will be meeting with Carl, Amber and Roger on 2004. Another meeting will be held to establish criteria for the review process. He wants to set the framework to distribute the information to the organization.

Susan Lehmann – Planning for the union contract negotiations will begin in the first quarter. John Ralston, of UofL's Labor/Management Center, may facilitate the negotiations but that decision will be made jointly by management and the union. Negotiations are expected to begin in August or September.

Open enrollment will go to the BOWW for approval in February. The new plan will take effect March 1, and we will likely stay with Humana. We anticipate minor design changes this year, but expect there to be more significant plan changes in the 2006 plan.

The project to update all job descriptions continues, and the management positions should be completed by the end of March. Front line employee job descriptions should be completed by the end of the year.

Susan expects to have HR policies revised by the end of the second quarter.

The HRIS project will go to the board in February, and Susan plans to update the ELT in advance of the board meeting.

Performance Partnerships are due by February 28. Performance reviews and ratings must be entered into Performance Impact, and Performance Impact must be locked by February 28. Pay increases will be communicated March and will be effective April 1, 2005. Pay increases for union employees will be processed for payment February 1. Sick payout is being processed and will go out in February.

Sexual Harassment training for managers begins the end of this month and will be rolled out to remaining employees in February and March.

In response to Susan's request for feedback on the Roundtable report used in today's meeting, Karla thinks having the Roundtable every two to three weeks would be sufficient.

Agenda and Bin List – Susan Lehmann (11:28)

Susan will send out the agenda and bin list for the next meeting.

Meeting Adjourned (11:30)

**ELT Meeting Minutes
January 24, 2005**

Attendees: Susan Lehmann (Leader and Acting TKO), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Don McKay

Minutes and Agenda Approved (9:05)

Minutes from the January 18, 2005 ELT meeting were reviewed. Barbara Dickens asked that her "Roundtable" report on page 3, paragraph 3, be amended to read: "The Legal Department started timekeeping and task accounting on January 3. This will provide good measurement for goals and a better understanding of how resources are allocated." The minutes were approved with that change.

ELT discussed and accepted a new practice for publication of ELT minutes that will allow for approval of the minutes by ELT before they are accepted and published. In the future, distribution of draft minutes will be made to ELT members only. At the next ELT meeting, the minutes will be reviewed, revised if necessary, and approved for publication.

The agenda for today's meeting was reviewed and approved.

Risk Assessment – Don McKay (9:15)

ELT continued its work on risk assessments.

**ELT Meeting Minutes
January 31, 2005**

Attendees: Susan Lehmann (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Ralph McCord (representing Karla Teasley)

Absent: Karla Teasley

Visitors: Kathie Johnson (Recorder), Carl Blanton

Minutes and Agenda Approved (9:04)

Minutes from the January 24, 2005 ELT meeting were reviewed and approved. The agenda was reviewed and approved.

2004 Corporate Performance Award, Executive Incentive Plan, and ELT Shared Goal Results – Ed Chestnut (9:05)

Ed Chestnut distributed a draft letter to the BOWW Compensation Committee stating all 2004 Corporate Performance Award goals had been met by employees in each of the four components, and recommending payment of the Corporate Performance Award to qualified employees.

A review was made of the 2004 Incentive Plan Goals results. The light switch goal was not met. ELT discussed the reasonableness of certain goals measures, including preventable vehicular accidents. Bob Miller will follow up on the most recent benchmark data.

ELT 2004 Shared Goal Results were discussed. The RBF Phase III goal was not achievable since the work was deferred as a result of low revenue. The measure for this goal may be discussed with the Compensation Committee.

Break (10:25)

2005 Corporate Performance Award Goals – Ed Chestnut (10:40)

Ed Chestnut discussed the 2005 Corporate Performance Award Goals. The Lost Time Injuries goal will be reduced from ≤ 16 in 2004, to ≤ 6 in 2005. The goal for Preventable Motor Vehicular Accidents will remain at the ≤ 30 level. Carl Blanton related that his former employer had set a goal of zero accidents (whether it be vehicle or some other kind). ELT decided a goal of zero preventable vehicular accidents would require more analysis but might be achieved over a three or four year span with incremental reductions in the goals. Bob Miller will work with Glen Mudd on a three year plan to reduce the preventable vehicular accidents goal to zero.

The draft 2005 Executive Incentive Plan Goals were discussed. The Light Switch Goal will be changed to read: 2005 Net Income must exceed \$29,671,700 (budget of \$29,321,700 plus \$500,000. The measure to achieve a Rating of I for Item I will be amended to: Net operating income exceeds the budget by more than \$500,000. The measure to achieve a Rating of II for Item I will be amended to: Net operating income exceeds the budget by more than \$1,000,000.

Susan Lehmann and Carl Blanton discussed their team's proposal to change ELT Shared Goals from the current equal sharing amongst ELT members to a new method where those whose responsibilities most affect the outcome share the goal. After some discussion regarding how

much influence an individual has on revenue from water sales, John Huber stated it is crucial to LWC that ELT remain accountable for increased revenue through increased water sales.

ELT discussed the changes being proposed by Susan and Carl, and felt the proposal for ELT Shared Goals would require more analysis before being adopted. Susan and Carl will work offline with John Huber on the proposal. The BOWW Compensation Committee is set to meet February 11.

Travel Request – Greg Heitzman (11:30)

Greg Heitzman requested approval for a three person team (from Operations, Maintenance, and Engineering) to make three trips to other utilities to see how they manage the on-site production of chlorine. He estimates the cost at \$1,500 to \$1,800 per trip, or a total travel expense of approximately \$5,000 over two months. The first trip would be during the week of February 21.

ELT Action: ELT approved the travel request.

Water for People Campaign – This topic was deferred to a future meeting.

Meeting Adjourned (11:42)

ELT Meeting Minutes February 7, 2005

Attendees: Susan Lehmann (Leader and Acting TKO), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Carl Blanton, Tony Gregory, Amber Halloran

Minutes and Agenda Approved (9:04)

Minutes from the January 31, 2005 ELT meeting were reviewed. Greg amended the first sentence under the Travel Request on page 2 to read: "Greg Heitzman requested approval for a three person team (from Operations, Maintenance, and Engineering) to make three trips to other utilities to see how they manage the on-site production of chlorine." The minutes were approved with that change. The agenda was reviewed and approved.

Water for People Campaign – John Huber (9:06)

John Huber discussed the possibility of an on-line giving campaign during the last week of March, and suggested holding two to three brown bag lunches and having information about Water for People on the intranet. The Fund for the Arts campaign will be held the second week of May 2005. ELT discussed the feasibility of bundling the WFP, Fund for the Arts, and Metro United Way Giving campaigns this year, but decided to defer any bundling of campaigns until 2006. Susan Lehmann said the statistics she has seen indicate no reduction in giving when campaigns are bundled and that employees appreciated being solicited only once rather than multiple times throughout the year. For 2005, ELT decided to hold the Water for People on-line giving campaign in March, with John Huber coordinating the effort. Greg will hold the Fund for the Arts giving campaign in May 2005.

Bob Miller will follow up to see if payroll deductions can be made for WFP donations and, if so, whether payroll deductions can be initiated from the intranet site.

ELT Communications Forums – Carl Blanton and Bonnie Gimbel (9:20)

Carl Blanton and Bonnie Gimbel discussed whether LWC needs to continue to hold both the Pipeline Breakfasts and ELT Communications Forums. Both meetings are designed to encourage two-way dialogue among employees and Company executives. After discussion, ELT decided the monthly Pipeline meetings should continue to be scheduled, but that ELT Communications Forums will be held bi-monthly instead of monthly. Since John Huber attends monthly Pipeline meetings, he will be excluded from the rotation for Communications Forums. To encourage more dialogue with employees, there will be only two Vice Presidents at each forum instead of three. Questions submitted in advance will be woven into the discussion or addressed at the end of the meeting. The forum may also focus on a particular theme of interest to employees. Greg suggested that Vice Presidents make site visits and/or attend NWT and SAC meetings in the months when forums are not scheduled to increase communications opportunities with employees.

Bonnie and Carl will prepare a schedule for 2006 ELT Communications Forums.

Travel Budgets – Future Direction – Greg Heitzman (9:47)

Instead of ELT continuing to approve travel of \$500 or greater, Greg suggested going back to the previous approval guidelines (printed on the back of the Travel Authorization form). Following some discussion, Greg summarized that travel requests will be approved using the

old controls shown on the back of the travel request form. John Huber will approve attendees for travel to the KY-TN Section Annual Meeting and AWWA Annual Conference. ELT will monitor the monthly travel reports from Amber, and will review the budget for corporate travel each quarter.

HRIS Project Update – Kathy Schroeder (10:16)

Kathy Schroeder discussed the business case for implementing PeopleSoft at Louisville Water Company, comparing the costs/benefits of implementing PeopleSoft to the costs/benefits of implementing a mid-range product. Doing nothing is not an option for LWC because the system will no longer be supported, does not interface with other systems, and uses employee resources for manual tracking, documentation, verification of data, etc. with significant risk to the company and loss of employee resources. Choosing a mid-range system is not a preferred option because it only allows LWC to maintain the status quo, adding limited self-service. The five-year implementation cost for the mid-range solution is estimated to exceed \$2.1 million without providing needed functionality, without controls to mitigate risks, and without reengineering and streamlining processes. The PeopleSoft 5-year gross cost of ownership is estimated at \$2.9 million, with an estimated 5-year net cost of ownership of \$1.9 million due to offsets from salary savings, capitalized internal labor, and other efficiencies. HR believes Empower/PeopleSoft is the best choice because it will allow for productivity and service enhancements, system integration to improve accuracy, and controls to mitigate risks and improve compliance reporting. Implementation would begin in February 2005 with go-live January 1, 2006. ELT discussed what, if any, impact the merger of Oracle and PeopleSoft might have on LWC choosing PeopleSoft. Tony will confirm that support for the system would be provided by PeopleSoft until at least 2013.

Kathy said a condensed presentation will be made to the Board.

Shared Goals – Susan Lehmann (11:28)

Susan reported that Ed Chestnut is in the process of updating the ELT Shared goals for 2005. The Operational Improvements goal and the Cost of Risk goal will be moved to the BSOC as a shared goal. New goals on Metered Water Ratio and Performance Management are being developed. The Board Compensation Committee meets this Friday.

Oil Spill Update – Greg Heitzman (11:31)

Greg will email an update.

Agenda– Susan Lehmann (11:32)

Susan Lehmann will prepare an agenda from the bin list.

Meeting Adjourned (11:32)

**ELT Meeting Minutes
February 13, 2006**

Attendees: Greg Heitzman (ELT Leader), Ed Chestnut, Barbara Dickens, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Absent: John Huber

Visitors: Kathie Johnson (Recorder), Susan Camp, Carl Blanton

Review Minutes and Agenda – Greg Heitzman (1:55)

The minutes from the February 6 ELT/Strategic Planning meeting were reviewed and approved. The agenda was reviewed and approved.

Review Board Agenda (1:37)

ELT reviewed the BOWW agenda. Barbara Dickens commented visitors concerned with the potential location of a chemical storage facility at Crescent Hill may be present at the board meeting. In order to accommodate additional visitors, the board meeting will be held in Training Room A following lunch. A public meeting with residents is scheduled for March 1.

Providing Customer and Public Information System Certification – Karla Teasley, Susan Camp, Carl Blanton (1:55)

Karla Teasley and Susan Camp discussed the results of the recent certification audit. Following discussion of the improvement recommendations, Karla recommended that the certification be postponed six months, when another review can be made by the certification audit team of items identified for improvement in the certification audit.

ELT Action: ELT agreed to revisit certification of Providing Customer and Public Information in six months after the audit team reviews actions taken to implement suggested improvements.

Natural Work Team Recognition – Karla Teasley (2:45)

Karla Teasley discussed the progress made by the Duty Exchange Program team. Their goal was to exchange over 10,000 low performing meters by 12/31/05, and they met their goal in October. Karla recommends a \$50 recognition voucher per team member. The team members are Ginny Adwell, Brian Burba, Dexter Keeylen, Mike Bingham, Dave Gnau, Scott Spalding, Sharon Dawson, Glenda Bloom and Stacey Bowles.

ELT Action: ELT members agreed to support recognition of this team through the award of a \$50 voucher per team member.

Bin List and Agenda – Greg Heitzman (3:00)

Greg Heitzman reviewed the bin list with ELT. He will prepare and distribute the agenda for the next ELT meeting.

Adjourned (3:05)

ELT Meeting Minutes February 14, 2005

Attendees: Susan Lehmann (Leader), Ed Chestnut, Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Karla Teasley

Absent: Barbara Dickens

Visitors: Kathie Johnson (Recorder), Jim Brammell, Jim Smith, Amber Halloran, Sue Purdy

Minutes and Agenda Approved (9:07)

Minutes from the February 7, 2005 ELT meeting were reviewed. The minutes will be corrected to show that Karla Teasley was not absent at the February 7 meeting. The minutes were approved with that change. The agenda was reviewed and approved.

Review Board Agenda – John Huber (9:08)

John Huber discussed the February 15 BOWW agenda. The Audit Committee will recommend a contract with Strothman as our external auditor instead of Crow Chizek. The Compensation Committee met last week and approved payment of the Employee Performance Award. With respect to the HRIS, the committee will recommend to the Board that a peer review be done to assure the PeopleSoft recommendation is the best, most cost effective solution for LWC. They are hopeful to have a recommendation back by March. Proposed LOJIC funding for 2005 will be discussed, and the Board will be updated on the Kentucky River crude oil spill impact on LWC. An increase will be requested in the budget for renovation of the BE Payne water treatment and coagulation and softening systems from \$7 million to \$12 million.

Bob Miller commented we need to identify an effective date for the proposed change management authorization to award contracts

2004 Recognitions (9:25)

Capital Construction Crew

Jim Brammell requested team recognition be given to the Capital Construction Crew for the purchase and use of a 12" auger which allows them to bore driveways and install PVC pipe without damaging property and inconveniencing customers. This eliminates the need for an outside contractor. The crew has done 15 such bores at a cost of \$756 each versus the \$1,010 per bore using a contractor. They have realized \$3,807 in savings to date. This new procedure is a significant improvement in providing better service to both external and internal customers.

ELT Action: ELT approved a team recognition of \$50 each for the Natural Work Team members, plus Mike Magee and Cliff Buechel. Jim Brammell will furnish names of team members to Carl Blanton.

Service Rules and Regulations

Karla Teasley distributed a memo from Susan Camp requesting team recognition be given to the Service Rules and Regulations team for its work in reviewing and updating the document. The update effort was significant and was long overdue.

ELT Action: ELT approved a team recognition of \$50 each for the team members, plus Millie Durrett for her contribution typing the revisions, and Susan Camp for her work with the team.

Greenbacks Report – Amber Halloran, Sue Purdy (9:50)

Amber and Sue discussed the January financial results with ELT. January water revenue was over budget by \$272,300. Amber will furnish information to Mr. Huber on bad debt as a percent of revenue in 2004 and 2005 budget. Greg Heitzman will work with Sue Purdy in analyzing the 2005 travel budget of \$170,830. Travel expense in 2004 was \$37,961.

Amber reported the auditors have finished their on-site work and should complete their analyses by the end of this week.

Break (10:25)

Recognitions (10:37)

Boundary conditions for ELT Recognitions will be reviewed for applicability in 2005. Karla Teasley plans to bring two additional recognitions for consideration by ELT within the next one to two weeks.

Roundtable Updates (10:50)

Billy Meeks – Billy reported on the recent union elections, and will send out an email to ELT summarizing the final election results.

Bob Miller – The borrowing environment has changed and disclosure requirements have increased significantly. With CH2M Hill the bond feasibility study consisted of a 14 page summary of the borrowing; Black & Veatch's approach is much more in depth. B&V plans to conduct the bond feasibility study concurrent with the annual inspection.

Greg Heitzman – LWC has experienced only a few main breaks because of the winter weather, and the level of maintenance work is extremely low.

The RBF bid opening has been deferred to March 2. If timing will not permit us to present this at the March 15 board meeting, it may be necessary to call a special board meeting to consider the issue.

Work resulting from the crude oil spill is winding down. There is residual oil clinging to roots and debris requiring continued treatment for taste and odor, but levels are returning to normal. It is expected treatment will continue to Friday, and possibly through the weekend. Bob Miller suggested using the experience gained from this emergency to update the Emergency Response Plan. Greg said they used the spill

scenario in the Emergency Response Plan for the oil spill emergency and found it to be very helpful.

Greg said he is on a UofL committee to select an endowed chair, which may be an opportunity to recruit someone with infrastructure research experience. The objective is to have someone in place by July.

John Huber – Performance Partnerships must be completed by February 28. John pointed out there is a Performance Management Shared Goal that will require getting goals and reviews completed, etc. in a timely way. The Compensation Committee agreed we need to work towards an ultimate goal of zero lost time injuries over the next few years, but they felt the 2005 lost time injury goal back of ≤ 6 was too aggressive and adjusted the 2005 goal to ≤ 12 lost time injuries.

LWC needs to dispose of the work boat acquired to maintain the Falls Fountain. The boat cost almost \$200,000, and is fully depreciated.

Louisville Metro government continues to work on the possibility of acquiring LG&E.

Karla Teasley – The Capital Project Authorization Committee recently met and recommended approval for a number of projects. The committee is off to a good start. The goal is more timely review of items previously requiring board approval.

Susan Lehmann – Susan will email the Performance Management Goal to ELT when it is completed. The February 28 ELT meeting will be focused on Strategic Planning.

Ed Chestnut – Bob Miller and Ed Chestnut are consulting with Dr. Cerrito on revenue projections by class, by year.

Agenda and Bin List (11:34) – Susan Lehmann will email the agenda and bin list for the next meeting.

Meeting Adjourned (11:35)

ELT Meeting Minutes February 21, 2005

Attendees: Susan Lehmann (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Nora Freeman, Stu Bowns (Hydromax)

Minutes and Agenda Approved (9:05)

Minutes from the February 14, 2005 ELT meeting were reviewed and approved. The agenda was reviewed and approved.

Best Practices in Water Loss Control – Stu Bowns, Hydromax (9:07)

Stu Bowns prepared an educational session for ELT members on the water industry's best management practices for water loss control, as documented by AWWA's Water Loss Control Committee. Shortcomings with past industry practices to measure water loss were reviewed and along with how the new International Water Audit format improves water accounting. Efforts by Philadelphia and Halifax in implementation of this methodology were discussed along with typical opportunities for improvement for utilities just adopting the IWA standard. A copy of Stu's presentation will be distributed to ELT members.

Break (10:30)

Roundtable Updates (10:45)

Ed Chestnut – Ed distributed the 2004 Strategic Plan Measurements Report and requested ELT's feedback by Monday, February 28. Ed will update the document before the Agenda Prep meeting on March 2. Karla commented this document was a work product of the ELT Measurements Sub-Team. Greg suggested adding a column for the name of primary data provider. Greg and Ed will ask the BSOC to take the lead in establishing 2005 goals for items that had a goal identified in 2004.

Karla Teasley – The MSD Billing Agreement is close to being finalized. Barbara Dickens has been working on this. A meeting will be held regarding the MSD agreement this afternoon. The document will be changed to extend the Agreement to the year 2007.

The Public Affairs and Customer Satisfaction Committee will meet Thursday, February 24 and will cover the customer service measurement trend summary, CSI, abandonment rate, drivers of call volume, and payment trends. There will be a brief update on service rules and implementation of the service deposit. Barbara Crow will give updates on the rate increase and Customer Advisory Council.

Barbara Dickens – The owner of the Lake in the Woods and South Hill apartments has surfaced and has been indicted on five checks for LWC totaling about \$75,000. Any

recovery will be a positive since the debt was previously written off. Total remaining debt to LWC is approximately \$98,000 not including the fees and late charges.

Barbara took the corporate policy approval process to the BSOC, and the new process has gained their approval. There are some issues still to be resolved.

Greg Heitzman – Special handling for the crude oil spill was discontinued last week, and operations are now back to normal. The cost to LWC for special handling and supplies resulting from the crude oil spill is estimated at between \$375,000 to \$400,000. Recovery will be sought from Mid-Valley Pipeline and its insurance carrier.

Greg discussed recognition for the group involved in handling the oil spill. ELT agreed with Greg's suggestion for providing all employees involved with the spill response a \$50.00 recognition vouchers for corporate clothing and a catered lunch. Greg will prepare a list of the employees to receive vouchers. The estimated cost for this recognition is \$5,200 (80 employees x \$65.00 per employee) and the expense will be absorbed in the Operations budget (org 200).

Susan Lehmann – Next week the ELT meeting will be a strategic planning session, and Amber Halloran and Jim Brammell will give updates on a Strategic Innovation Model that they have learned as part of the curriculum in the UofL Executive Education Program, Leading through Continuous Change program they are enrolled in.

Meeting Adjourned (11:35)

ELT Meeting Minutes
February 28, 2005
Minutes Approved 3/7/05

Attendees: Susan Lehmann (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Amber Halloran, Jim Brammell, Bruce Mingus, Jim Smith

Minutes and Agenda Approved (9:05)

Minutes from the February 21 ELT meeting, including revisions by Barbara Dickens and Greg Heitzman published prior to the meeting, were reviewed and approved. The agenda was reviewed and approved. This is the first ELT meeting where strategic planning will be included. Strategic planning will be discussed in the last ELT meeting of each month.

Bill Meeks introduced Bruce Mingus, the new Vice President of Local 1683. Bruce has been with Louisville Water Company for 6-1/2 years, and has spent most of that time working at Allmond Avenue.

Strategic Planning (9:06)

Water Sales Forecast – Bob Miller

Bob Miller noted that the most recent long-range forecast for water sales was included in the 2002-2021 Facilities Plan completed in 2001. Bob said he and Ed Chestnut are working with Dr. Cerrito of UofL to do a more detailed analysis, using data from 1975 to the present to track the effects of weather, economic conditions, etc. Dr. Cerrito will do a forecast of total sales by customer class. Dr. Cerrito will also forecast peak usage. She will also be developing a methodology for 60 day forecasts with high degree of accuracy. The immediate short term of what we will do with the study is work with PFM to update the long range financial plan. Dr. Cerrito will look at historical data going back 30 years, and will project forward 20 years.

John Huber commented in addition to identifying average and peak usage points, it will be important to identify the valleys because there is more risk on the downside. Bob will include that, as well as the impact of conservation devices. John suggested General Electric, Home Depot, AWWA, and other sources may be able to supply data for analysis. John also advised that we may want to break out traditional commercial consumption from multi-family housing consumption. Greg Heitzman advised that we may want to include pumping data in the model. Greg also advised that he and Jim Smith are working with the U of L, Center for Infrastructure Research (CIR) on a small project to evaluate the impact of low-flow conservation fixtures on residential consumption. Dr Tom Rockaway and Dr. Paul Coomes are the principal investigators. This project will be funded under the annual contributions of LWC and MSD to the CIR.

Jim Brammell mentioned in the past he has done water demand forecasting using public domain software. Bob Miller suggested at the next meeting we discuss work prepared by PFM regarding O&M cost component forecasting. Dr. Cerrito's work is due by April. Karla Teasley asked what staff support is needed. Amber and Jim will work on the PFM part; Dr. Cerrito will have a co-op assisting her.

Strategic Innovation Model – Jim Brammell, Amber Halloran

Amber distributed a presentation entitled "Strategy Innovation" by Robert D. Nixon, Ph.D., University of Louisville. Amber and Jim led ELT through the presentation, and discussed the concepts and how they might be applicable at LWC. Jim Brammell commented using the model would not replace strategic planning, but should precede strategic planning. The concept is for bottom up planning involving a diverse team with a liaison between the team and top management. The team would produce creative, break-through ideas and business opportunities they would evaluate and prioritize, then hand off the ideas to the strategic planning team in the form of a business case.

Break (10:43)

Strategic Innovation Model – Jim Brammell, Amber Halloran (discussion resumed 10:43)

John said we have to keep in mind the boundaries of our charter as a water utility; however, there are some things we can explore:

- What is possible within the regulated core system
- What is possible outside the regulated core business

John said this is a fundamental policy matter that the board will want to be more involved with. Jim suggested working with the Revenue Sub Team, and ELT discussed what the makeup of such a team should be, including its size, diversity, etc. Karla said the time scheduled for the Revenue Sub Team on March 8 could be used to discuss the team makeup and direction. Jim and Amber suggested ELT select the team members. It was decided to discuss this more at next week's ELT meeting.

Meeting Adjourned (11:35)

ELT Meeting Minutes
March 7, 2005
Minutes Approved 3/14/05

Attendees: Susan Lehmann (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Amber Halloran, Jim Brammell, Anna Norris, Jim Smith, Carl Blanton

Minutes and Agenda Approved (9:04)

Minutes from the February 28 ELT meeting were reviewed. Greg Heitzman revised the minutes by adding three sentences under the Water Sales Forecast heading, at the end of the second paragraph, as follows:

“Greg also advised that he and Jim Smith are working with the U of L Center for Infrastructure Research (CIR) on a small project to evaluate the impact of low-flow conservation fixtures on residential consumption. Dr. Tom Rockaway and Dr. Paul Coomes are the principal investigators. This project will be funded under the annual contributions of LWC and MSD to the CIR.”

The minutes were approved with that change. The agenda was reviewed and approved.

Open Time (9:05)

Performance Reviews - Susan Lehmann reported that pay increase spreadsheets will be distributed on Tuesday.

Pricing for BSO Positions – Susan Lehmann said Mercer pricing for BSO positions continues and should be completed in the next month or so. Any changes will be made retroactive to April 1.

Phoenix Water Quality Issues – John Huber (9:05)

John Huber discussed the situation in Phoenix in January 2005 when its water utility was overwhelmed and it issued a system-wide boil water advisory. Factors leading to this action included two of its five treatment plants being closed for maintenance and storm damage to a third treatment plant. Severe water turbidity overwhelmed the fourth plant when water was discharged into dusty stream beds that had not experienced a significant flow of water for several years. A boil water advisory was issued at 2:00 a.m. The situation was worsened by ineffective communication to consumers, not using the emergency notification system, providing health-based information to the public about the safety of the water (purview of local health officials), and inability of consumers to contact the utility because its telephone system was overwhelmed.

John Huber felt it was important to use the Phoenix event to look at LWC's preparedness for an emergency situation. ELT's discussion included:

- Reminding the public about storing bottled water for emergency situations
- Timely communications, here and in adjacent counties
- Using the right media for communications

- Looking into use/cost of crawlers across TV screen
- IVR
- Outbound customer calls in some cases
- Checking to see what Metro Government has in place for alarms
- Updating Emergency Response Plan
- Reviewing the work done on Cryptosporidium
- Reviewing LWC's technology for necessary capabilities
- Reinforcing relationship with local health officials
- Contingency arrangements with other call centers
- Pre-arranged scenarios with health department for boil water advisory and boil water orders
- Partnering with Emergency Response
- Have a plan with Public Health on the uses of water in an emergency situation

Our current methodologies may have gaps; John said the follow up is to review minutes to identify gaps. Bob and Karla will take this issue to the BSOC to get their recommendation on next steps.

Review of 2005 Capital Program Goals – Amber Halloran, Jim Smith, Anna Norris (10:00)

Jim Smith distributed bar charts depicting capital expenditure trends versus budget (period 1994 – 2004) and versus revised budget (period 1998 – 2004), and a spreadsheet of capital budget and spending from 1994 – 2004. ELT discussed the “committed” figure, what it represents, and its informational value. The outcome from the discussion was to recommend to the Compensation Committee that the Shared President and Vice President Goal for the Capital Improvement should be based on the percent of the revised capital budget that was spent during the year and that the reference to the percent committed should be deleted. Greg Heitzman expressed concern over the loss of use of the percent committed measure, as this measure was previously used as a leading indicator for the progress of the annual capital program. The expended measure will leave only one metric for measuring the capital program, and this measure is not an indicator of program effectiveness. Ed Chestnut will check the current goal to determine if the percent spent targets are consistent with the recommendation brought by Amber, Jim, and Anna. (Ed verified after the meeting that the current goal percent spent targets are valid as submitted to the Committee).

Break (10:45)

Strategic Innovation Discussion – Jim Brammell, Amber Halloran (11:00)

Jim Brammell recommended a team size of 5 – 6 individuals, from as many functional areas as possible, a public relations person, and an outsider. Jim estimated as much as 25% of an individual's time will be devoted to the team activities. John Huber will serve at the team sponsor.

ELT decided the Revenue Sub Team will continue its work to expand LWC's reach into this part of Kentucky and Indiana, and looking at how we sell water, whereas the Strategic Innovation Team will look for creative, break-through ideas and opportunities to create revenue.

Jim Brammell and Amber Halloran will schedule a meeting with John Huber to discuss the makeup of the new team and its charter.

Adjourned (11:32)

ELT Meeting Minutes
March 14, 2005
Minutes Approved 3/21/05

Attendees: Susan Lehmann (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Amber Halloran, Jim Brammell, David Collier, Tony Gregory, Sue Purdy

ELT Photo (9:00)

A group photo was taken of ELT for the LWC 2004 Annual Report .

Minutes and Agenda Approved (9:13)

Minutes from the March 7 ELT meeting were reviewed and approved. The agenda for today's meeting was approved.

Review Board Agenda – John Huber (9:14)

John Huber noted the board agenda doesn't include projects less than \$2 million or contracts less than \$1 million. Of the eight items on the agenda, only three are action items. There will be two committee reports, the PA&CS Committee and the Compensation Committee. The Compensation Committee report will deal solely with HRIS. Wendy Welsh is unable to attend the meeting, but will participate in the HRIS discussion by phone at 2:00 p.m. The dividend declaration for the first quarter of 2005 will be made, which will include a quarter of the budgeted 2005 dividend plus nearly \$400,000 resulting from recalculating the dividend for the years LWC collected rate differentials. A very clear audit trail will be documented for any future questions regarding the dividend calculation. There will be an update on the RBI project. The General Assembly update will be given as part of the PA&CS committee report. John reported that the Compensation Committee agreed with using PeopleSoft as the new HRIS system; however, the Compensation Committee has asked if there are advantages to implementing pieces over time, and developing in-house capabilities for PeopleSoft. Centric's analysis showed the PeopleSoft solution is not much more expensive than the mid-range solution over the first five years, and is the most advantageous solution after seven years.

Inventory/Warehouse Management Project – Jim Brammell, David Collier (9:28)

Jim Brammell said a project update will be given at the March 29 Audit Committee. David Collier distributed a presentation on the Information Technology Strategic Plan, Warehouse Management System, which he and Jim Brammell discussed with ELT. Amber will prepare an additional analysis of the impact implementation of the system will have on rates. Tony indicated the cost of implementation could change when bid out.

John Huber asked whether an analysis had been made of the costs/benefits of continuing to warehouse materials at LWC versus allowing contractors to buy materials in-spec from outside suppliers. The last analysis was done in 1996, which led LWC to continue warehousing. John Huber requested a new analysis be done to determine the best course for LWC (continuing to warehouse materials for contractors, or allowing

contractors to buy from outside suppliers) before a decision is made to approve the proposed Warehouse Management System.

Break (10:46)

Greenback's Report – Amber Halloran, Sue Purdy (10:57)

Amber Halloran and Sue Purdy reviewed and discussed the Financial Highlights for February 2005. Amber reported the external auditors made no changes to the financial reports for January and February 2005, which are now considered final.

Topics Deferred (11:31)

The BSOC Shared Goals topic and Open Time topics were deferred to a future meeting.

Adjourned (11:32)

ELT Meeting Minutes March 21, 2005

Attendees: Susan Lehmann (Leader), Ed Chestnut, Barbara Dickens, Tony Gregory (for Bob Miller), Greg Heitzman, Bill Meeks, Karla Teasley

Absent: John Huber, Bob Miller

Visitors: Kathie Johnson (Recorder), Carl Blanton, Kathy Schroeder

Minutes and Agenda Approved (9:05)

Minutes from the March 14 ELT meeting were reviewed and approved. The agenda for today's meeting was approved.

Review of 2000-2004 Strategic Goals – Ed Chestnut (9:06)

Ed Chestnut distributed material related to Constituent Goals and Objectives for the period 2000 – 2004, for review and discussion at a future ELT meeting. The desired outcome is to discover and document lessons learned for consideration when setting future goals. Greg suggested adding a five year target plus annual goals, and Karla requested adding the year a goal was changed from its original target.

Ed also asked for comments on ELT shared goals. The measure for the Performance Management Goal will be reports that reviews have been completed by the trimester due dates established by Human Resources. Each VP will be responsible for reporting to Ed that trimester reviews have been completed for each for each of their nonunion employees. Roger LeMaster will do random audits to assure the reviews have taken place. Susan asked Ed to remove the "Goal removed in 2004" comment from the AA hiring goal line. She said the comment is misleading. This information continues to be tracked and is a corporate goal, but not an individual goal.

BSOC Shared Goals – Kathy Schroeder, Carl Blanton (9:28)

Kathy Schroeder distributed draft goals for discussion. She said the BSOC will meet tomorrow to continue work on the goals. Carl Blanton recommends the BSO shared goals replace current team goals to reduce duplication. Team goals not covered in the BSOC shared goals can be moved to individual goals. When asked about the O&M Cost Control goal, Carl and Kathy responded the goal relates to budget management, not O&M cost per customer. Kathy Schroeder said they will update ELT through email as changes are made to the BSOC Shared Goals. Greg asked how reporting and tracking will be done. Carl suggested reporting results to ELT each quarter. Kathy expects work on the BSOC Shared Goals will be completed in early April.

Break (9:50)

Roundtable Updates (10:00)

Karla Teasley – The Bullitt County Advisory Board will meet this afternoon. Karla said the 2/3 majority petition project is going well. Residents are now required to sign a contract and make a deposit before they get water. The fire hydrant and valve installation work is going well. Karla is working with Barbara Dickens to finalize the MSD agreement. She is working to finalize 2005 goals. There are some issues to be worked through in Metering Services. Nora Freeman has asked for IT assistance regarding the recent high bill issue.

Ed Chestnut – An intern is entering data for the revenue forecast that Dr. Cerrito is doing for LWC. Microfilmed records of consumption data prior to 1994 are very poor quality. Barbara Dickens said this is a Records Management issue and questioned the value of continuing to microfilm records. ELT discussed pursuing other technology options for record storage and retrieval.

Ed requested any changes to the ELT Shared Goals be given to him this week.

Bill Meeks – The union election results are completed. Except for Bill, the Executive Board is made up of all new members. Bill will email information on the election results to ELT. Bill is working to develop a survey on issues to include in contract negotiations. Training for maintenance mechanics is moving forward.

Barbara Dickens – Work is continuing on corporate policies. Barbara asked Vice Presidents to start work on the policies being recommended by their BSOs. Barbara reported she has been spending a lot of time on litigation support and property issues (difficult easement issues). She discussed the difficulty she's encountered with railroad crossing agreements. Greg will meet with Barbara to discuss LWC's historical handling of railroad crossing agreements, and will furnish legal opinions from his files.

Greg Heitzman – Regarding the Riverbank Filtration project, Greg reported the bids came in 56% over the estimate, and the Board rejected all bids. The consulting engineers did a detailed report of the differences. A decision was made to continue working with the consulting engineer on value reengineering the project over the next three to four months. Greg will meet with Bob Miller regarding the accounting rules on money spent to date, and how to handle current and future costs.

Greg and others from LWC attended a Business Diversity Strategy Workshop. Companies represented included ADP, Humana, Hilliard Lyons, LG&E, Brown Forman, and others.

Susan Lehmann – The BOWW Compensation Committee will meet Thursday to review Vice Presidents' performance evaluations and develop recommended salary increases for the full Board. Pricing for the HRIS bid has been extended through April but there will be changes to the terms of the contract. Salary spreadsheets are due March 23, and salary worksheets are to be turned in by April 4. The effective date of salary increases is April 1.

Recent email policy violations resulted in termination of two employees. Additional employees were disciplined. HR is working with Tony Gregory to update the policy,

develop additional security measures and training for all employees. The revised policy will also address instant messaging and employee access of their personal email accounts at work. Training will require employees to sign a statement they understand the policy and agree to adhere to it.

Next week's ELT meeting will include Strategic Planning. Susan Lehmann reported she will be on PTO, and asked Barbara Dickens to begin her term as Leader a week early by leading the March 28 meeting. Barbara agreed.

Adjourned (11:30)

ELT Meeting Minutes March 28, 2005

Attendees: Barbara Dickens (Leader), Ed Chestnut, Bob Miller (Recorder), Karla Teasley, Bill Meeks, Greg Heitzman

Visitors: Amber Halloran, Jim Brammell, Kathy Schroeder, Jim Smith, Vince Guenther

Minutes and Agenda Approved

Minutes from the March 21 ELT meeting were reviewed and approved.

Ed Chestnut distributed a copy of meeting goals to review the constituent objectives for the 2000-2004 Strategic Plan. The ELT accepted the agenda as proposed. Ed also noted that John Huber was interested in additional consideration of changes in power and energy costs.

2000-2004 Strategic Plan Measurements Report Received

Ed Chestnut reviewed the format of the report using the Customer Satisfaction measures as an example.

Overall CSI

Greg recommended that LWC reconsider the decision to lower the overall CSI goal (and not expend the resources needed to meet the higher goal) since the projection of rate increases are now higher and the makeup of the Board has changed. Karla noted that additional research would be needed to identify the perceived value of expanding this program. Ed noted that the overall measure tracks very closely to the residential non-service measure. **The ELT agreed to revisit this decision to lower the overall CSI goal.** Jim Brammell raised the question about how we might calculate the value of raising the overall CSI (i.e., how much should LWC be willing to spend to raise the CSI). Greg observed that we might benchmark this with LG&E how they assess the value of this type of program.

Serviced Account CSI

Karla reviewed the scale used to measure customer satisfaction. Greg asked for additional correlation analysis to determine if there is a relationship between serviced account CSI and other factors such as sales, O&M budget variance and profit. Karla questioned if we could determine a relationship between the workforce reduction and the recently lower results for this measure. Bob emphasized the need to assess and separate common cause variance from special cause variance. Karla noted the need to reduce the reasons why customers need to call for service. Karla noted that the serviced account CSI is increasing faster than the overall CSI. Greg requested further analysis to determine if the increase in serviced account CSI is masking a decrease or flattening in the overall CSI. He recommended for analysis purposes to hold the serviced account CSI flat to determine what the effect would have been on the overall CSI. Karla noted that customer expectations have increased over that time.

Water Rate Changes

Bob reviewed the history of rate increases since 1990 and noted two key changes since 1999 have occurred: (1) LWC projected water sales are now assumed as flat or decreasing and (2) LWC costs are increasing faster than the CPI. Jim Brammell expressed interest to assess if there was a more appropriate index or composite of indices that might serve as a better predictor of where our cost structure is headed. Greg noted that our task is to determine the balance of efforts to increase revenues while reducing or controlling expenses.

Water Quality – Coliform

Greg noted that recent years have been lower demand years (and lower temperature years) and that we may not be able to say with certainty that the higher water quality results are sustainable. Greg also reviewed actions taken to assure higher reliability of samplers and sampling techniques. He also noted increased water main flushing in response to water quality complaints and a full cleaning of the Cardinal Hill storage facility. Karla asked: "Does lower positive coliforms translate into higher water quality or is it an improvement in process?" Greg answered: "It's primarily an improvement in process." As regulations change and require sampling in worst case scenarios we are going to develop new processes to meet the goals. Jim Smith also noted that some portion of the improved water quality measures may be attributed to the replacement/rehabilitation of unlined cast iron pipe.

Water Quality – Chlorine Residual

Greg reviewed the contributing factors that affect chlorine residuals in Bullitt County and southwest Jefferson County. Greg noted that recent years have not fully tested the effectiveness of measures taken to mitigate the loss of chlorine residuals. He expects that chlorine residuals will fall during future occasions of high water temperature, but not as much as before. Karla encouraged further consideration of providing funding for initiatives that have been identified but not yet resourced. **The ELT agreed to revisit this issue to consider additional funding for this strategy. The ELT also agreed that "worst case scenario" data should be fully considered when evaluating this strategy.**

Water Quality – Turbidity

Greg attributed the improvements in this measure to changes at the plant, plus increased flushing and replacement/rehabilitation of unlined cast iron pipe. Karla asked about achieving Phase IV of the Partnership for Safe Water. Greg discussed consideration of balancing filter rebuilds at Crescent Hill while evaluating alternative treatment technologies for that plant. Greg noted that achieving Phase IV by 2008 will require renovation of the filters.

Financial Measures – Return on Equity

Bob reviewed three key issues related to this goal: (1) GASB compliant reporting no longer reports an amount for stockholders equity; (2) the returns earned by investor-owned utilities have continued to decline; and (3) LWC has phased out the "one percent less than" component of the goal. Greg considered alternative methods for computing this stockholder return goal. Bob discussed the attributes of return on assets/return on rate base. Greg recommended consideration of an alternate/higher return for business outside our core business.

Halifax Regional Water Commission Information

Bob displayed a wall chart used by HRWC to communicate their mission, goals, objectives and results.

Next Meeting Agenda

The ELT considered devoting the next meeting to continue the risk assessment work.

**ELT Meeting Minutes
April 4, 2005**

Attendees: Barbara Dickens (Leader), Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Absent: Billy Meeks

Visitors: Don McKay, Roger LeMaster

Minutes and Agenda Approved (9:05)

Minutes from the March 28, 2005 meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

Open Time: CSI First Quarter Results Reviewed (9:06)

Karla shared the CSI results from the first quarter. Total CSI went from 829 to 851 and the Serviced CSI increased from 781 to 802. We also experienced high jumps in Water Quality from 858 to 886. The price/value factor for residential non-service went from 760 to 783, which is remarkable given the recent rate increase.

Risk Assessment Work – Don McKay (9:12)

ELT continued its work on the Corporate Risk Assessment.

Break (10:00)

Risk Assessment Work – Don McKay (10:10)

ELT continued its work on the Corporate Risk Assessment.

AwwaRF Technology Transfer Conference – Best Practices in Asset Management – Greg Heitzman (11:10)

Greg Heitzman gave a presentation of the Asset Management Workshop that he attended during the AwwaRF Technology Transfer Conference. The Research Advisory Council, on which Greg serves, is doing workshops on various topics. This particular workshop was specific to the distribution system and reviewed performance, repair and rehabilitation of the system.

Bin List Reviewed and Agenda Discussed (11:35)

Adjourned (11:40)

**ELT Meeting Minutes
April 11, 2005**

Attendees: Barbara Dickens (Leader), Susan Camp (representing Karla Teasley), Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller

Absent: Karla Teasley

Visitors: Amber Halloran, Sue Purdy

Minutes and Agenda Approved (9:05)

Minutes from the April 4, 2004 meeting were reviewed. The paragraph under Open Time was amended per Karla Teasley's email as follows:

"Open Time: CSI First Quarter Results Reviewed (9:06)

Karla shared the CSI results from the first quarter. Total CSI went from 829 to 851 and the Serviced CSI increased from 781 to 802. We also experienced high jumps in Water Quality from 858 to 886. The price/value factor for residential non-service went from 760 to 783, which is remarkable given the recent rate increase."

Items following "Adjourned (11:40)" will be deleted from the approved minutes. The minutes were approved with those changes. The agenda was reviewed and approved.

Review Board Agenda – John Huber (9:06)

John Huber reviewed the agenda for the Annual Board of Water Works Meeting that will be held tomorrow. There will be a report of the Nominating Committee, election of the Chair and Vice Chair, elections of Louisville Water Company officers, and reports from the Audit and Compensation Committees.

Greenbacks Report – Amber Halloran, Sue Purdy (9:10)

Amber and Sue reviewed the financial highlights for March 2005. Revenue is over the budget for the month of April 2005. Ed Chestnut will determine if there is a correlation between apartment occupancy and the city occupational tax. Amber will do further analysis to see why GE consumption has dropped. Mr. Huber asked for a short paragraph for the May Board Report on the anticipated impact of the new bankruptcy law on bad debt.

Roundtable Reports (9:40)

Greg Heitzman – As Chair of the Fund for the Arts giving campaign at LWC this year, Greg discussed his plans for the campaign, which will be held May 16-20. He recommended the \$5,000 budget for giving campaigns be allocated as follows:

Water for People \$250

Fund for the Arts	\$750
Metro United Way	\$4,000

Greg discussed his plans for the FFTA campaign. He wants to raise the participation rate in 2005, as well as the dollar amount, and is targeting to match the 2003 giving results. Incentives and fundraising options were discussed. Greg proposes three drawings for a PTO day for employees giving at a certain level. He proposes 7-10 employee meetings, and may piggyback on NWT and SAC meetings. Pledge cards will be distributed at the meetings. Barbara Sexton-Smith, from FFA, will make herself available to speak at each meeting, which will last about 30 minutes, including a 4 minute video. Allan Cowan of FFA will speak to a Winners Circle meeting of ELT and BSOs. Greg asked the Vice Presidents to assist in recruiting team captains from each location.

In answer to Karla Teasley's concern, there is no budget for a Metro United Way Loaned Executive. The Metro United Way/Loaned Executive topic will be placed on the bin list for discussion at a future meeting.

ELT Action: ELT approved Greg Heitzman's approach to the Fund for the Arts giving campaign, as well as the allocation of the \$5,000 budget as stated above.

Break (10:05)

Roundtable Reports – Continued (10:20)

Bob Miller – Bob Miller reported he attended a meeting in Canada last week on Risk Analysis Strategies for Decision Making. There were 30 utilities represented, most of which are “corporatized” government-owned utilities. LWC was considered by the conference leaders and attendees as having one of the most comprehensive Enterprise Risk Management Programs. Key take-aways from the meeting were: 1) management discussion and analysis section of the annual report should include a discussion of risks; 2) discussions of strategic planning with a board of directors should also include the related risks; (3) utilities are still developing methods for evaluating risk interactions and risk aggregations. John Huber requested a copy of two publications that Bob saw at the meeting, “20 Questions Directors Should Ask About Risk” and “20 Questions Directors Should Ask About Strategic Planning.”

Susan Lehmann – Positions for an HR Analyst and an HR Assistant have been posted. LWC has joined The Conference Board at a reduced cost of \$7,500 this year, and \$10,000 in subsequent years. The Conference Board provides resources for every business function. Ed Chestnut will serve as liaison between LWC and The Conference Board. Susan plans to attend a meeting on leadership development and succession planning.

Susan said as a result of employees out on disability, impending retirements, etc., HR will begin recruiting for labor positions to build a pool of applicants.

Susan is polling Board members on strategic planning topics they would like to discuss.

Barbara Dickens – Barbara has spent much of her time on litigation and BOWW issues. Beverly Soice has been working through some old foreclosures. Barbara and Beverly

were recently trained on electronic filing of bankruptcy claims so they can file proofs of claim on lower value claims. Each claim is evaluated as to appropriateness of handling in house or sending to outside counsel. Most of the in-house work can be done online, although Beverly must attend creditor meetings.

Ed Chestnut – At next week's ELT meeting, Ed will distribute a 2004 Performance Indicator Profile from the QualServe Benchmarking Survey. This is in preparation for the April 25 Strategic Planning Team meeting.

Bill Meeks – Bill is still working on DPT issues. Sub teams are developing training programs for mechanics. Bill is preparing for arbitration of a grievance on call outs.

Greg Heitzman – The EPA reported to Jack Wang the crude oil spill was 262,542 gallons, about 4 times higher than the first estimate.

Labor resources are a major issue. There are 10-12 individuals on short-term disability. We were notified by American Darling that 1,100 hydrants need remediation. We will be pulling 6-9 employees to complete the hydrant work before winter. Will track costs related to hydrant repairs so we can make a claim. Also, Jim Brammell has employees loaned to Nora Freeman.

We are finalizing a contract with JJ&G to develop alternatives for the RBI project, including tunnel alternatives, collector wells (located below the flood plain), and vertical wells. This will be a 3-4 month exercise including JJ&G and other outside consultants. We are pressing ahead on the Transylvania Beach condemnations.

Problems identified with the Tyler Tank project include the increased price of steel and interference with radio signals.

We discovered the chemical building slate roof at the filter plant was damaged during the winter. This will require \$25,000 to \$50,000 to repair the slate roof at the CHFP. Replacement of the slate roof on the chemical building is estimated to cost \$560,000.

The Regional Airport Authority - We have reached an agreement with RAA stating that LWC and RAA will split equally the remaining cost of a relocation project which is not reimbursed by the FAA, so long as RAA is not prohibited by law from doing so. If RAA is prohibited, LWC would bear the full cost that is not reimbursed by FAA. Easements and RAA agreement should be executed this week before the Mac Construction bid award deadline.

John Huber – Board members Marita Willis and Stewart Conner are up for reappointment. Margaret Harris is a candidate for a Metro Council seat, and if appointed she will not complete her BOWW term.

A meeting was held between Rick Johnstone, the Parks Department and LWC regarding maintenance of the River Road Country Club. LWC will maintain the buildings, and Parks will maintain the open space and the greens. The fairways will be allowed to grow long to discourage use. In May and June, Metro Government wants to gain web input on the use of the facility, then hold a meeting at the Water Tower regarding the best use of the property.

A decision needs to be made whether to sell the work boat or transfer it to the Waterfront, where it could be available to LWC should the need arise.

Bob Miller – Bob remarked that a water quality incident at Walkerton, Ontario about 5 years ago continued to receive significant discussion from utilities in England, Canada, and Australia at a conference he recently attended on risk management. He noted that a representative from Walkerton recommended that utilities review the results of risk assessments with their Customer Advisory Councils.

Bin List (11:28)

Barbara Dickens will add discussion of the Metro United Way Campaign and Loaned Executive to the bin list. Hopefully the Risk Assessment will be completed at next week's ELT meeting.

Adjourned (11:30)

ELT Meeting Minutes April 18, 2005

Attendees: Barbara Dickens (Leader), Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Don McKay, Roger LeMaster

Minutes and Agenda Approved (9:05)

Minutes from the April 11, 2005 meeting were reviewed. Greg Heitzman pointed out two changes to the minutes:

On page 1 under Greenbacks Report, third line, "occupancy tax" was changed to "occupational tax."

Under Roundtable Reports, Greg Heitzman's report, the 5th paragraph was amended to:

We discovered the chemical building slate roof at the filter plant was damaged during the winter. This will require \$25,000 to \$50,000 to repair the slate roof at the CHFP. Replacement of the slate roof on the chemical building is estimated to cost \$560,000.

ELT Roles and Schedule – Barbara Dickens 9:07)

Barbara distributed a revised schedule for ELT roles through 2006, adding Ed Chestnut to the rotation of Leaders. Barbara proposed changing the meeting time for ELT meetings to Monday afternoons. After some discussion, ELT will review their schedules and discuss this further on Monday, April 25 at 9:00. It is expected ELT will begin holding meetings from 1:30-3:00 on Monday, May 2, with the last meeting of each month devoted to Strategic Planning.

Risk Assessment – Don McKay and Roger LeMaster (9:20)

ELT continued its Risk Assessment work.

Break (10:20)

Risk Assessment – Don McKay and Roger LeMaster (10:30)

Risk Assessment work continued.

Competencies Reviews – John Huber (10:40)

John thanked the group for sending a review of his Competencies to Ron Raque of Right Management for compilation. He reported that he met with Ron last week to discuss the Competencies feedback where reviewer anonymity was carefully maintained. John is in

the process of planning how to use this valuable feedback.

Metro United Way – Karla Teasley (11:00)

Karla distributed a document from 2002 suggesting changes to the Corporate Charitable Donations Policy and designating which core would have the responsibility of the MUW and FFA campaigns and from whose core the MUW Loaned Executive would be selected each subsequent year. ELT discussed the value the MUW Loaned Executive position can bring to both LWC and the chosen employee through networking with high achievers in other organizations and further developing management and leadership skills over the two to three month period they serve. The Vice Presidents will follow up with the BSOs, and the topic will be added to the bin list for discussion again in two to three weeks.

Susan commented that New Hire Packets will now include information on Water for People, Metro United Way, and Fund for the Arts in order to begin showing early on the value the Company places on community support.

Open Time (11:25)

April 25 Strategic Planning Meeting – Ed Chestnut distributed a 2004 Performance Indicator Profile in preparation for the April 25 Strategic Planning meeting. The information was interpolated by Ed from the 2004 APQC QualServe Performance Indicators Water and Wastewater Utilities Survey Benchmarking Summary.

Agenda and Bin List – Barbara Dickens (11:28)

Barbara Dickens said the next ELT meeting will be Strategic Planning. Barbara will add Risk Assessment and Metro United Way Loaned Executive to the bin list.

Adjourned (11:30)

ELT Meeting Minutes April 25, 2005

Attendees: Barbara Dickens (Leader), Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Jim Brammell, Vince Guenther, Amber Halloran

Minutes and Agenda Approved (9:05)

The April 18 minutes were reviewed. Karla Teasley corrected the first paragraph, last sentence, under the Metro United Way topic, to read:

“The Vice Presidents will follow up with the BSOs, and the topic will be added to the bin list for discussion again in two to three weeks.”

The minutes were approved with that change. The agenda was reviewed and approved.

Constituent Goals & Objectives – Ed Chestnut (9:06)

Ed Chestnut reviewed the Constituent Goals & Objectives as they were developed in 1999 for the 2000-2004 Strategic Plan. Greg Heitzman suggested changes to the original goal be footnoted or indicated in green.

Return on Equity - Bob Miller resumed the discussion from March 28, 2005 regarding the return on equity target: (1) GASB compliance reporting no longer reports an amount for stockholders equity; (2) the returns earned by investor-owned utilities have continued to decline; and (3) LWC has phased out the “one percent less than” component of the goal. Bob said that he intends to evaluate alternatives for this measure by profiling:

- What are the alternative measures and benchmark organizations that we might use?
- What are the data sources for these measures (NAWC, PSC, etc.)?
- What time period should be used (5 years, 3 years, 1 year)?

John Huber noted that the profit target based on return on equity had previously been higher than if the target had been based on return on rate base or return on assets; however, due to the significant capital investments made over the past several years, the target based on return on rate base may now likely be at or above the target based on return on equity.

Greg asked if free water and fire protection should be considered. Bob noted that free water and fire protection is provided in lieu of property taxes while the return on equity is provided as a return on the financial investment by the City.

Operations and Maintenance Cost per Customer – Bob noted that the O&M cost per customer had dropped markedly in 2004 as a result of the cost reduction initiatives that

took place last year. He expects that the results for LWC will be significantly lower than the results for investor-owned utilities. (The results from NAWC were recently published and are being analyzed by the Budget and Ratemaking Process.)

Water Sales and Revenue - Bob distributed a graph of historical water consumption data by customer class and by month for the past thirty years. He commented that while conservation devices reduce the average consumption, they do not reduce peak consumption levels since conservation devices are not related to peak uses. The use of conservation fixtures introduces variability into the revenue stream. Greg said we should show the data on a per customer basis. Bob discussed the old "allowable usage" method of billing where the minimum bill included 3,000 gallons usage. John said that any changes to the minimum monthly bill should include consideration of a low income program that is administrable at a reasonable cost.

John further elaborated on return and ratemaking methodologies. He noted that the return could be determined on a utility basis (equity basis or asset basis) or on an agency basis (revenue basis or asset basis). He noted that the criteria for ratemaking was to stabilize rates without burdening the poor while funding the capital program through a combination of cash flow and debt. The ELT also considered alternative depreciation methodologies.

Break (10:15)

Constituent Goals and Objectives (continued) (10:30)

Human Resources Effectiveness Index – Ed Chestnut noted that the HREI had been discontinued and was no longer measured.

Lost Time Injuries – Bob noted that the number and rate of lost time injuries in 2004 represented a significant decrease over time, but that staff was unable to discern the cause of the decrease.

Preventable Vehicular Accidents – Bob said that the number of preventable vehicular accidents had remained relatively constant over the past three years. In order to evaluate the rate of preventable vehicular accidents, Jim Brammell will be verifying the number of miles driven by year during 2000-2004.

Diversity Goals – Ed stated that the data set for Diversity measures during 2000-2004 was incomplete.

Board Strategic Planning – Susan Lehmann (10:45)

Susan Lehmann reported a meeting for Board members to discuss strategic planning will be held in July or August. A portion of each board meeting is now being used to focus on one of the strategies. Susan is collecting topics for discussion from the board members for the special meeting. Rick Johnstone had suggested having the meeting at the Jefferson Memorial Forest Lodge, and consideration is being given to using an outside facilitator.

ELT Meeting Time – Barbara Dickens (10:50)

ELT agreed to begin meeting from 1:30-3:00 on Monday afternoons during May and June, with the 4th Monday being devoted to Strategic Planning. At the end of June, ELT will decide whether to continue with the new meeting schedule. Next week's meeting will include a quarterly goals update by Ed Chestnut, an update from the Metered Water Ratio Team, and an update on the MWBE goal results from Amber Halloran.

Open Time (11:00)

Tank Sites – John Huber requested a status report on the Tyler, Long Run and Goshen Tank sites. Karla reported that a meeting was held with Goshen representatives last Friday, where LWC communicated the current status of the project and took their feedback. Greg said we expect to open bids on the Tyler Tank in 60 – 90 days. The Long Run Tank site is located within 1000 feet of the WHAS tower, and we are looking for a new site. An option has been executed on property having the correct elevation and distance from the WHAS tower. The goal is to have all three tanks operational by the summer of 2007.

Food at Meetings – John Huber brought up the issue of providing food at certain meetings. Karla Teasley will follow up with Marianne Butler on the costs and budget to provide food at Pipeline, ELT Communications Forums and Diversity Brown Bag Luncheon meetings.

Risk Assessment – Barbara Dickens said she had suggested to Don McKay that he get with Greg Heitzman for the risk assessment of plant issues, and then share with ELT later. Greg will schedule a meeting with Don, and will invite ELT members as optional attendees.

Adjourned (11:20)

ELT Meeting Minutes May 2, 2005

Attendees: Barbara Dickens (Leader), Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann, Bruce Mingus (representing Bill Meeks), Bob Miller, Karla Teasley

Absent: Bill Meeks

Visitors: Kathie Johnson (Recorder), Sharon Dawson, Nora Freeman, Ron Green, Amber Halloran

Minutes and Agenda Approved (1:30)

The April 25 minutes were reviewed and approved. The agenda was reviewed and approved.

Barbara Dickens briefly discussed certain upcoming conflicts with ELT meetings. The May 30 meeting is Memorial Day; the June 6 ELT conflicts with the scheduled Audit Committee meeting; and, on June 13, John Huber, Bob Miller and Greg Heitzman will be attending the AWWA Annual Conference. Karla suggested canceling ELT during the week of May 30 unless there were pressing items, and then scheduling an additional meeting before the conference. Barbara will ask Beverly Soice to see whether the June 6 meeting can be moved earlier in the day, and will ask Beverly to communicate any changes to ELT.

Review Progress and Update Quarterly Goals – Ed Chestnut (1:34)

Ed Chestnut distributed results for 2005 ELT Shared Goals, 2005 Executive Incentive Plan Goals, and Corporate Performance Award Goals for discussion.

ELT Shared Goals – The goals were met or exceeded, except for the Capital Improvement Program goal which is below 65% expended, and the Performance Management Goal which cannot be measured until after trimester reviews have been reported.

2005 Executive Incentive Plan Goals – The light switch goal is on target. Item III, E was not on target. Bob Miller brought up deferred maintenance and depreciation of the five filters at CHFP North which are being retired due to their condition. Greg will check on the status of the retirement of the five filters in CHFP North. Item III, Parts A, B, C and D were on target.

2005 Corporate Performance Award – The goals for CSI Serviced Customer, Distribution Water Quality and Cost Control were exceeded in the first quarter. The Safety goal shows 3 lost time injuries during the quarter with an annual goal of equal to or less than 12 lost time injuries, and there were 5 preventable motor vehicular accidents for the quarter with an annual goal of less than or equal to 30 preventable motor vehicular accidents.

In response to John Huber's question regarding the best performance that can be expected from the Capital Program in 2005, Greg Heitzman responded there is currently no model we can use to project potential future cash flows. Karla Teasley said recent changes to tracking for the capital program will provide additional measures, providing more detail and separating out deferred projects like RBI, adding unbudgeted projects and increases to existing projects. Greg said capital spending in 2005 will remain fairly flat while projects are getting into design. Karla said she will have the capital program team work on a model for predicting capital project cash flows.

Metered Water Ratio Team Update – Nora Freeman, Sharon Dawson (2:00)

Nora Freeman distributed the Metered Water Ratio Team Action Plan, the ELT goal for Metered Water Ratio Improvements, and the LWC 2005 and 2003 Water Audit Analysis for discussion. Sharon Dawson led ELT through the first quarter activity on the Action Plan. Sharon noted the backlog of service orders for malfunctioning meters was reduced by over 50% since January 2005. Back billing work is scheduled to be completed by the second quarter. A field test schedule for larger meters is being developed to ensure all larger meters are tested every 2-3 years. Priority is being placed on testing broken meters and meters not tested in three years. They are averaging field tests of 50 meters a month, which is extremely good. Greg suggested an analysis of meter sizing be done in parallel with the field tests. Nora said she will incorporate that in the process. The reinstatement of the duty exchange program has resulted in the exchange of 4,000 meters to date. Work has not yet begun on identification of proper meter sizing for 3" and larger services. Sharon said they are currently investigating the price of testing plant meters to assure meter output accuracy. Greg said he will follow up with Hydromax to get a quote. Sharon thanked Bob Miller for the support provided by I.T. in the development of reports to assist in tracking meters from delivery to retirement. Sharon briefly discussed the Metered Water Ratio Team Action Plan for 2006.

Bob Miller suggested the team consider a visual presentation at the AWWA KY-TN Section meeting since he believes this work will be of interest to other utilities.

M/WBE Spending Goals – Amber Halloran and Ron Green (2:35)

Ron Green reported the method of gathering and reporting the data has changed this year. Previously the data was obtained from Bids & Awards on bids of \$20,000 and above. The FINS accounting system now allows extraction of M/WBE dollars actually spent. For the 2005 reporting, actual dollars spent are being used in the report of MBE and WBE Spending Outcomes. The first quarter results were disappointing but not unexpected due to M/WBE bidders bidding against suppliers in many cases, contracts being extended, and bundling of contracts. Ron Green and Amber Halloran will return to ELT in about four weeks with recommendations to improve the Good Faith Effort program and M/WBE spending results.

Open Time (2:55)

Billing - Bruce Mingus brought up the issue of separating MSD billing from LWC billing because of MSD rate increases and customer perceptions. Bob Miller suggested adding this topic for discussion next week. Karla suggested getting input from the Customer

Advisory Council and others on separate bills and monthly billing instead of bimonthly billing.

Risk Assessment – Bob Miller and Greg Heitzman met with Don McKay and completed the Risk Assessment. Don McKay will compile the information and bring a summary back to ELT within the next two to three weeks.

Agenda and Bin List for Next Meeting – Barbara Dickens (3:08)

Barbara said the next meeting will include a review of the Board Agenda, the Greenbacks report, and the Metro United Way Loaned Executive.

Adjourned (3:10)

**ELT Meeting Minutes
May 9, 2005**

Attendees: Barbara Dickens (Leader), Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy

Minutes and Agenda Approved (1:35)

The May 2 minutes were reviewed and approved. The agenda was reviewed and approved.

Review Board Agenda – John Huber (1:37)

John Huber briefly reviewed the agenda for the May 10 BOWW meeting, and discussed the one-day strategic planning event being planned. He commented the strategic planning meeting may need to be scheduled on a Saturday if schedules can't be coordinated during a weekday.

Greenbacks Report – Amber Halloran, Sue Purdy (1:45)

Amber Halloran and Sue Purdy distributed the Greenbacks Report for April 2005. Revenue was up \$2,527,100 over the same period last year, and was over budget by \$1,021,600. There was some discussion regarding the validity of the consumption data. Greg Heitzman will check to be sure the pumpage numbers are being reported correctly. Greg requested further analysis be done on elevated service area consumption versus general pressure consumption. Karla agreed to drill down on the billing data to see if any of the revenue collected in January including December consumption and communicate with ELT members regarding her findings.

Metro United Way Loaned Executive – Karla Teasley (2:25)

Karla Teasley said the feedback she received from her BSOs regarding a loaned executive for Metro United Way as a development opportunity was it would place a hardship on the Core. Greg Heitzman and Bob Miller said they received the same message from their BSOs. ELT decided to forego sending a loaned executive in 2005, but will consider budgeting and planning for it next year. The topic of Corporate Social Responsibility will be added to the bin list for further discussion.

Impact of MSD Consent Decree – Affordability Issues – Bob Miller (2:55)

Bob Miller distributed and discussed a May 10 letter to the BOWW providing information on affordability issues resulting from planned annual sewer rate increases of 6.5% and 14.5%, and annual water rate increases of 4.0% to 4.5%. The letter discusses affordability issues and programs to address affordability issues. Staff is evaluating alternatives to monthly billing and automated meter reading, and is considering options for equalized or level billing.

Open Time (3:05)

Fund for the Arts Rollout – Greg said the Fund for the Arts rollout would begin with the BSO meeting on May 10, and the overall campaign will be held during the week of May 23.

Agenda and Bin List – Barbara Dickens (3:08)

Barbara Dickens said the next meeting will be on reviewing and finalizing the action plan resulting from the Risk Assessment, through which Don McKay has led ELT. Ed Chestnut has agreed to lead the ELT meeting since Barbara Dickens will be attending a continuing legal education seminar.

Meeting Adjourned (3:10)

**ELT Meeting Minutes
May 16, 2005**

Attendees: Ed Chestnut (Leader), Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Absent: Barbara Dickens

Visitors: Kathie Johnson (Recorder), Don McKay

Minutes and Agenda Approved (1:30)

The May 9 minutes were reviewed. Karla Teasley amended the minutes as follows:

Under the heading Greenbacks Report, the last sentence was amended to read:

“Karla agreed to drill down on the billing data to see if any of the revenue billed in January included revenue that normally would be billed in December, and communicate with ELT members regarding her findings.”

Under the heading Metro United Way Loaned Executive, the first sentence was amended to read:

“Karla Teasley said the feedback she received from her BSOs regarding a loaned executive from management ...”

Under the heading Impact of MSD Consent Decree – Affordability Issues, the last sentence was amended to read:

“Staff will be evaluating monthly billing as part of the automated meter reading evaluation, and may also consider options for equalized or level billing.”

The minutes were approved with the above changes. The agenda was reviewed and approved.

Risk Assessment Summary Review – Don McKay (1:35)

Don McKay presented the Action Plan resulting from several ELT working sessions on the Strategic Plan Risk Assessment for review. Don will provide a summary, without ranking, for management’s Operating Plans development.

Open Time (3:05)

Mike Elston, Jr. Fundraiser - Bill Meeks reported on a fundraiser planned for Mike Elston, Jr. on Saturday, May 21, 2005, 6:00 P.M. at Holy Cross High School, 5144 Dixie Highway. Donations may be made to the Mike Elston Fund. Please contact Betsy Clan, extension 2708, for information.

Oldham County Wastewater – Karla Teasley reported that the Oldham County Sewer District is conducting comprehensive planning meetings. Karla will attend the next meeting at Oldham County Fiscal Court and has documents available from a meeting last week with Oldham County Sewer District staff.

Organizational Comments from Doug Cobb - Mr. Huber reported on Fellow Rotarian Doug Cobb's comments about building a successful, high energy organization. Mr. Cobb regularly visits the Great Places to Work Institute's web site for factors contributing to 1) successful recruitment and retention of employees, 2) developing highly productive employees, 3) facilitating high energy in the organization, and 4) building the foundation pieces of empowerment and trust. He also attends their annual conferences. Appriss Group has attempted to build their workplace around Pride, Energy and Empowerment. Pride relates to what they do and the customers they serve. Energy is what each team member is expected to bring to their team mates. Empowerment is about the relationship between bosses and team members. Good bosses are a necessary factor in promoting pride, energy and empowerment in the work place. "People join companies; people leave managers." He discussed too, the analogy of cultivating a culture as you would a garden where it would be most desirable to plant and nurture rather than just let it grow on its own.

Adjourned (3:20)

ELT Meeting Minutes May 23, 2005

Attendees: Barbara Dickens (Leader), Greg Heitzman, Susan Lehmann, Bob Miller, Bruce Mingus (representing Bill Meeks), Karla Teasley

Absent: John Huber, Bill Meeks

Visitors: Kathie Johnson (Recorder)

Minutes and Agenda Approved (1:34)

The May 16 minutes were reviewed and approved. The agenda was reviewed and approved.

Breakfast Meetings with Employees – Karla Teasley (1:35)

Karla Teasley distributed copies of an email containing a summary from Marianne Butler of how food costs are currently covered for Pipelines, ELT Forums and Diversity Brown Bags. After some discussion, Greg Heitzman suggested a budget be established for 2006 to cover nominal food costs for Pipelines, ELT Forums and Diversity Brown Bags, and ELT agreed. Pipelines would be budgeted by the President's Office, and ELT Forums and Diversity Brown Bags would be budgeted by HROE. Food costs for the remainder of 2005 will continue to be charged to the President's budget for Pipeline Meetings, and HROE will be charged for ELT Forums and Diversity Brown Bags. Greg further suggested that food not be purchased by the Company for routine meetings such as NWTs and SACs, etc, and ELT agreed. The purchase of food for recognition events would be authorized at the BSO level in line with guidelines yet to be developed, and the CBSO will be advised of the action. The food expense would be charged to the Core recognizing the project milestone, etc.

Greg Heitzman will draft guidelines regarding the purchase of food for meetings. He will send the guidelines to ELT members for comment and/or approval regarding food for Pipelines, ELT Forums and Diversity Brown Bags, as well as food at recognition and project milestone events. The guidelines will then be given to the BSOs for review and comment.

Roundtable Updates (2:00)

Karla Teasley – A meeting was held with Shepherdsville's Mayor Sohm two weeks ago. Quarterly Advisory Board Meetings are expected to begin in July 2005. Karla will advise Barbara Dickens as these meetings occur so payment of the stipends can be processed.

The Homebuilders Association Work Group met last week and discussed the SDC. We confirmed an audit will be done again this year (in the next 2-4 weeks). The service sleeve pilot and billing for damaged services was also discussed.

Susan Lehmann – The HRIS project begins today in Training Room B. Empower is on site.

For the upcoming contract negotiations, training in Effective Communications and Mutual Gains Bargaining has begun. Kathy Schroeder will serve as chief spokesperson for the Company, with Carl Blanton and Jim Brammell also at the table. There will be eight union employees in the negotiations, representing Local 1683.

In late April, Susan began participating in the Blue Ribbon Commission on Health Care for the State. Meetings are scheduled in Frankfort Tuesday and Wednesday this week. The state is moving to self-funded insurance.

The Board Strategic Planning Meeting will be held September 27.

The ICS Survey is scheduled for August. The OEI was originally scheduled for the fourth quarter, but will be postponed to the first or second quarter of 2006 because of other priorities in SOE. Consideration is being given to holding these surveys on alternating years, so each survey is done every two years.

Barbara Dickens – Work continues on the development of policies. Most of the HR policies have been completed. The BSOC will be reviewing four policies at tomorrow's meeting.

Bruce Minguo – The fundraiser for Mike Elston was a big success, with over \$21,000 being raised.

Ed Chestnut – The 20 year consumption forecast project being done by Dr. Cerrito is expected to be completed next week. Ed has been working with Greg Heitzman and Dr. Coomes at UofL on residential usage to determine factors affecting revenue. ECIS extracts from 2004 data will be provided to Dr. Coomes for this work, which is expected to take three to four months. Barbara Dickens will prepare a confidentiality agreement for use of the ECIS data.

Last week Ed participated in an AWWA Webcast, moderated by Jack Hoffbuhr, titled "Applying Benchmarking Performance Indicators Data at Your Utility." Ed will forward information to anyone interested in receiving it.

Work continues on completing the dashboard report, which will be made available on the intranet and updated quarterly.

Greg Heitzman - The Fund for the Arts campaign is in progress, with meetings scheduled this week at different locations. Christy Ray, Barbara Mullen, Judy Chodynieski and Ruth Lancaster have shown a lot of energy and creativity in planning the fundraising campaign.

Metro Government has requested LWC pay for materials and engineering for a traffic roundabout at Norton Commons. No commitment has been made by LWC as yet. Bob Miller noted related expenses will be deducted from profit since the project was not budgeted.

The Annual Inspection by Black & Veatch was completed last week, and LWC is in good shape. Steve Greseth of B&V will send a letter with recommendations, which Jim Smith will present to the Audit Committee. This will go to the Board in July or August.

River Road Country Club buildings and parking are the responsibility of LWC. The public will have no access to the club house, but the grounds will be open to the public for a 45 day period during which ideas may be submitted to Metro Government on the long-term use of the property. We will split the \$15,000 cost for Gresham & Smith's professional consultation on potential uses of the property. Gresham & Smith has done work for Metro Parks in the past.

The B. E. Payne plant project is expected to be completed by August 1. Six of the eight filters are now working and producing high quality water.

Bob Miller – Placing the I.T. System Certification on the intranet has proved helpful. Links to minutes of I.T. meetings posted on the intranet are now being emailed to Bob and I.T. staff for review.

Bob distributed copies of the proposed Sarbanes-Oxley Best Practices Implementation Plan for LWC to be considered by the Audit Committee in September.

Bob asked how CBSOs are documenting completion of trimester performance appraisals. ELT members generally noted they have been asking for an email confirmation from their respective BSOs.

Upcoming ELT Meetings – There will be no ELT next week because of the Memorial Day holiday. The June 6 meeting will consist of a presentation by the Conference Board, and the June 13 meeting is canceled since three ELT members will be attending the AWWA Annual Conference. A special meeting will be called if needed.

Adjourned (3:25)

ELT Meeting Minutes June 6, 2005

Attendees: Barbara Dickens (Leader), Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Visitors: BSOs attended for the Conference Board Presentation portion of the meeting.

The Conference Board (10:05)

Brian Hallahan from The Conference Board gave a presentation on the benefits of LWC's membership. Mr. Hallahan discussed specific ways membership will benefit LWC by providing research, training and development, benchmarking, and access to leaders in the national and international business world. The Conference Board produces information and publications accessible on-line and in print that are included in our membership fee. LWC can also choose to join a Council within The Conference Board that addresses matters specific to LWC's business. Membership on a Council is an additional cost and attendance at meetings is often required.

Minutes and Agenda Approved (10:40)

Greg noted that in the May 23 meeting minutes reflecting his Roundtable update, Gresham and Smith's name is reversed. Also, Barbara suggested removing "beginning next week" from the first sentence of the paragraph regarding River Road Country Club in Greg's report since we have had responsibility for the building and property since the final Bankruptcy Court's order in January 2005.

Fund for the Arts Campaign 10:45

Greg provided final numbers on the Fund for the Arts employee campaign, which was a huge success. Employee participation increased to 38% compared to 12.31% in 2004, and exceeded the 2005 goal of 23% employee participation. We raised \$20,896, exceeding the 2005 goal of \$13,000. Total monetary employee giving is up from \$8,296 in 2004 and \$13,222 in 2003. Greg expressed appreciation to his team of Christy Ray, Barbara Mullen, Judy Chodynieski and Ruth Lancaster, who put on such a successful campaign. Greg made recommendations for the 2006 campaign. He recommends continuing the activities that were done this year, i.e. arts performances, 15-20 locations meetings, special events like car washes and cook-offs, and raffles for gifts and PTO days. Greg recommends raising the budget to \$2,500 to cover food, gift cards, Fund for the Arts incentive gifts, and performance honorariums. Many ELT members felt having Barbara Sexton-Smith assigned to LWC was a critical component of this year's success and we will likely seek her to be assigned to LWC next year, if that is possible.

Open Time Items (11:10)

Greg Heitzman – We are having a mild taste and odor event due to the lack of rainfall. We have not experienced significant complaints. Greg will monitor and provide ELT updates as needed. We could move to a two-step treatment process, such as was used with the oil spill, but it is labor intensive and costly. Greg will make sure a process is in place to handle any increase in the T&O event next week, when many individuals are out for the AWWA Conference.

John Huber – At a recent Pipeline meeting, many employees stressed the need to be able to interact more regularly with co-workers at other locations through trainings, tours and other opportunities for interaction. Human Resources is looking into how to accomplish this. Susan suggested this is item for consideration by the BSOC.

Future Agendas (11:25)

Barbara reminded the team ELT decided not to hold next week's ELT meeting due to half the members attending the AWWA Conference. On June 20th, ELT will review the board agenda and Greenbacks report and will consider an update of the Good Faith Effort program by Amber Halloran and Ron Green. On June 27th, the meeting will cover Strategic Planning, specifically the topics for the BOWW Special-Called Meeting in September. On June 28th, a special ELT meeting has been scheduled and training regarding Sarbanes-Oxley will be conducted.

Adjourned (11:30)

**ELT Meeting Minutes
June 20, 2005**

Attendees: Ed Chestnut (Leader), Greg Heitzman, John Huber, Carl Blanton (representing Susan Lehmann), Bob Miller, Karla Teasley

Absent: Barbara Dickens, Susan Lehmann, Bill Meeks

Visitors: Kathie Johnson (Recorder), Jim Brammell, Amber Halloran

Review Minutes and Agenda – Ed Chestnut (1:35)

The June 6 minutes were approved as written. The agenda was reviewed and approved.

Karla Teasley noted a change to be made to the May 23 Minutes, under the report of Ed Chestnut, first line, the word “assumption” should be changed to “consumption.” The change will be made to the minutes and the new version will be saved in the computer but the amended minutes will not be redistributed.

Review Operating Performance – Amber Halloran (1:38)

Amber Halloran distributed the Financial Highlights for May 2005 to ELT for discussion. May results continue over budget in revenue and consumption.

System Certification – Managing Distribution Operations – Jim Brammell (2:08)

The System Certification Audit performed on Managing Distribution Operations was very favorable and contained no specific recommendations. Jim Brammell said the audit process went very smoothly, and commended Carl Blanton and his group for their spirit of partnership and cooperation. Greg Heitzman recommended ELT approve the System Certification of Managing Distribution Operations.

ELT Action: ELT approved the Certification of the Managing Distribution Operations system. Barbara Dickens and Susan Lehmann had previously given their approval of the certification.

Board Agenda – John Huber (2:15)

John Huber reviewed the BOWW agenda. Joe Wise and Marita Willis will not be attending. Mr. Huber expects the meeting to move briskly through the topics. Jim Smith will attend with a graphic of the Gene Snyder Freeway Transmission Main project.

Supplying Information Technology System Certification Report – Bob Miller (2:25)

The Supplying Information Technology System met requirements for certification late last year; however, Bob Miller had requested an audit be performed again in six months to assure ongoing compliance. Bob said the recent audit of the IT system revealed it had exceeded his expectations, and said the team was using the principles to its

advantage for meeting documentation and communications, etc. Bob has heard from John Huber, Susan Lehmann, Ed Chestnut and Greg Heitzman, who voted to approve certification. Responses have not yet been received from Bill Meeks, Barbara Dickens or Karla Teasley.

Open Time Items (2:35)

Greg Heitzman – During the AWWA Conference, LWC was presented with the Partnership for Safe Drinking Water five-year Directors Award.

John Huber – The Environmental Working Group (EWG) will be publishing water testing data online sometime in July. LWC has until June 29 to review and return comments to EWG on the accuracy of the LWC data. Rengao Song is reviewing the data and will respond to EWG.

Bob Miller – While at the AWWA Conference, Bob attended the Chief Financial Officer Conference, put on by CFO Magazine. The topic was business performance management systems. Bob said he was pleased to hear that some of the decisions made by LWC over the past few years are being recommended as best practices.

Agenda and Bin List – Ed Chestnut (2:47)

The next agenda will consist of the Strategic Planning discussion topics for the Board Strategic Planning Meeting.

Adjourned (2:50)

ELT / STRATEGIC PLANNING TEAM
Meeting Minutes
June 27, 2005

Team Members Present: Bill Meeks, Susan Lehman, Bob Miller, Karla Teasley,
Ed Chestnut, John Huber, Vince Guenther

Absent: Greg Heitzman, Barbara Dickens, Jim Smith, Jim Brammell,
Amber Halloran

Leader: Susan Lehman

Recorder: Billy Meeks

Meeting started 10 minutes late.

The team reviewed minutes for June 20th, 2005 and they were approved as written.

The team ensued upon a discussion of four topics:

1. Are we a utility or an agency?
2. Declining sales per customer
3. Rate Requirements/Regulation versus Customer Satisfaction.
4. What is the appropriate return to the city?

First Topic: Are we a utility or an agency?

The team began discussion on advantages and disadvantages..

John commented that we need to make sure the BOWW is fully aware of our position in this community as it relates to this issue. There are advantages to being a corporation. However, there are activities we need to be aware of. Some believe we are an agency and as a part of Metro Government and share responsibilities within Louisville Metro. Freedom to act needs to be protected in both scenarios. Educating the BOWW on the advantages of being a chartered and governed within our current business model is very important to our community and their role in continuing this as is business model.

Second Topic: Declining Sales per Customer

Discussion Ensued. Karla explained that preliminary information may be available on Dr. Ceretto's study. BOWW should and may want to know what declining sales per customer means to them. The team discussed their needs to be a business strategy to deal with this issue. Is this a demographic shift only or true reduction in consumption per household? The team felt the outcome of this discussion was to discuss the Boards reaction to this issue, as it may effect this community and look for direction from the BOWW for business strategies.

Third Topic: Rate Requirements/Regulations Versus Customer Satisfaction

Team discussed briefly and decided to communicate and Educate BOWW on this issue. Brainstorm their strategies on this particular issues focusing on the point of diminishing returns for higher customer satisfaction.

Fourth Topic: What is the appropriate return to the city?

Their needs to be a follow up after studies are published from PFM and Black and Veatch determining what alternative financial measures should be used to measuring LWC's return from business activity. Discussion ensued and decision made to educate the BOWW on the impact to Metro Louisville's return on their investment and option's on how to measure that.

There was also discussion about shifting some resources to funding the reserves this year such as infrastructure replacement reserve and possibly a risk mitigation stabilization reserve and the impact of these reserves to Return On Equity.

There were no open discussion items. However the team wishes Barbara a speedy recover to her medical problem.

Meeting adjourned

**ELT Meeting Minutes
July 5, 2005**

Attendees: Barbara Dickens (Leader), Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Roger LeMaster

Review Minutes and Agenda – Barbara Dickens (9:34)

The June 27 minutes were reviewed and approved. Today's agenda was reviewed and approved.

Sarbanes-Oxley Training and Implementation – Roger LeMaster and Bob Miller (9:36)

Roger LeMaster distributed three documents consisting of his July 5 memo to the ELT on the Institute of Internal Auditors Training on SOX, Bob Miller's draft implementation plan for Sarbanes-Oxley at LWC, and hardcopy of the PowerPoint presentation that Roger gave to ELT today. Bob Miller commented the Sarbanes-Oxley Act was stated in broad terms, but compliance will require much work and stringent controls. Although LWC is not currently required to comply with Sarbanes-Oxley, the BOWW Audit Committee has directed LWC to comply. ELT was appreciative of the overview and presentation provided by Roger and Bob.

Break (10:15)

Water Sales Growth Forecast – Ed Chestnut, Dr. Patricia Cerrito (10:25)

Dr. Cerrito attended the ELT meeting and answered questions regarding the Water Sales Growth Forecast. The forecast is based on trends from the past 30 years, and projects water sales for the next 20 years. The trends show that future water sales per customer are decreasing, but this is offset by an increased number of customers. Dr. Cerrito recommended that the forecast should be updated annually.

Roundtable Updates (11:00)

Barbara Dickens reported there are 15 corporate policies in draft form at the VP level, 5 policies in the first reading phase, and 6 policies that have gone through the total process and are ready to be posted on the intranet.

Barbara noted an increase in the number of easement acquisition issues, related primarily to the airport project.

The Archive Room has been reworked, and a database is needed to allow for electronic searches. Consideration is being given to acquiring a new records management system to allow users to search for documents. John Huber inquired about the security of old annual reports. Barbara said there are multiple copies, but we could consider moving one set to an offsite location.

Bill Meeks – The June 30 arbitration has been canceled. Bill is preparing for negotiations, which will be held in late September or early October.

Bob Miller – We are developing the next steps for our Enterprise Risk Management program with a primary focus on disaster recovery and business continuity. We will also need to review and revise the strategic risk assessments.

We are also developing the concepts and methods for continuously updating our expense forecast in order to reallocate resources as needed.

Greg Heitzman – Production records were set during two days of 200+ MGD pumpage. Improvements made since 1999 contributed to this success. Greg commented that alternatives are being considered to building storage tanks. We are proceeding with the Goshen tank. We expect to complete the Alternative Treatment Team's work around September.

Ed Chestnut – Work continues with Dr. Coomes of UofL on usage per customer, looking specifically at residential users in 2004 to determine the effect of low flow conservation devices. Greg found two AwwaRF topics that may be helpful. We are looking at emerging trends for low flow fixtures.

Susan Lehmann – HROE is finalizing the job description update project. Results have been reviewed with John Huber, and meetings will be scheduled with the VPs and BSOs review the changes. LWC's diversity celebration is scheduled for October 6 at the Water Tower. The Blue Ribbon commission is completing its work, and Susan will miss the board meeting as a result.

John Huber – The Strategy Innovation Team has identified 174 ideas and is using the matrix to reduce the number. They want to begin looking at home treatment devices right away; Board consensus will be required for them to proceed.

Karla Teasley – The Customer Service Index results are very favorable this quarter in spite of challenges presented by the rate increase, etc. The CPAC is looking at the capital budget for 2006. \$75 million is currently anticipated for 2006 expenditures based on projects already underway and those previously planned for 2006. We will need to limit new projects and prioritize existing projects to get the work completed.

Agenda and Bin List – Barbara Dickens (11:26)

The next agenda will include the Greenbacks Report, and a report on the GE meetings.

Adjourned (11:30)

ELT Meeting Minutes July 11, 2005

Attendees: Barbara Dickens (Leader), Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Nora Freeman (representing Karla Teasley), Amber Halloran (representing Bob Miller)

Absent: Ed Chestnut, Karla Teasley, Bob Miller

Visitors: Kathie Johnson (Recorder), Carl Blanton, Sue Purdy

Review Minutes and Agenda – Barbara Dickens (3:32)

The July 5 minutes were reviewed. Per an email from Karla Teasley, the minutes will be revised under her Roundtable Report to delete the third sentence and substitute: "\$75 million is anticipated for 2006 expenditures based on existing and planned projects for 2006." The minutes were approved with that change. Today's agenda was reviewed and approved.

Board Agenda – John Huber (3:35)

Wendy Welsh will not be attending the board meeting; Susan Lehmann will be at the Blue Ribbon Task Force meeting, with Carl Blanton will fill in for her at the board meeting. The board agenda is very straightforward.

John mentioned he is to make a quarterly certification to the Board that approvals are being granted pursuant to the Purchasing Policy and Capital Projects Authorization Policy and Procedures when awarding contracts by the Bids & Awards Committee and for capital projects spending. For capital projects, we need to tighten controls to assure Change Actions have been approved before the change action work is actually completed.

Strategic Innovation Team Update: General Electric Contacts – Carl Blanton (3:37)

Carl distributed and discussed an LWC Powerpoint presentation on the two meetings held between the Strategic Innovation Team and the General Electric, and a GE Powerpoint presentation suggesting a complementary business relationship using GE's home water treatment devices. The Strategic Innovation Team's goal is to complete their analysis and make a recommendation on the merits of a partnership with GE by the end of this year. Carl said GE sees LWC as a way to gain entry into customers' homes. John Huber said issues to consider include the risk of regrowth, and the public perception about water quality if we promote the use of home water treatment devices.

Greenbacks Report – Amber Halloran, Sue Purdy (4:05)

Amber and Sue distributed and discussed the June 2005 Financial Highlights. Year-to-Date Revenue is \$3,769,200 above last year.

Sue Purdy will prepare an analysis of general consumption growth trends for general versus elevated pressure for the past 3-5 years. Budget will also look at contractual services and materials and supplies for 2005 compared to 2004.

Discussion was held regarding requests for discretionary spending as a result of increased revenue. For the most part, LWC should continue with the savings realized through budget cuts made in early 2004. Greg Heitzman believes parameters should be developed that will allow BSOs to make discretionary spending decisions up to a certain dollar amount when savings are realized through process improvements or budget management; however, any significant savings would become a corporate decision. Amber said Bob Miller would like to see a formal process in the form of revised forecasts and requests for additional spending. Amber suggested a sub team of the BSOC could work the issue.

Agenda and Bin List – Barbara Dickens (4:40)

The next agenda will include an update from the Strategic Innovation Team and a review of progress on the Quarterly Goals.

Ed Chestnut will begin his term as ELT Leader on July 18.

ELT Meeting Minutes July 18, 2005

Attendees: Ed Chestnut (Leader), Greg Heitzman, Susan Lehmann, Bill Meeks, Karla Teasley, Amber Halloran (representing Bob Miller)

Absent: Barbara Dickens, John Huber, Bob Miller

Visitors: Kathie Johnson (Recorder), Jim Brammell

Review Minutes and Agenda – Ed Chestnut (1:35)

The July 11 minutes were reviewed and approved as written. Susan Lehmann asked that an amendment be made to the July 5 minutes under the Roundtable Reports, indicating that Bill Meeks reported the arbitration had been “canceled” instead of “rescheduled.” The change will be made and communicated. The agenda for today’s meeting was reviewed and approved.

Open Time (1:40)

ELT briefly discussed the incident that occurred this morning where a Fairdale fire fighter was injured while testing a fire hydrant.

Strategy Innovation Team Update – Amber Halloran and Jim Brammell (1:45)

Jim Brammell and Amber Halloran distributed and discussed a Power Point presentation, “Strategy Innovation Team Update On Recent Activities.” Using screening criteria, the team has pared down more than 175 revenue generating ideas to 60. The next step will be to prepare a one page fact sheet on each idea. Process improvements identified will be turned over to the BSOC. Jim discussed the next steps to a possible partnership with GE, which will include briefing and receiving direction from the Board, and a customer survey which may take months to complete. A yes/no decision on the partnership is expected by the end of the year. Jim also discussed the project schedule. He expects the Strategy Innovation Team’s work will be completed by the end of March 2006. Karla Teasley recommended the team report to the Board in August or September to provide them background information for their Strategic Planning Retreat in September.

Roundtable Reports (2:15)

Karla Teasley – Regarding the billing problem encountered early in 2005, Karla expects credits can be made in September.

Greg Heitzman – Greg commented it will be a challenge to prioritize capital projects. Karla encouraged Greg to attend the CPAC meetings to help prioritize the projects.

During the recent peak demand, the system was pushed to pump 205 MGD, with no significant problems encountered. Greg plans to test the system for vulnerabilities in production by removing the BE Payne plant from production in order to identify and

address weaknesses. LG&E recently put us on notice they have concerns about the reliability of the power supply to the Payne plant over the next few months until LG&E completes installing additional power lines.

Amber Halloran – Amber said work is being done on the upcoming budget preparation process, and budget packages should be distributed this week. Amber commented on problems experienced with the ICMA company match. The software application responsible for making the match is corrupt. As a result, employees participating in ICMA did not receive their full match for 2004, and have received no match in 2005. The company match will be done manually up to June 2005. The matches will be checked again in November to assure all matches have been made. This problem will be eliminated in 2006 with the new payroll system.

A prebid conference was held last Wednesday on Bank Services, Debit/Credit Card and Lock Box services. There were only three banks that met our criteria for the Lock Box service. Bids will be received this Wednesday, July 20.

Bill Meeks – No update today.

Susan Lehmann – The final meeting of the Blue Ribbon Commission will be held tomorrow. There are over 40 recommendations to be voted on, most of which do not affect LWC.

Agenda and Bin List – Ed Chestnut (2:45)

Next week's meeting will consist of Strategic Planning and discussion of Dr. Cerrito's findings. Greg added IDSE to the bin list, and will send out an email to ELT on the topic.

ELT Meeting Minutes July 25, 2005

Attendees: Ed Chestnut (Leader), Greg Heitzman, Susan Lehmann, Karla Teasley, Bob Miller, John Huber, Barbara Dickens

Absent: Bill Meeks

Visitors: Kathie Johnson (Recorder), Jim Brammell, Amber Halloran, Jim Smith

Review Minutes and Agenda – Ed Chestnut (1:33)

The July 18 minutes were reviewed and approved as written. The agenda for today's meeting was reviewed and approved.

Strategic Planning – Overview of Dr. Cerrito's 20-Year Forecasts – Ed Chestnut (1:35)

Ed Chestnut distributed background information and graphs related to Dr. Cerrito's 20-year water usage forecast. Data from the 30-year period January 1974 through December 2004 were used to forecast the next 20 years' usage, then regressors were used in the model, including population census data, number of households, income, employment, and number of businesses. The regressors had little impact on the model, indicating the data were robust. The Palmer Drought Severity Index was also included for usage, but not the number of customers, with little impact on the model. The results indicate a flat trend line for total consumption over the next 20 years since the rate of increase in customers will be offset by the decrease in consumption per customer. John Huber commented he would like to see "commercial" divided into commercial-residential and commercial-business. Karla said there is a group looking at this for the sales tax audit. Greg commented the caption for Figure 3 should be "Forecasts per Customer Account, 2005-2025" instead of "Forecasts of Per Capita Usage, 2005-2025." Greg also commented it would be better to have charts based on historical usage prior to 2005. so valid comparisons could be made.

Jim Smith said issues affecting water usage include loss of industrial sales, the number of people per household, and the influx of low flow and conservation fixtures. Jim commented we should also consider what could happen if a large employer like GE or Ford left town.

John Huber said the factors we should consider include:

- Economic development
- Expanding sales area
- Pay for growth policies
- Decreasing per-customer usage
- Non traditional business

Greg said a continuing concern is rate design and the assumptions that are used in the rate design. Bob Miller believes that the only sustainable rate design over the long term is a pure cost of service basis.

Open Time (2:55)

Susan Lehmann – Susan commented ELT needed to discuss whether to continue supporting tapping teams in competitions. Bill Meeks indicated in an email today that he favors continuing the support, which involves time off from work to attend competitions, and related supplies. The tapping teams practice on their own time. It is estimated to cost LWC approximately \$18,000 a year in missed labor and supplies for eight people to attend the Section and Annual Conferences. Bob Miller recommended that the decision to fund the union travel and training and the decision on which employees will be selected for travel and training should be separated. After some discussion, ELT agreed not to send tapping teams to the AWWA Section meeting in September, and to evaluate alternative training, development, and recognition opportunities that will benefit a larger number of union employees. Greg and Karla will follow up with Bill Meeks to discuss these alternatives

Greg Heitzman – The Fund for the Arts recognized LWC as among the top 30 firms in this year's campaign, and also recognized Greg and Christy Ray for their work on the campaign. LWC received recognition in several categories.

Agenda and Bin List – Ed Chestnut (3:20)

Next week's agenda will include the quarterly update on goals, budget parameters, and a discussion of the annual inspection. Karla Teasley will be absent, and will notify Ed who will be attending in her place.

Adjourned (3:25)

ELT Meeting Minutes August 8, 2005

Attendees: Ed Chestnut (Leader), Barbara Dickens, Jack Wang (representing Greg Heitzman), John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Absent: Greg Heitzman

Visitors: Kathie Johnson (Recorder), Janet Muller, Amber Halloran, Sue Purdy

Review Minutes and Agenda – Ed Chestnut (1:35)

The August 1 minutes were reviewed. Jack Wang amended the last sentence of the first paragraph under Quarterly Goals Update to read: "Greg advised he will get with Jack to determine the basis for measuring Phase IV of the Partnership and that we interpret Goal III E (<0.15 ntu for each filter 95% of the time) consistent with the Phase IV Partnership measure (measured monthly for individual filters)."

Susan Lehmann amended the minutes in the second paragraph under the Quarterly Goals Update: "John Huber asked ELT to send any ideas on shared goals design measurements to him or Susan Lehmann." (Underscoring denotes the change.)

Susan Lehmann also amended the last sentence in Open Time: "Greg, Karla, Carl Blanton and Bill will meet with the Tapping Team..." (Underscoring denotes the change.) The minutes were approved with those changes. The agenda for today's meeting was reviewed and approved.

Diversity Expo Update – Janet Muller (1:40)

Janet Muller discussed plans for the October 6 Diversity Expo to be held from 11:30 – 3:00 at the Water Tower. She requested ELT support the Expo by serving food, and she encouraged participation in the talent show or ethnic fashion show.

Board Agenda – John Huber (1:50)

John Huber said the agenda was straightforward, but long, and requested Officers' reports be brief.

Open Time (1:55)

Operations – Jack Wang reported a pump failed during the high demand Saturday, but the problem was fixed on Sunday. The highest recent demand was Friday, at 188.6 MGD. The Payne Plant automated equipment problem is being resolved. A test was run last Tuesday under the potential scenario of reduced pumpage at Payne because of a power outage. Pumpage at Payne was reduced to 30 MGD, with remaining pumpage supplied by Crescent Hill. The test was very successful, but Jack feels Crescent Hill could sustain pumping 180 MGD in an emergency situation for only about a week.

Mike Elston Funeral - Bill Meeks reported Mike Elston passed away yesterday. Bill will provide details about the arrangements when he receives more information.

Office Space – John Huber reminded ELT to maintain the open office environment established when it moved to the new building by keeping cubicle walls at the lower height. Office space allocation at Third Street needs review since there are several open offices. Work groups should remain together.

White Papers for Board Strategic Planning – Susan Lehmann said white papers for the Board Strategic Planning meeting should be completed and distributed internally in advance of the August 29 ELT meeting. After edits and revisions are made, the white papers can be distributed to the Board in early September.

Talent Resource Planning – Susan Lehmann said the BSOC meeting will be held at 8:30 tomorrow. ELT is asked to attend on the topic of talent resource planning.

Policies and Procedures – John Huber initiated a discussion regarding the status of corporate policies and procedures. He summarized the discussion as follows:

1. We have affirmed procedures are the domain of the BSOs and POs.
2. Cross-system procedures are the domain of the BSOC.
3. Accountability for having appropriate procedures in place rests with the BSO and CBSO and belongs in their job descriptions.
4. Certification audits will review procedures in place and determine whether adequate procedures are in place.
5. Procedures must be in place at, or shortly after, adoption of a policy to assure the policy is appropriately implemented.

ELT agreed on Items 1, 2 and 3 above. Items 4 and 5 will be added to the bin list for discussion again within the next three weeks.

Greenbacks Report – Amber Halloran, Sue Purdy (2:40)

Amber distributed and discussed the financial results for the month of July.

Agenda and Bin List – Ed Chestnut (3:10)

Topics for the next agenda include the Fund for the Arts campaign and 2006 campaign budget, a report on metered water ratio goal for the 2nd quarter, and BSO/PO market pricing. Bob Miller commented he received an exceptional presentation on the process used in pricing the BSO/PO positions, and has a high degree of confidence in the process.

Ed mentioned the Compensation Committee will meet on Monday at 3:00, so the next ELT meeting will begin at 1:00 and end by 2:30 to allow set-up time in the Board Room.

Adjourned (3:20)

ELT Meeting Minutes August 1, 2005

Attendees: Ed Chestnut (Leader), Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Jim Smith (representing Karla Teasley)

Absent: Karla Teasley

Visitors: Kathie Johnson (Recorder), Amber Halloran, Ron Green

Review Minutes and Agenda – Ed Chestnut (1:35)

The July 25 minutes were reviewed and approved. The agenda for today's meeting was reviewed and approved.

Quarterly Goals Update (1:37)

1. Review Progress and Update Quarterly Goals – Ed Chestnut

Ed distributed information on the 2nd Quarter status of 2005 ELT Shared Goals, 2005 Incentive Plan Goals, and 2005 Corporate Performance Award. All goals appear to be on target with the exception of 2005 Incentive Plan Goal III E. Greg said it could be possible to meet the goal if we measure on an annual basis at a percentage level instead of quarterly. Greg is confident BE Payne will meet its filter turbidity goal going forward. Greg advised he will get with Jack to determine the basis for measuring Phase IV of the Partnership and that we interpret Goal III E (< 0.15 ntu for each filter 95% of the time) consistent with the Phase IV Partnership measure (measured monthly for individual filters).

John Huber asked ELT to send any ideas on shared goals design for 2006 to him or Susan Lehmann.

2. M/WBE Goals – Amber Halloran and Ron Green

Ed Chestnut distributed a graph depicting mid-year M/WBE spending outcomes. The Minority Business Enterprise Goal is not on target for achievement, but the Women's Business Enterprise goal is on target. Ron Green distributed an agenda of M/WBE items he wished to discuss, and he asked ELT to review the material later and provide him any feedback. MBE spending is calculated from actual payments and good faith efforts. There is a gap in the goods and services area because minority suppliers cannot compete with big suppliers. In answer to Ed Chestnut's question, Ron said the goal of 9% is achievable, but not in the short run.

Following some discussion, John said we need to consider how to roll in construction contracts, professional services contracts, goods and services, and maintenance contracts.

Budget Parameters – Amber Halloran (2:25)

Amber distributed a 2006 Preliminary Budget Schedule. The process for the 2006 budget is similar to last year. The deadline for the Capital Budget was July 15. The Operations and Maintenance Budget is due August 19, and budget presentations will be made September 21-22. Amber expects to present the preliminary budget to the Board on October 11. John Huber said the budget should be realistic and straightforward. Amber will provide weekly updates to ELT through email to keep ELT informed of the BSOC's budget progress and proposed funding for all corporate initiatives. Jim Smith said he expects to have a snapshot of the capital budget by the end of this week. Jim will send ELT a capital budget schedule similar to the O&M budget schedule.

Discuss Annual Inspection Report – John Huber (2:55)

John Huber discussed issues raised in the 2005 Annual Inspection Report.

- The \$5 million in work at Zorn is on the Board agenda.
- Plant record drawings and records. Planning for and implementation of a state-of-the-art plant records management tool.
- Snyder transmission main – how much can the cycle time can be compressed.
- Key decision to be made on Crescent Hill filters and filter capacity.
- Electrical system planned maintenance and replacement schedule.
- Knowledge management. Being a learning organization is important to us as retirements occur.
- Succession planning across the organization.
- Need for an improved capital planning tool.

Black & Veatch feels there has been significant improvement since they began inspections for us

Open Time (3:04)

Susan Lehmann – The BSOC meets Tuesday, August 9. ELT should plan to attend at 8:30 to discuss resource talent planning.

Bill Meeks – Because he was absent during the July 25 ELT meeting when a decision was made to discontinue funding the tapping teams, Bill asked for more background information on the decision. Since the tapping teams do not currently have a title to defend, ELT decided to discontinue funding prior to the September 2005 AWWA KY-TN Section meeting competition. Winning at the KY-TN Section meeting would mean subsequently defending their title at other events. Greg suggested meeting with the tapping team to get their input on how to benefit a greater number of union employees with the approximately \$18,000 previously used to fund the tapping teams. Greg also suggested including Carl Blanton in the brainstorming session if his schedule will permit.

Greg, Karla, Carl Blanton and Bill will meet with the Tapping Team to discuss alternatives for training, development, recognition, reward for implementation in 2006.

Agenda and Bin List

Ed Chestnut said the August 8 agenda will include discussion of the board agenda, greenbacks report, and diversity expo update.

Adjourned (3:15)

ELT Meeting Minutes August 15, 2005

Attendees: Ed Chestnut (Leader), Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Nora Freeman, Sharon Dawson, Brian Burba, Kathy Schroeder, Claudette Doyle

Review Minutes and Agenda – Ed Chestnut (1:05)

The August 8 minutes were approved as submitted. For the record, Amber Halloran sent an email and requested a change to the August 1 minutes concerning MBE spending. The sentence, "Ron said the M/WBE reports are based on what is committed in Bids & Awards and actual spending," will be amended to read, "MBE spending is calculated from actual payments and good faith efforts."

Today's agenda was reviewed and approved.

2Q Metered Water Ratio Goals – Nora Freeman, Sharon Dawson, Brian Burba (1:07)

Nora Freeman distributed the 2005 and 2006 Metered Water Ratio Team Action Plan. The 2005 action plan items contained updates for the second quarter. Another status report will be given to ELT following the 3rd quarter, at which time ELT will be asked to help prioritize items on the 2006 Action Plan list.

Sharon Dawson led the team through the 2nd quarter 2005 action plan updates. Greg suggested a snapshot water audit be performed during a slack period for Shepherdsville, Goshen to determine metered water loss.

Fund for the Arts Update and 2006 Budget – Greg Heitzman (1:34)

Greg Heitzman distributed a summary of the 2005 Fund for the Arts fundraising goals, and activities used to achieve the goals. The budget for the three fundraising events was discussed. Greg suggested combining the three fundraising events (Water for People, Fund for the Arts, and Metro United Way) into one campaign in 2006 to make better use of resources. Susan Lehmann suggested the leaders of the three campaigns meet to discuss an appropriate budget for 2006.

BSO/PO Market Pricing – Kathy Schroeder and Claudette Doyle (1:48)

Kathy Schroeder provided information on results of the market pricing of the BSO/PO positions. John Huber said this was a very rigorous and objective process based on market data. Susan Lehmann said there were very few changes made across the company, which tells us we are on track. Susan commended Kathy Schroeder and Claudette Doyle for their work on this project. The next step will be to meet with the

BSOs. Staff positions will be evaluated beginning later this year and will continue into 2006.

Open Time (2:05)

Future ELT Meetings – Ed Chestnut discussed conflicts with the September 5 and September 12 ELT meetings. Since Labor Day is September 5, ELT agreed to hold the meeting another day that week. There were several attendance conflicts with the September 12 meeting (AWWA KY-TN Section meeting, etc.), and ELT agreed to cancel the September 12 meeting altogether.

Metro United Way Campaign – Karla Teasley said because of labor negotiations, Marianne Butler proposed the campaign be held during the week of September 26-30, with Leadership meetings held the prior week. The budget for this year's campaign is \$4,000.

Sarbanes-Oxley Compliance – Bob Miller commented we're making progress on the analysis for voluntary compliance with Sarbanes-Oxley; however, he is concerned with the costs associated with voluntary compliance for internal controls. Bob said the Board needs to be made aware of the price tag associated with voluntary compliance for internal controls.

36" Wash Water Main Break – John Huber commented the plant personnel did a very good job with the 36" wash water main problem that occurred last week.

Agenda and Bin List – Ed Chestnut (2:28)

Ed will develop and distribute an agenda for the August 22 meeting. Kathy Schroeder and Amber Halloran will attend to discuss HRIS payroll changes. John Huber suggested adding the combined fundraising campaigns as part of the topic on Corporate Social Responsibility, Item No. 2 on the bin list. He also said Item No. 9 on Residential Water Treatment Devices could be deleted since it was being evaluated by the Strategy Innovation Team.

Adjourned (2:30)

ELT Meeting Minutes August 22, 2005

Attendees: Ed Chestnut (Leader), Barbara Dickens, Greg Heitzman, Bob Miller, Kathy Schroeder (representing Susan Lehmann), Karla Teasley

Absent: John Huber, Susan Lehmann, Bill Meeks

Visitors: Kathie Johnson (Recorder), Johnnie Rice, Amber Halloran, Roger LeMaster

Review Minutes and Agenda – Ed Chestnut (1:33)

The August 15 minutes were reviewed and approved as written. Today's agenda was reviewed.

Mentoring Program at LWC – Johnnie Rice (1:35)

Johnnie Rice distributed a flow chart showing the steps that will be used to implement a mentoring program at LWC. She gave a high level walkthrough of the program. The intent is to open mentoring to all employees interested in participating. (Employee must have received a Performance Review rating of "Fully Achieves Expectations" to participate.) Johnnie commented this program will complement the performance partnership process. She also distributed self assessments to ELT and asked that they be completed and returned to her by the end of this week.

Direct Deposit Initiative – Amber Halloran, Kathy Schroeder (2:03)

Amber Halloran and Kathy Schroeder distributed notes on the mandatory direct deposit initiative and discussed the cost savings and benefits to LWC and its employees. This change will affect 135 employees who currently receive a "live" check each payday. 68 of the 135 already have a partial direct deposit, and 72 receive only a "live" check. Benefits include savings to LWC of \$9,000 in paper and printing charges, \$35,000 savings in sorting time, less opportunity for employee identity theft, and elimination of producing manual checks when checks are lost or destroyed. Another benefit is on-line pay stubs that will be made available for access at Kiosks. Amber is working with a bank to provide a checking or deposit account at no charge for any employee who needs one. Under the current system, employees may designate up to three separate deposits, but when the new payroll system is implemented in January, they may designate up to 10 separate deposits. Implementation is planned for October 31.

Sarbanes-Oxley Voluntary Compliance – Bob Miller (2:20)

Bob Miller distributed information on Sarbanes-Oxley Voluntary Compliance Policies. The Board of Water Works has voluntarily enhanced its own governance policies to assure continued public confidence in the financial integrity and operations of LWC. The guiding principles considered in developing the policies were:

- Having a board committed to effective governance that holds management to the highest standards of accountability.
- Transparency of financial conditions and operations.
- Transparency of transactions with interested parties with no improper benefits at the expense of the organization.
- Access to sound counsel unaffected by conflict of interest.

Included in the information provided by Bob was a table showing the section of the Sarbanes-Oxley Act impacting LWC, and the BOWW policy related to that section. Below are some highlights from that table:

Title II - Auditor Independence

- Section 201 - External auditors are prohibited from providing non-audit services.
- Section 202 - Audit Committee must pre-approve all services performed by the independent auditor.
- Section 203 – Lead (or coordinating) audit partner and reviewing audit partner of the public accounting firm must rotate off the audit at least every five years.
- Section 204 – Public accounting firm must report to the audit committee all critical accounting policies and practices discussed with management; alternative treatments of financial information and treatment preferred by accounting firm; other material written communications between accounting firm and management.
- Section 206 – Public accounting firm cannot have employed the CEO, CFO or Controller, or other person in an equivalent position, during one year preceding the audit.
- The audit contract must be rebid at least every five years.

Title III – Corporate Responsibility

- Section 301 – The Audit Committee is directly responsible for the appointment, compensation and oversight of the work of any registered public accounting firm employed by its company, and the firm shall report directly to the audit committee. The Audit Committee Charter provides authority and funding to engage independent counsel or other advisors necessary to carry out its duties.
- Section 303 – Code of Ethics for Senior Financial Officers prohibits same from taking an action to fraudulently influence, coerce, manipulate or mislead an auditor for the purpose of rendering the financial statements materially misleading.
- Section 304 – Executive Incentive Plan requires CEO, CFO and Controller to reimburse the company for incentive compensation received by the individual during the 12-month period following the issuance of financial statements if an accounting restatement is necessary due to misconduct.
- Section 305 – Anyone convicted of securities fraud is prohibited from being an officer of the Company.

Title IV – Enhanced Financial Disclosures

- Section 402 – Personal loans to any director or executive officer by the Company are prohibited.
- Section 403 – Audit Committee will review the Code of Ethics Questionnaire responses from Company officers.
- At least one member of the Audit Committee must be a “financial expert.”

Title VIII – Corporate and Criminal Fraud Accountability

- Documents and records sent or received in connection with the audit must be retained for seven years.

Title IX – White Collar Crime Penalty Enhancements

- Sections 901-906 – Treasurer will include a certification in each month’s financial report provided to the Board of Water Works that the information contained in the report fairly presents, in all material respects, the financial condition and results of the Company.

Title XI – Corporate Fraud Accountability

- Section 1005 – Anyone convicted of securities fraud is prohibited from being an officer of the Company.

Open Time (2:45)

On behalf of Susan Lehmann, Kathy Schroeder reminded ELT that white papers for the Board Strategic Planning meeting are due on Friday, August 26. She asked that the papers be sent to her for distribution to the consultant and to others internally. There was some discussion whether the white papers were to draw conclusions and make recommendations. Kathy Schroeder will email Karen Wunderlin for guidance and will communicate her advice to those presenting white papers.

Agenda and Bin List (2:43)

Ed Chestnut said the next agenda will be devoted to Strategic Planning.

Adjourned (2:45)

ELT Meeting Minutes August 29, 2005

Attendees: Ed Chestnut (Leader), Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Jim Brammell, Vince Guenthner, Amber Halloran, Karen Wunderlin, Jim Smith

Review Minutes and Agenda – Ed Chestnut (1:33)

The August 22 minutes were approved as submitted.

Strategic Planning (1:35)

Ed Chestnut introduced Karen Wunderlin of Wunderlin Company, who briefly described the Board Strategic Planning event on September 27 as a Visioning Retreat instead of a traditional strategic planning meeting. The group should emerge from that meeting with a vision of what the company should look like in the year 2020.

Review of White Papers

An overview of each white paper was briefly presented and discussed, and suggestions for improvement were made. None of the papers will draw conclusions, but will present ideas to stimulate thought and dialogue.

The description of who we are will be included in John Huber's white paper, "Are we an agency or a utility?"

To help prepare the board members, Karen Wunderlin asked Greg Heitzman to send out AwwaRF Futures Group material to the BOWW in advance of the meeting. The Board will also be sent Ed Chestnut's work on trends, and Bob Miller's and Amber Halloran's work on financial models.

Since the LWC Mission Statement applies to all of the white papers, the meeting will begin with the Mission Statement.

Karen Wunderlin said the material and white papers will be sent to the BOWW on September 10. Greg suggested changing the order of the presentations to:

1. Are we an agency or a utility? (John)
2. Rate requirements/regulations vs. customer satisfaction (Greg)
3. Declining sales per customer (Karla)
4. What is the appropriate return to the city (Bob)

The company should have 3-5 ideas resulting from the BOWW Strategic Planning for strategic planning teams to work on. Key staff members would lead the teams, with an ELT member participating on each team.

Jim Brammell said the Strategic Innovation Team may change their completion date so they can get their information to management for the strategic planning process.

Format for Board Strategic Planning Event

There will be a combination of individual and small group work. Individual time will be spent thinking about and writing about what we want our company to be. This is an experiential process. Action steps will be discussed at the end. The Mayor will address the group at the end of the meeting.

Karen will brief the board on the process during the September 20 Board Meeting.

Adjourned (3:00)

ELT Meeting Minutes September 6, 2005

Attendees: Ed Chestnut (Leader), Barbara Dickens, Greg Heitzman, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Absent: John Huber

Visitors: Kathie Johnson (Recorder), Carl Blanton, Roger LeMaster

Review Minutes and Agenda – Ed Chestnut (1:33)

The August 29 minutes were reviewed. Karla Teasley amended the minutes to add Karen Wunderlin's name as a visitor, and also revised the last sentence of the final paragraph under "Review of White Papers" to read: "Jim Brammell said the Strategic Innovation Team may change their completion date so they can get their information to management for the strategic planning process." (Underlining denotes change.) The minutes were approved with those changes. Today's agenda was reviewed.

Open Time (1:35)

White Papers – Susan Lehmann asked that white papers and related material for the September 27 Board Strategic Planning session be sent to her, with a copy to Beverly Soice, by Friday, September 9.

Hurricane Katrina Emergency Response – Greg Heitzman represented John Huber in a meeting in the Mayor's office today. He said any LWC resources should be coordinated through Don McKay, who will coordinate further with Doug Hamilton. 500 individuals are expected to arrive today for a brief stay in the East Hall of the Fairgrounds, and then on to other accommodations for weeks (or months). Assignments of Metro employees to the disaster relief effort must be approved at the Cabinet level. Requests by employees on the Metro payroll who want off as individuals to help in disaster relief must take vacation or comp time, and the requests must also be approved at the Cabinet level.

Any requests by LWC employees for time off to assist in the disaster relief should be forwarded to Susan Lehmann.

Last week, Joan Riem and John Huber discussed LWC assistance to hurricane victims, during which John Huber said we could waive service deposits for hurricane victims relocating to Louisville. Greg Heitzman reported there are some supply chain issues. Jack Wang and Rengao Song are looking at critical supplies to meet our needs.

Implementing Corporate Policies and Procedures – Barbara Dickens (1:58)

Barbara Dickens previously distributed documents and flowcharts for the policy development process and procedure approval process for review by ELT members.

Following discussion, consensus was reached to proceed with Barbara's proposal on procedure development.

Performance Partnership Goal – Roger LeMaster (2:35)

Roger LeMaster stated the 2005 Performance Partnership objective was to have each employee of the company receive a performance review during the first trimester. Roger called randomly selected employees and asked whether they had received a timely performance partnership review. His audit revealed the goal was not met for the BSOs and ELT. Carl Blanton sends out a reminder to the BSOs and ELT. Future reminders will also be sent to Process Owners. Susan Lehmann believes timely completion of Performance Partnership Reviews should remain a common goal among ELT and BSOs; however, she believes the goal should not be a shared goal in the future since the failure of some to meet the goal penalizes everyone sharing the goal. ELT discussed the issue of annual goals not being completed until sometime during the first quarter of the year, and suggested goals for 2006 be set by the end of the 4th quarter of 2005.

Susan Lehmann said the Performance Partnership Goal topic will be discussed at the next BSOC meeting.

Meeting Adjourned (3:00)

ELT Meeting Minutes September 19, 2005

Attendees: Ed Chestnut (Leader), Barbara Dickens, Greg Heitzman (Recorder), John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Jim Smith, Amber Halloran, Sue Purdy

Review Minutes and Agenda – Ed Chestnut (1:35)

The August 8 minutes were approved as submitted

Today's agenda was reviewed and Open Time will include a brief update on the 2005 Metro United Way Campaign by Karla and an update on Strategic Planning Meeting by Susan. The agenda was approved.

Board Agenda (1:37)

John provided a brief summary of the Board meeting scheduled for September 20th. The agenda is full and John requested the Officer reports be limited to 5 minutes total and John will cover any major communications items from the Officer reports during the lunch meeting. The Committee Reports will be deferred to October. Special Issues will include the Dividend declaration; the Return on Equity target; and recommendations for Phase II of the RBF Tunnel Project at BE Payne plant. Mayor Abramson will attend the Board meeting with Karen Wunderlin at approximately 2:00 pm to discuss the upcoming Strategic Planning session on September 27th. The October Board meeting will be held on October 18th, rather than October 11th.

2006 Capital Budget (1:50)

Jim provided a handout on the 2006 Capital Budget, including a summary by category and the list of proposed projects. Jim also provided a summary of the new CPAC approval process for the 2006 Capital Budget. The 2006 Capital Budget includes projects totaling \$78.2 million, slightly above the \$75 million target. The 2005 carryover into 2006 is estimated between \$5 and \$10 million, down significantly from the peak of \$50 million in 2002, and \$15 million in 2004. Expenditures have been between \$50 and \$60 million the past several years. John requested a follow up meeting with Jim to review the details of the 2006 Capital Budget.

Greenbacks Report (2:05)

Amber and Sue covered the Greenbacks report. Financial highlights include: increased water revenue by \$3.4 million over budget; operating and maintenance expenses under budget by \$485,000; non-operating income up \$450,000 over budget (due to cash investments and higher interest earnings); net income up \$4.9 million over budget. Other highlights include: industrial consumption is down for many of the top 20 customers, while residential, commercial and wholesale consumption is up compared to 2004;

overtime hours YTD are 8.2 %, up from 6.7% in 2004 (due to the number of vacancies and various emergencies); the capital program is 48% expended, or \$38.3 million of a \$79.5 million program. John asked about the impact of capitalized interest on large capital projects. Amber will follow up with Project Managers on explaining how capitalized interest impacts capital projects.

Risk Mitigation & Rate Stabilization Reserve (2:30)

Bob provided a summary of his Board letter on Risk Mitigation/Rate Stabilization Reserves. A Risk Mitigation Reserve would require changes in the Bond covenants and Bondholder approval. Bob has evaluated the ability to apply Financial Accounting Standards (FAS) 71 for Regulatory Accounting for certain LWC expenses that are unplanned or unexpected. FAS 71 may be an alternative to a designated Risk Mitigation Reserve, and allow expenses to be allocated over multiple years. Bob will be presenting his findings to the Board for discussion. Bob also advised that he has received the draft report from PFM on a financial analysis of the Company.

Open Time (2:50)

Metro United Way Campaign – Karla provided a summary of the 2005 Campaign. Campaign week begins September 26th, and includes agency visits, various internal fund raising events, and presentations by Metro United Way agencies. The 2005 Goal is set at \$67,000, similar to 2004 giving levels, due to the impact Katrina may have on giving. ELT and BSO's are encouraged to attend the various agencies and events where possible next week

Strategic Planning – Susan recommends holding ELT meeting time on Sept 26th for strategic planning or use the time to work on ELT bin list. The meeting will allow discussion for input from the Mayor at the September 20th Board meeting and any final preparation needed for the Board strategic session on September 29th. Susan asked that we provide any agenda items to Ed for the September 26th ELT meeting.

Adjourned (3:05)

ELT Meeting Minutes September 26, 2005

Attendees: Ed Chestnut (Leader), Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Jim Brammell, Vince Guenther, Amber Halloran

Review Minutes and Agenda – Ed Chestnut (1:32)

The September 19 minutes were reviewed. Susan Lehmann had two changes. In the last sentence under the Board Agenda topic, the Board Strategic Planning date of September 29 was corrected to September 27. The last sentence under the Greenbacks Report topic was clarified: "PM's" refers to Project Managers. The minutes were approved with those changes.

Strategic Planning – Susan Lehmann (1:35)

The Strategic Planning Team reviewed the agenda for the Board Strategic Planning session to be held tomorrow at 8:00 a.m. at the Horine Center in the Jefferson Memorial Forest. The objectives for tomorrow are to briefly discuss the materials and white papers already provided and to produce a new vision statement by 2:00 p.m. for review with the Mayor. John Huber said we have to understand what things are driving us in order to change the model of the company. In developing a new vision, we need to keep in mind any synergies that could be achieved with Metro agencies, as well as issues contained in the white papers. Bob Miller distributed a PFM summary, but said it is still a work in progress and will not be on the agenda at the Board Strategic Planning meeting.

Jim Brammell expressed concern that a vision statement focused only on water and related products could limit new products/ventures.

Budget – Amber Halloran (2:23)

Amber said the BSOC will meet tomorrow on the budget. The budget book must be given to the printer next Thursday in order to have it printed in time for the Board meeting. John said the BSOC did an outstanding job putting the budget together.

ELT Agenda (2:25)

John Huber and Susan Lehmann will not be able to attend the October 3 ELT meeting. After some discussion, it was agreed the October 3 agenda will be devoted to a discussion of 2006 Operating Budget issues. Ed Chestnut will prepare the October 3 ELT agenda. Karla Teasley becomes ELT Leader on October 3.

Meeting Adjourned (2:30)

ELT Meeting Minutes October 3, 2005

Attendees: Karla Teasley (Leader), Carl Blanton (representing Susan Lehmann), Ed Chestnut, Greg Heitzman, Bob Miller

Absent: Barbara Dickens, John Huber, Susan Lehmann, Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran

Review Minutes and Agenda – Karla Teasley (1:33)

The September 26 minutes were reviewed and approved. The agenda was reviewed and approved.

O&M Budget Update – Amber Halloran (1:35)

Amber Halloran distributed a summary of 2006 Estimated Changes in Sources and Uses of Revenue (with Reserve Deduction) for review and discussion. Amber expects to have the budget report ready for the printer this week. She reported that based on a 4% rate increase, \$550,000 of unbudgeted initiatives can be funded. There was discussion regarding the addition of two full-time positions; clarification is needed from John Huber regarding expectations for a 2006 full-time head count. Amber will finalize the prioritization list, and direction will be sought from John Huber regarding boundary conditions for head count.

Open Time (1:56)

Metro United Way Campaign - Karla Teasley reported the Metro United Way Campaign so far has raised \$55,767 of the \$67,000 goal. There are many pledge cards that still need to be turned in. Pledge cards must be turned in by October 6 to qualify for the incentive drawing on October 10. Karla will send notes of thanks to those who made agency visits.

3Q CSI Results – Karla Teasley distributed and discussed the 3Q 2005 CSI results. Karla said the scores dropped in some areas, but everything was still within control limits. She attributes the drop in Price/Value to higher bills in the third quarter.

Agenda and Bin List – Karla Teasley (2:15)

Greg asked that a topic be added to the bin list for 30-45 minutes concerning EEO Statistics, with Kathy Schroeder and Janet Muller as presenters, sometime in November. Karla Teasley will email the agenda for the next ELT meeting.

Adjourned (2:25)

ELT Meeting Minutes October 17, 2005

Attendees: Karla Teasley (Leader), John Huber, Ed Chestnut, Greg Heitzman, Bob Miller, Kathy Schroeder (representing Susan Lehmann)

Absent: Barbara Dickens, Susan Lehmann, Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy

Review Minutes and Agenda – Karla Teasley (1:35)

The October 3 minutes were reviewed and approved. The agenda was reviewed and approved.

Open Time (1:38)

Bardstown Road Storage Tank – Greg Heitzman said LWC entered into a contract to paint the 5 MG Bardstown Road storage tank, which was removed from service in mid September, then drained for preparation work in early October. Greg said without the tank in service, the Fern Creek elevated service area is being supplied by pumping operations at Smyrna and storage from the English Station standpipe. The Public Information group has been informed in the remote event of a pumping failure, which could cause a boil water advisory to be issued affecting up to 25,000 customers. Emergency power is available in the event of a power loss. There is no reason to think a failure will occur, and Greg decided not to notify customers of the situation; however, staff is preparing a call list of major customers in the area. This vulnerability will exist for the next 60 days. Customer Service will be alerted to identify a pattern of low pressure calls in the area as a possible power/pump failure.

Greenbacks Report – Amber Halloran, Sue Purdy (1:50)

Amber and Sue distributed and discussed the financial results for September. Water revenue through September 2005 is \$9 million above the same period in 2004. Amber will provide further analysis on staffing levels.

Review Board Agenda – John Huber (2:20)

John Huber reviewed the agenda. He commented that several factors, including the sales forecast, the need to fund the infrastructure replacement reserve, sales volatility, weather risk, etc., lead him to believe a 4.5% rate may be more appropriate than the 4% increase recommended in the preliminary budget book. Amber will run a financial model with a 4.5% increase. The Board will receive a current status of the HRIS Phase II implementation. The remainder of the agenda is straightforward.

Long-Term Financial Planning Discussion (2:40)

Bob Miller said the 2006 budget was split into two separate books, one for the 2006 capital and O&M budget and the second for the 2006 -2015 long-range financial plan. The long-range plan was prepared using the new financial model from PFM. Amber led ELT through the key measurements consisting of borrowing, net income, consumption, rate increase, dividend, and debt ratio. Our assumption is to always have 60 days cash. We have \$2,000,000 budgeted for interest expense and \$600,000 in interest income which nets to \$1,400,000 included in 2006 in interest related to borrowings.

AMR was removed from the long-range capital plan as the savings side has not been quantified.

Bob remarked that the biggest risk in the 2006 budget is if we are under budget in sales we will be under budget in net income unless we reduce expenses. We budgeted at the predicted sales level which is the median. There is a 50% chance we will exceed budget and a 50% chance it will be less. Bob would like some sort of contingency to give us options in our 2006 plan if we don't make our budgeted net income. It could potentially be \$2,000,000 either way.

We are reviewing the preliminary budget with the BOWW tomorrow. Bob would like to have another meeting on this before the BOWW takes action in November and Bob will discuss this risk with the BOWW tomorrow as well. Bob would like an in-depth analysis done before the November BOWW meeting. Bob would like to have a full ELT meeting to discuss. Greg said moving the rate increase from 4% to 4.5% would provide about \$500,000. The group also discussed building a reserve from 2005 profits. Additionally, we could defer our borrowing in 2006 and not implement discretionary spending in 2006 until later in the year.

Agenda and Bin List – Karla Teasley (3:15)

Karla reviewed and discussed the bin list items for agenda topics.

Adjourned (3:20)

ELT Meeting Minutes October 24, 2005

Attendees: Barbara Dickens (Acting Leader), Ed Chestnut, Greg Heitzman, Susan Lehmann, Bob Miller, Nora Freeman (representing Karla Teasley)

Absent: John Huber, Bill Meeks, Karla Teasley

Visitors: Kathie Johnson (Recorder), Kate Farrow, Roger LeMaster

Review Minutes and Agenda – Barbara Dickens (1:35)

The October 17 minutes were reviewed and approved. The agenda was reviewed and approved.

Review of Service Installation Costs and Fees – Nora Freeman and Kate Farrow (1:38)

Kate Farrow said new measurements (using the new FINS system) were put in place in 2004 to monitor the cost of performing service installations. YTD data indicates those costs will likely remain at the 2004 levels or rise. She distributed charts depicting insourced and outsourced service installation costs over the past ten years. Greg pointed out that an exact comparison cannot be made of insourced to outsourced work because contractors include all direct and indirect costs in their work, whereas some indirect costs are not included for insourced work. Excluding indirect costs and economies of scale in contractor pricing, Kate said insourced installations this year have saved \$2,016,030. Greg believes if indirect costs were added to LWC's service installation costs, LWC would still realize in excess of \$1 million in savings per year doing the work inhouse. Greg said another benefit of the Middletown crew is having an experienced workforce available to deploy in emergency situations. This is particularly helpful during the winter months when there are more main breaks.

Kate said 2004 costs appeared higher than prior year averages, and after further analysis this year, she expects 2005 costs to remain similar to 2004. Some discussions have begun regarding the possibility of increasing the service installation fees to get back them back into alignment with actual costs, or try to make the use of service sleeves mandatory in an effort to bring costs back down without having to raise service fees. No change in the service installation fee is recommended for 2006, but groundwork is being laid regarding the possibility in 2007. The data presented to ELT today is also being shared with the Homebuilders Association subgroup, in an effort to get their input on the rising costs and the possibility of raising the fees in the future.

Company Policy Statement for Ethics Survey "Off Years" – Roger LeMaster and Susan Lehmann (2:14)

Roger LeMaster said at its June 6 meeting, the Audit Committee reviewed the Code of Ethics and expressed the most concern with the sections on harassment and discrimination. Roger distributed for discussion with ELT a proposed certification letter to employees soliciting disclosure of acts of harassment or discrimination. Following

discussion of the letter, suggestions were made to add bullet points defining acts considered to be unlawful discrimination. The sections on harassment and sexual harassment already include defining bullet points. Roger LeMaster will rework the section and will make distribution to ELT of the final product before distributing it to employees.

Roger also discussed the Audit Committee's interest in disclosure by officers of gifts/gratuities having a value of \$50 or more. Bob Miller commented this issue may also be tied to procurement authority levels. Roger and Bob will work through which employees should sign the off-year certification and communicate with ELT for further feedback on issues.

Quarterly Goals Review – Ed Chestnut (2:34)

Ed Chestnut distributed ELT Shared Goals, Executive Incentive Plan Goals, and a Corporate Performance Award chart updated for the 3rd quarter.

ELT Shared Goals – Item A (Implement revised 2005 Capital Improvement Program) is currently at a level 2, but on target for a 3. Item B (Increase 2005 Revenue through increased water sales) is at level 4. Ed said John Huber will approach the BOWW regarding the achievement level for Item C (RBF Phase III, ATT) since the July meeting was deferred to August 16 to allow integration of BEP and RBF value engineering. Item D (Metered Water Ratio Improvements) is level 3, and Item E (Performance Management) is level 1.

Executive Incentive Plan Goals – The Light Switch goal is currently being met (3Q YTD operating income exceeded the budget by 23.7%). All other goals were on target with the exception of III-E (Achieve individual filter turbidity) where one filter at CHFP did not meet the filter turbidity goal in January.

Corporate Performance Award – All goals were met.

Report on Waterworks Management Workshop – Bob Miller (2:47)

Bob Miller attended the Waterworks Management Workshop in Chicago last week. He said unionized professional employees of EPA are taking a strong stance asking AWWA to revisit the fluoridation of drinking water. He also said utilities seem to be admitting capital programs are going well, but they are struggling with O&M costs. Bob said LWC seems to be the only utility considering any level of implementation of Sarbanes-Oxley. He said few utilities restrict season turnoffs. AC pipe is being abandoned in place. Training programs are seen as important, but nothing much is being done. Bob said it was interesting that Portland, OR provided the most help in Hurricane Katrina disaster recovery. Evidently this was because their crews were self-contained and had their own communications set up.

Bin List and Agenda – Barbara Dickens (2:55)

The next meeting will be devoted to Strategic Planning. Dates for pending bin list topics were amended to show November as the date scheduled. Karla Teasley will send out the minutes and agenda for the next meeting.

Adjourned (2:57)

**ELT/Strategic Planning Meeting Minutes
October 31, 2005**

Attendees: Susan Lehmann (Leader for Strategic Planning) Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Bob Miller

Absent: Karla Teasley

Visitors: Kathie Johnson (Recorder), Jim Brammell, Vince Guenther, Amber Halloran, Jim Smith

Strategy Innovation Update – Jim Brammell and Amber Halloran

Jim Brammell said the Strategic Innovation work was a five step process: Staging, Aligning, Exploring, Creating, and Mapping. They are now at the Exploring phase, the phase that will require the greatest effort, and expected to be the most difficult from a work perspective because of balancing priorities, resources, budget, and time demands. This phase may involve talking to customers, forming focus groups, consulting with key constituencies, etc. The three opportunities being explored are:

1. Bottled water
2. GE partnership on home water treatment devices
3. Full service plumbing

Amber Halloran said the team met with the author of the book on Strategy Innovation. GE is interested in doing a survey as it relates to point of use devices. A high level survey should be developed by early January 2006. GE is also willing to allow us to test any of their point-of-use devices. Jim Brammell and Rengao Song will obtain feedback on this work from the Customer Advisory Council meeting tomorrow.

Board Strategic Planning Retreat Follow Up – Karen Wunderlin

Karen Wunderlin said the Board has an expectation LWC will bring a vision statement to the November board meeting. The ELT formed into groups of 3 to 4 people to discuss the pros and cons of LWC's strategic planning process. The groups reported:

What is good about the process?	What do we want to do improve?
<p>ELT pushing budget development to the BSOs and focusing more on strategic issues. LWC uses a disciplined process for Strategic Plan Development. Risk assessments were performed at the Strategic level. Much of the previous plans were accomplished. The Strategic Planning Team has been good at communicating up regarding performance. The company has been effective at branding and image management.</p>	<p>Focus on strategic vision instead of tactics. Five-year plan doesn't translate well to yearly planning. Look for more opportunity for inspiration. Add tracking/monitoring mechanism. Prioritization and resources. Clear expectations for what should be accomplished. Link SP and Facilities Planning more closely. Communicate better to stakeholders and employees. Link strategy to constituent goals and objectives.</p>

Bob Miller reviewed the draft vision statements he prepared. Suggestions for improvement were made. Bob will re-work the vision statement and email it to the team.

Karen said each ELT member and a board member should participate on one of the following teams, to be formed and led by:

Greg – Expansion of Service Area (to add more customers)

Karla – Vertical and Horizontal Integration (to expand the services we provide)

Ed – Synergy for Efficiency (to control our costs and rates)

Bob – Economic Development (to add more customers and jobs)

Susan will send out an email asking on which team individuals want to be placed. Bob Miller will rework and forward the Vision piece. John said we should map out what it will take to do the Strategic Planning by next May.

Adjourned at 3:00 p.m.

ELT Meeting Minutes November 7, 2005

Attendees: Karla Teasley (Leader), Ed Chestnut, Greg Heitzman, Susan Lehmann, Tony Gregory (representing Bob Miller)

Absent: Barbara Dickens, John Huber, Bill Meeks, Bob Miller

Visitors: Kathie Johnson (Recorder), Nora Freeman, Sharon Dawson

Review Minutes and Agenda – Karla Teasley (1:35)

The October 31 minutes were reviewed and approved. The October 24 minutes were previously approved via email. The agenda was reviewed and approved.

3rd Quarter 2005 Metered Water Ratio Goals Status – Nora Freeman, Sharon Dawson

Sharon Dawson discussed her recent attendance at an IWA (International Water Association) Leakage Conference in Halifax, Nova Scotia. This is an international conference held every two years. Pressure management is recognized as having a great deal of impact on leaks in the distribution system, and managing pressure without adverse impact on the customer is important in reducing leaks. Another topic discussed was the use of District Metered Areas where acoustic surveys are done on the distribution system to detect leaks. Surveys are done about every two years.

Sharon distributed the Metered Water Team Action Plan results for the 3rd Quarter. She indicated the team was a little behind on drafting procedures for back billing customers, primarily due to resource issues. Field testing of large meters is ahead of schedule by about two months. (Additional resources have been budgeted for 2006, pending Board approval.) The duty exchange program is going well, with completion expected earlier than anticipated. A part time resource to improve the temporary service meter process was not funded for 2006, and the team is looking at making other process improvements. Through the third quarter, 64 fire service accounts were investigated, and over half have significantly reduced consumption on their fire service accounts.

Roundtable Discussion (2:20)

2006 Management and Corporate Goals – Ed said a discussion needs to be held before year end to set 2006 ELT Shared Goals, Executive Incentive Goals and Corporate Performance Award Goals. This should be added as a future agenda topic on the ELT bin list.

Measures and Statistical Process Control Class - Ed distributed an announcement of a new class to be conducted by Ed and Bonnie Gimbel. He said there was good interest in the class.

Dr. Paul Coomes Visit to LWC – On November 30 at noon, Dr. Paul Coomes will present his research findings to the leadership of ELT, MSD and possibly LG&E on his detail specific study regarding the decrease in total sales for residential customers. Dr. Cerrito will also be invited to attend. A box lunch will be provided.

ICS Survey Results – Susan Lehmann said she is working to get the ICS Survey Results added to the bin list for discussion by ELT. She will share corporate results with ELT beforehand. Carl Blanton will prepare a summary of the data.

U of L Executive Education - 2006 "Lead Through Continuous Change" Program - Susan sent an email last week to eligible employees about the "Lead Through Continuous Change" class that will begin in January 2006, requesting interested individuals to contact her. John Huber will select two employees to attend.

Talent Resource Planning – Susan said this work is almost complete. A TRP Roundtable meeting is scheduled for December 15.

Strategic Planning – Four sub-teams have been formed. Susan will be asking the Board members on which teams they have an interest to serve. She would like the teams to get started before year end and finish their work in the March-April timeframe. Karen Wunderlin will participate in team kick-off meetings. Consideration is being given to a smaller, fifth team to validate Mission and Values.

2006 Combined Fund for the Arts, Metro United Way and Water for People Giving Campaigns – Logistical considerations for a combined giving campaign need discussion. Kathie has been asked to schedule a meeting with Bob Miller, John Huber and Susan Lehmann to discuss the 2006 combined campaign.

Corporate Policy Process – Via a voice mail message played by Susan Lehmann for the ELT, Barbara Dickens gave an update on corporate policies. Thus far, 64 policies have been identified, 14 have been through the process, 4 are in the process, and 22 are in draft form. Barbara requested Greg and Karla get four more policies through the process before year end. She will need to receive them by November 17 for that to occur.

Barbara reported she completed the New York Marathon in her second best time of 4.34!

2005-2006 Winter Emergency Plan – Greg Heitzman said the winter emergency plan and contingency plan are being developed and should be completed by December 15.

2nd & Broadway 30" Main Break – Greg reported the project has been delayed because other utilities must coordinate and complete their repair work as well. We expect the road to be opened in the next two days. LWC's repair cost is estimated at between \$15,000 to \$20,000.

Bardstown Road Tank – The tank was removed from service October 1 and is now being painted. There is a contingency plan in the event of a main break, etc. The project is on a fast track to be completed before bad weather.

B.E. Payne – There is a valve leak in a 60" main at B.E. Payne. The repair can't be done this year and is being deferred until spring. An interior inspection will be performed while the main is down.

Crescent Hill – An 84" valve for the supply line from the clear well to the pump station is not operating properly. Repair will be a delicate operation since there is a risk of the

valve being damaged in the closed position if not handled correctly. Work will begin in the next four weeks.

RBI Project – We are doing core drilling for gas. Results are expected in December.

ATT Project – We will seek board approval to pursue the ATT project in parallel with the RBI project. Bob and Amber are looking at the most appropriate accounting method.

FINS – Tony Gregory reported on the attempted cutover to the upgrade this past weekend. They encountered problems with timecards, and brought up the old systems again. The team will regroup later today.

ECIS Upgrade – Karla discussed ECIS upgrade options. Alliance has a new customer information product in development with significant advantages, but it will not be available until 2008. The question is whether to move to the next ECIS upgrade and potentially go to the NextGen product in the future, or wait for the NextGen product with no interim upgrade. Further investigation of the next generation product will be needed. Karla said they are leaning toward deferring an upgrade to wait for availability of the next generation product.

Capital Program Goal – The goal for capital spending is expected to meet the “Fully Achieves” level for the program based on year-to-date results.

Bluegrass Commission – A positive meeting was held with the group about a month ago. They are expected to submit a written request to LWC to update our written proposal from August of 2003 to supply water to the Commission.

NAWC Meeting - Karla attended the NAWC meeting and National Drinking Water Symposium last week. Discussions were held with staff from American Water about condemnation issues in Lexington as well as water supply opportunities.

Update on Billing Error Handling – For the billing error on monthly bills where the read schedule was set outside the read window in ECIS, LWC must quantify this error back to 2000. A formula approach will likely be used, and a daily proration is expected to be implemented where service charges are calculated on a daily basis.

Agenda and Bin List – Karla Teasley (3:25)

Karla will prepare and distribute an agenda for the next meeting.

Adjourned (3:26)

ELT Meeting Minutes November 14, 2005

Attendees: Karla Teasley (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bob Miller

Absent: Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy

Review Minutes and Agenda – Karla Teasley (1:35)

The November 7 minutes were reviewed and approved. The agenda was reviewed and approved.

Review Board Agenda – John Huber (1:38)

WDRB will attend the BOWW meeting, primarily to hear about the 2006 budget and the rate increase. Those items will be covered in the first part of the meeting.

Greenbacks Report – Amber Halloran, Sue Purdy (1:50)

Amber Halloran and Sue Purdy distributed and discussed the financial results for October 2005. Revenue continues to be favorable.

Open Time (2:25)

Mentoring Program – Susan Lehmann encouraged ELT members to become mentors. So far, two ELT members have committed to become mentors.

TRP Forms – Susan requested Greg and Karla to send her updated TRP forms.

2006 Goals – Ed Chestnut requested the topic of 2006 ELT Shared Goals, Incentive Plan Goals, and Corporate Goals be placed on the bin list for discussion. Karla will place this on the bin list for at least two meetings in December.

Any thoughts on the goals structure should be given to Ed Chestnut.

Agenda (2:44)

Susan Lehmann will put together an agenda for the Strategic Planning Meeting to be held on November 21, and Karla will develop an agenda for the November 28 ELT meeting.

Adjourned (2:45)

ELT/Strategic Planning Meeting Minutes November 21, 2005

Attendees: Karla Teasley (ELT Leader), Susan Lehmann (Leader for Strategic Planning) Ed Chestnut, Barbara Dickens, Greg Heitzman, Bob Miller

Absent: John Huber, Bill Meeks

Visitors: Kathie Johnson (Recorder), Jim Brammell, Vince Guenther, Amber Halloran, Jim Smith

Review Minutes and Agenda – Karla Teasley (1:33)

The minutes from the November 14 ELT meeting were approved as submitted. The agenda was reviewed and approved.

Strategic Planning

Susan Lehmann said the BOWW, at its meeting last week, approved the vision statement drafted by Bob Miller. Basically, the vision is to grow the company. The next step is to initiate sub teams to work on strategies in support of the vision.

Synergy as a Means to Drive Efficiency – Ed Chestnut is the team leader. He has identified John Huber and Don McKay as team members, with Joe Wise and Rick Johnstone serving as Board liaisons. Resources include Lynn Humphrey, Kim Reed, Jim Asseff, Vince Guenther, David Collier and Barbara Dickens. So far, Ed has identified the State of Virginia as a model to include for synergy and continues to research the topic. Karla Teasley suggested AWWA and NAWC could provide good examples of synergy in the water industry, and Jim Brammell suggested he look at the City of Indianapolis as a possible model.

Horizontal and Vertical Integration as a Means for Growth and Innovation – Karla Teasley is the team leader. Karla said team members are Jim Brammell, Vince Guenther, Amber Halloran, Barbara Dickens (resource), and Jim Smith. Jerry Martin will serve as Board liaison. At some point a marketing resource may be needed.

Economic Development – Bob Miller is the team leader. Patti Kaelin and Jim Asseff are team members, and Marita Willis and Margaret Harris are Board liaisons. Vince suggested consideration be given to redevelopment and brown field areas.

Regional Expansion – Greg Heitzman is the team leader. Jim Smith, Ralph McCord, Nora Freeman, and Kay Ball are being considered for team membership, and Patti Kaelin, Vince Guenther and Barbara Dickens will serve as resources. Wendy Welsh and Jerry Martin will be Board liaisons. Greg will meet with Jim Smith to discuss the final team makeup.

Susan Lehmann distributed a timeline for team activities and deliverables. Karen Wunderlin will attend each team kickoff meeting, which is expected to last about an hour.

A fifth team made up of John Huber, Barbara Dickens, Greg Heitzman, Ed Chestnut, Susan Lehmann and Stewart Conner will review and update LWC's mission and values. Focus groups will be held by SOESOE in January/February to obtain input from employees on the mission and values. Future Strategic Planning meetings will include progress updates from each team leader.

Agenda and Bin List – Karla Teasley (2:18)

Karla Teasley said the next ELT meeting will include the ICS topic. She will review the bin list for additional topics.

Adjourned (2:20)

ELT Meeting Minutes November 28, 2005

Attendees: Karla Teasley (ELT Leader), Susan Lehmann, Ed Chestnut, Barbara Dickens, Greg Heitzman, Bob Miller

Visitors: Kathie Johnson (Recorder), Neil Smith and Jason Welsh of Deyta

Review Minutes and Agenda – Karla Teasley (1:33)

The minutes from the November 21 ELT meeting were reviewed. Ed Chestnut amended the fourth sentence in the second paragraph under Strategic Planning as follows: "So far, Ed has identified the State of Virginia as a model **to include** for synergy and continues to research the topic." (Emphasis added to denote change.) The minutes were approved with that change. The agenda was reviewed and approved.

ICS Results – Neil Smith and Jason Welsh of Deyta (1:35)

Neil Smith and Jason Welsh presented a summary of the recent survey results, which showed improvements in most areas. The survey was improved this year by limiting the number of surveyors of a supplier, assuring the right employees were selected to evaluate a supplier, and requesting written comments for low scores. Following the presentation, discussion was held regarding the frequency of future ICS surveys. Deyta said it will look to LWC for guidance on how quickly the data can be evaluated, strategized and improvements implemented – sometimes it takes more than a year to implement the changes. Requests for additional information on the survey results should be directed to Helena Dahman. Deyta will provide information on the table used to arrive at scores.

Office Closing Procedure – Karla Teasley (2:30)

The recent severe weather that caused LWC to dismiss employees early (4:20) resulted in situations where no one was answering telephones or performing other needed services. Discussion was held regarding the identification of essential versus nonessential personnel. Greg said he believed Jack Wang's and Jim Brammell's employees know their designation. Also, other employees identified in the winter emergency response plan should know their designation. Other employees may not know whether they are considered essential or nonessential. A coordinated process needs to be followed when an emergency event occurs to assure ongoing business needs are met. Bob will follow up with Don McKay and the BSOs on how to address situations other than winter emergencies that call for early dismissal of nonessential employees.

State Pension Plan (CERS) – Bob Miller (2:40)

Bob Miller discussed increases in the State Pension Plan contribution rates. The non hazardous rate has increased to 13.19%, while LWC budgeted for 12.50%. The hazardous rate increased to 28.2%. Bob will send out more information as it becomes available.

Approval of Corporate Policies – Barbara Dickens (2:45)

Barbara reported there were 6 policies being given a second reading tomorrow at the BSOC meeting.

Presentation by Dr. Coomes on Declining Residential Water Sales – Ed Chestnut (2:50)

Ed Chestnut reminded the group of Dr. Coomes' presentation on declining residential water sales at 12:00 p.m. Wednesday, November 30, in Training Room A. Box lunches will be provided to attendees.

Agenda and Bin List – Karla Teasley (3:00)

Karla said the next agenda will include time to discuss ELT Shared Goals and the Corporate Goals for 2006 as well as Jack Wang's presentation on the Initial Distribution System Evaluation. She requested any items for the agenda be forwarded to her.

Adjourned 3:05

**ELT Meeting Minutes
December 5, 2005**

Attendees: Karla Teasley (ELT Leader), Ed Chestnut, Barbara Dickens, John Huber, Greg Heitzman, Susan Lehmann, Tony Gregory (representing Bob Miller)

Absent: Bill Meeks, Bob Miller

Visitors: Kathie Johnson (Recorder), Jack Wang

Review Minutes and Agenda – Karla Teasley (1:35)

The minutes from the November 28 ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

IDSE – Pending Regulations Affecting the Distribution System – Jack Wang (1:37)

Jack Wang distributed a summary of key near term actions by LWC to meet anticipated deadlines by the EPA regarding the Long-Term 2 Enhanced Surface Water Treatment Rule (LT2ESWTR). He also identified tasks LWC will need to complete to meet the anticipated deadlines for the Stage 2 Disinfectants and Disinfection Byproducts Rule (Stage 2 DBPR) requirements. LWC will likely be placed in the Bin 2 category which will require additional treatment for Cryptosporidium. Jack said LWC is one of the labs certified by the EPA to conduct LT2 monitoring tests. Certification of another individual to conduct the LT2 monitoring tests is desirable. John Huber commented LWC will need to be ready to communicate to the public regarding the purported risk for spontaneous abortions from disinfectants and disinfection byproducts in the water. Greg requested Jack talk with the Health Department this week. Jack said there is a need to expand the Lab within the next three years since more work will be done there.

2006 ELT Goals – Ed Chestnut (2:05)

ELT discussed proposed changes to the 2006 Incentive Plan Goals. Following discussion Jack Wang agreed to send an email to Ed Chestnut on the proposed changes to Item III, E. Discussion of goals will continue at a future ELT meeting.

ELT Went into Closed Session (2:30)

Agenda and Bin List – Karla Teasley (2:55)

The December 12 ELT meeting will cover the board agenda and financial highlights. Susan Lehmann said Strategic Planning will not be held in December because of the holidays.

ELT Meeting Minutes December 12, 2005

Attendees: Karla Teasley (ELT Leader), Ed Chestnut, Barbara Dickens, John Huber, Greg Heitzman, Susan Lehmann, Bob Miller

Absent: Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy, Nora Freeman, Johnnie Rice

Review Minutes and Agenda – Karla Teasley (1:35)

The minutes from the December 5 ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

Review Board Agenda – John Huber (1:37)

Mr. Huber reviewed the board agenda. Special issues to be covered include accounting treatment of preliminary engineering for ATT, the 2006 Water Rate Schedule and New Service Fees, recommendation to increase the Infrastructure Replacement Reserve Deposit, and declaration of the fourth quarter dividend. Ray Hoyt will make a presentation to the board regarding a request for LWC's support of the Senior Olympics to be held in 2007. Two LWC corporate policies will be given a first reading. The increase in CERS contribution rate will also be discussed.

Review Operating Performance – Amber Halloran, Sue Purdy (1:55)

Amber Halloran and Sue Purdy distributed and discussed the 2005 Rate Study FY 2006 that will be presented to the Board tomorrow. They also distributed the November Financial Highlights for review and discussion. Consumption year-to-date was 2.4 million gallons higher than budget, and revenue was \$10.8 million higher than last year and \$4.8 million higher than budget.

Performance Partnership Trimester Questionnaire Results – Johnnie Rice (2:33)

Johnnie Rice distributed and discussed the questionnaire results. The return rate was 72%, and the responses were very good overall. SOE is available to answer any questions regarding the results.

Metering Services System Certification – Nora Freeman (2:45)

Nora Freeman commended the SOE audit team for doing a very comprehensive and collaborative audit. The certification audit report was very favorable. Nora discussed the best practices identified during the audit as well as one audit recommendation. Karla Teasley recommended Certification of the Metering Services Business System, and ELT concurred.

Open Time (2:52)

AMR Team Recognition – Karla Teasley recommended \$50 clothing vouchers for each AMR team member, and ELT concurred.

Metro United Way Team Recognition – Karla Teasley recommended \$50 clothing vouchers for MUW team members, and ELT concurred.

MSD – John Huber reminded the group that MSD is LWC's biggest customer and should be treated with a high level of integrity.

Monthly Billing – John Huber said LWC needs to do a thorough evaluation whether monthly billing should be implemented at LWC. He requested this topic be added to the bin list for future discussion.

Agenda and Bin List – Karla Teasley (3:05)

Karla will send out an agenda for December 19, which will be the last ELT meeting in 2005. The agenda will include topics of EEO Statistics and ELT Goals Update. Greg Heitzman becomes ELT leader in January.

Adjourned (3:06)

**ELT Meeting Minutes
December 19, 2005**

Attendees: Karla Teasley (ELT Leader), Ed Chestnut, Barbara Dickens, John Huber, Greg Heitzman, Susan Lehmann, Bill Meeks, Tony Gregory (representing Bob Miller)

Absent: Bob Miller

Visitors: Kathie Johnson (Recorder), Kathy Schroeder, Janet Muller, Claudette Doyle

Review Minutes and Agenda – Karla Teasley (1:35)

The minutes from the December 12 ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

EEO/AA Statistics Review – Kathy Schroeder, Janet Muller and Claudette Doyle (1:37)

Kathy Schroeder distributed LWC EEO/AA statistical information for review and discussion. She identified job groups where minorities and females were underutilized. Janet Muller discussed expanded recruitment efforts and the available resources for recruitment. John Huber commented LWC would benefit from employing more bilingual employees. Boundary conditions for recruitment and hiring will be added to the bin list for discussion in January.

Kathy Schroeder commented the Phase I HRMS system implementation yesterday went surprisingly well. HR met with 250 employees in December to introduce the self-service aspects of the new payroll system. The changes were well received overall.

2006 ELT Goals Update – Ed Chestnut (2:25)

Ed Chestnut led the group through the draft ELT Shared Goals Worksheet and the proposed measures for 2006. Objective B will be changed to a goal to grow revenue. Mr. Huber mentioned one of our goals in 2006 will be to lay the groundwork for increasing revenue. He also mentioned one of his goals will be to have an evaluation completed on the feasibility of monthly billing.

ELT briefly discussed which goals need to be moved from ELT to the BSO level. Additional discussion will be held when the goals topic is covered again in January, but it is anticipated the performance management will become a BSO goal.

Greg Heitzman summarized the draft goal development work and responsible parties:

- A. Capital Goal – Karla and Greg
- B. Increase Revenue – Karla and Greg
- C. ATT – Greg Heitzman.
- D. Metered Water Ratio - Karla Teasley
- E. Succession Planning – Susan Lehmann

The goals discussion will continue in January 2006.

Meeting Adjourned (3:35)

ELT Meeting Minutes
January 9, 2006

Attendees: Greg Heitzman (ELT Leader), Barbara Dickens, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Absent: Ed Chestnut, Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran

Review Minutes and Agenda – Greg Heitzman (1:42)

The minutes from the December 19 ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

Review Board Agenda – John Huber (1:44)

John Huber briefly reviewed the BOWW agenda. Greg Heitzman noted he will not be present at the Board meeting but will be represented by Jim Brammell.

Revenue Update and Year End Process – Amber Halloran (1:50)

Amber distributed the Revenue Expense Schedule with Budget Comparisons for review and discussion. She also distributed a brief statement on the status of key activities related to closing 2005 accounting. Accrual forms for 2005 expenses are still being accepted. Draft 2005 financial reports will be distributed on January 23, 2006. The external auditors will arrive January 30 to begin looking at internal controls and begin preliminary work on the audit. The 2005 audit should be completed, including final reports, by February 28.

2006 Goals Development – Greg Heitzman (2:00)

ELT discussed 2006 goals development. Greg Heitzman summarized the discussion as follows:

Goal A – Capital program remains as written, and we will validate 2006 targets once 2005 expenses and carryover is finalized.

Goal B - Revenue will have three alternatives.

1. Milestone based to support the 2006 Strategic Plan strategies.
2. The revenue based goal updated for 2006 budget.
3. A combination of 1 and 2 above. Ed and Greg will work on this goal and present to John for review.

Goal C – RBF and ATT will be developed further by Bob and Greg to include a Risk Assessment exercise in 2006.

Goal D – Metered Water Ratio Improvements will be refined by Karla and distributed for comment via email.

Goal E - Performance Management will be replaced with a Diversity Goal. The previously suggested goal of succession planning will become a common individual goal for ELT members. Susan Lehmann will draft language for the common individual goal and distribute for comments. The Diversity Goal will be in two pieces: Ed Chestnut and Ron Green will draft the M/WBE goal, and Susan Lehmann will draft the hiring goal.

Everyone will finalize goals and get the final version to Ed Chestnut by noon on January 18. This will allow Ed time to put the goals in the final format for review with John Huber. The final set of goals will be reviewed at the next ELT meeting on January 23. A Compensation Committee meeting will be scheduled for late January/early February.

Open Time – (3:25)

Special ELT Meeting - Greg Heitzman discussed whether a special ELT meeting should be scheduled to further develop and finalize shared goals. It was decided a special meeting would not be necessary if goals development continues offline and concurrence is given through emails.

Pandemic Procedures – Bob Miller reported a meeting was held today to discuss procedures at Louisville Water Company in the event of an Avian Flu Pandemic.

Adjourned (3:35)

ELT Meeting Minutes
January 23, 2006

Attendees: Greg Heitzman (ELT Leader), Barbara Dickens, Susan Lehmann, Bob Miller

Absent: John Huber, Karla Teasley, Bill Meeks

Visitors: Kathie Johnson (Recorder)

Review Minutes and Agenda – Greg Heitzman (1:35)

The minutes from the January 9 ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

2006 Goals Development – Ed Chestnut (2:36)

Ed Chestnut distributed a packet containing the 2006 ELT Shared Goals Worksheet, 2006 Incentive Plan Goals Worksheet, and Corporate Performance Award Worksheet, and well as graphs providing historical information on Corporate Measures, Capital Expenditures and Customer Satisfaction Index Scores. The worksheets provided 2005 objectives and measures, and proposed objectives and measures for 2006.

2006 ELT SHARED GOALS:

Objective A, Capital Improvement Program. There was discussion about the amount of 2005 carryover. Greg Heitzman, Jim Brammell, Karla Teasley and Ed Chestnut will work on this goal and email the final version to ELT.

Objective B, Create New Business Strategies. A base goal, "Create New Business Strategies to Ensure Revenue and Profitability," and an alternate goal, "Increase 2006 Revenue through Increased Water Sales," were provided.

Objective C, BE Payne RBF Phase II and CHFP Advanced Treatment Phase III. Accepted as presented.

Objective D, Metered Water Ratio. Accepted as presented.

Objective E, 1) MBE Spending and 2) Hiring and Promoting Minorities. Susan Lehmann will confirm with Kathy Schroeder the goal statement, "Percentage of target placement of underutilized categories based upon quarterly results, averaged at the end of the year," and give to Ed Chestnut. .

A follow up task is to get data from Amber Halloran and work to balance the achievability of the M/WBE numbers for procurement.

LIGHT SWITCH GOAL:

The Light Switch Goal was accepted as presented.

2006 INCENTIVE PLAN GOALS:

- I. 2006 Net Operating Income exceed the budget \$36,877,900. Accepted as written.
- II. Meet and exceed customer needs. Same as 2005.
- III. Reduce microbial risk. Measures D and E changed from 2005, and were accepted as written.
- IV. Perform work more productively. Accepted as written.
- V. Provide an environment which values quality of work life. Accepted as written.

CORPORATE PERFORMANCE AWARD:

The proposed corporate performance award was discussed, and was approved as presented.

Common Individual Goal for Succession Management. Susan Lehmann distributed draft language for this goal for discussion. The date BSOs will be required to have an Individual Development Plan in place was changed to March 15. The weight of the individual common goal will be determined between the CBSO and John Huber. Susan will complete the language for this goal and will email it to ELT members for review.

Open Time

Change in Time for Next ELT Meeting - Greg said the next ELT meeting would need to be held at 2:30-4:00 since the Compensation Committee would be meeting that day.

Southern Indiana – Bob Miller asked which Strategy Sub Team was responsible for Southern Indiana. Greg Heitzman will cover Southern Indiana where LWC doesn't have retail service. Greg will add this information to his team charter. It was agreed each sub team will develop a charter clearly defining their boundaries and roles.

Monthly Financial Reporting to ELT - For future "Greenbacks" reports from Amber Halloran, Bob Miller suggested ELT begin looking at financial results outside certain boundary conditions.

Strategic Planning Meeting - The next ELT meeting will be Strategic Planning. Greg will work with Susan Lehmann on the agenda for that meeting.

Adjourned (3:30)

**ELT/Strategic Planning Meeting Minutes
January 30, 2006**

Attendees: Greg Heitzman (ELT Leader), Barbara Dickens, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Absent: Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran, Vince Guenther, Jim Brammell, Jim Smith

Review Minutes and Agenda – Greg Heitzman (2:40)

The minutes from the January 23 ELT meeting were reviewed and approved. The agenda for today's meeting was reviewed and approved.

Open Time (2:42)

Compensation Committee Update – John Huber gave a brief summary of the topics covered during the Compensation Committee meeting held earlier that day. Results are not official until the 2005 financial results have been audited, and Board action will not be taken until the March Board meeting. We will reserve the cost for the Corporate Performance Award, Executive Incentive Plan Goals, and Shared Goals as an expense in 2005, for consideration of award by the BOWW in 2006.

Strategy Innovation – Amber Halloran discussed the three frontiers identified by the Strategic Innovation team and its recommendation to bring in marketing expertise to work with the team. The SI team suggests putting out a Request for Proposal for 160 hours. This recommendation will be discussed further with John Huber, the team's sponsor.

Strategic Planning, Synergy and Efficiency Sub Team Update – Ed Chestnut (3:10)

Ed Chestnut gave a brief account of the team activities to date. The team is on schedule. The team will meet the 1st and 3rd Tuesday of each month.

Strategic Planning, Regionalization Sub Team Update – Greg Heitzman (3:20)

Greg said this team will meet every two weeks on the 1st and 3rd Fridays of each month. Greg distributed a draft team charter. The team is on schedule.

Strategic Planning, Economic Development Sub Team Update – Bob Miller (3:35)

This team will meet the 2nd and 4th Monday of each month. The team is on schedule.

Strategic Planning, Horizontal and Vertical Integration – Karla Teasley (3:43)

This team will meet for about two hours every two weeks.

Strategic Planning Process – Susan Lehmann and John Huber (4:02)

The Mission, Vision and Values statement has been finalized. Carl Blanton will conduct focus groups on employee perceptions. Susan Lehmann will form a team to review existing corporate strategies into the new plan along with newly developed strategies.

A follow up item for Susan is to identify BSOs not currently committed to a Strategic Planning Sub Team and fill out this integration team. She will also check with Karen Wunderlin to see if our methodology fits.

Strategic Planning Sub Team Charters (4:25) - Each sub team is developing a draft charter for their respective teams to approve.

Agenda and Bin List – Greg Heitzman (4:30)

Greg reviewed the bin list with ELT and adjusted dates for presentations. Two items should be added to the bin list:

- Discussion of system certifications – Carl Blanton
- Strategies for CERS Participation – Vince Guenther

Meeting Adjourned (4:37)

**ELT Meeting Minutes
February 6, 2006**

Attendees: Greg Heitzman (ELT Leader), Ed Chestnut, Barbara Dickens, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy, Roger LeMaster

Review Minutes and Agenda – Greg Heitzman (2:40)

The minutes from the January 30 ELT/Strategic Planning meeting were reviewed. Greg Heitzman asked that this paragraph be added immediately before the “Agenda and Bin List” topic on page 2:

“Strategic Planning Sub Team Charters” - Each sub team is developing a draft charter for their respective teams to approve.”

The minutes were approved with that change. The agenda for today’s meeting was reviewed and approved.

2005 Draft Financial Results – Amber Halloran, Sue Purdy (1:40)

Amber Halloran distributed the Unaudited Financial Highlights for December 2005. She commented LWC is over budget by \$5 million in net income for the year. Amber plans to meet with ELT members individually to get input on the information they would like to see in the monthly financial reports.

Internal Control Survey – Roger LeMaster (2:15)

Roger LeMaster reported a 70% return rate of the surveys, which was very good. ELT discussed the survey results and some common themes noted in the compiled comments. Roger would like to get survey results communicated to employees before the Organizational Effectiveness Index begins. Newsleaks will be used in communicating the results to employees, and information will be posted on the intranet. Bob Miller and Roger LeMaster will develop an introduction for the intranet posting.

As a follow-up, Roger, Greg and Susan will discuss the survey results with the BSOC and ask them to help identify issues across the organization. Bob Miller is available to them as a resource. Karla Teasley requested a comparison of survey results with the previous ICS survey, which Roger will provide. A follow up discussion by ELT will be added to the bin list for the latter part of March. John Huber said we need to communicate the results to the Audit Committee, including any action plans to address issues across the organization. We will plan to communicate this at the June Audit Committee meeting.

Bin List and Agenda – Greg Heitzman (3:05)

Bob Miller requested that a follow up be added to the bin list for late March to further discuss steps LWC can take to address issues/perceptions identified during the Internal Control Survey.

Greg Heitzman reviewed the bin list with ELT for future agendas. Greg will prepare and distribute the agenda for the next ELT meeting.

Adjourned (3:10)

**ELT Meeting Minutes
February 13, 2006**

Attendees: Greg Heitzman (ELT Leader), Ed Chestnut, Barbara Dickens, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Absent: John Huber

Visitors: Kathie Johnson (Recorder), Susan Camp, Carl Blanton

Review Minutes and Agenda – Greg Heitzman (1:55)

The minutes from the February 6 ELT/Strategic Planning meeting were reviewed and approved. The agenda was reviewed and approved.

Review Board Agenda (1:37)

ELT reviewed the BOWW agenda. Barbara Dickens commented visitors concerned with the potential location of a chemical storage facility at Crescent Hill may be present at the board meeting. In order to accommodate additional visitors, the board meeting will be held in Training Room A following lunch. A public meeting with residents is scheduled for March 1.

Providing Customer and Public Information System Certification – Karla Teasley, Susan Camp, Carl Blanton (1:55)

Karla Teasley and Susan Camp discussed the results of the recent certification audit. Following discussion of the improvement recommendations, Karla recommended that the certification be postponed six months, when another review can be made by the certification audit team of items identified for improvement in the certification audit.

ELT Action: ELT agreed to revisit certification of Providing Customer and Public Information in six months after the audit team reviews actions taken to implement suggested improvements.

Natural Work Team Recognition – Karla Teasley (2:45)

Karla Teasley discussed the progress made by the Duty Exchange Program team. Their goal was to exchange over 10,000 low performing meters by 12/31/05, and they met their goal in October. Karla recommends a \$50 recognition voucher per team member. The team members are Ginny Adwell, Brian Burba, Dexter Keeylen, Mike Bingham, Dave Gnau, Scott Spalding, Sharon Dawson, Glenda Bloom and Stacey Bowles.

ELT Action: ELT members agreed to support recognition of this team through the award of a \$50 voucher per team member.

Bin List and Agenda – Greg Heitzman (3:00)

Greg Heitzman reviewed the bin list with ELT. He will prepare and distribute the agenda for the next ELT meeting.

Adjourned (3:05)

**ELT Meeting Minutes
February 20, 2006**

Attendees: Greg Heitzman (ELT Leader), Ed Chestnut, Barbara Dickens, Susan Lehmann, Bill Meeks, Amber Halloran (representing Bob Miller), Karla Teasley

Absent: Bob Miller

Visitors: Kathie Johnson (Recorder), Vince Guenther

Review Minutes and Agenda – Greg Heitzman (1:33)

The minutes from the February 13 ELT meeting were reviewed and approved. The agenda was reviewed and approved.

CERS Retirements – Vince Guenther (1:35)

Vince Guenther distributed an overview of the Kentucky Retirement Systems and copy of a letter from Bill Hanes, Executive Director of the Kentucky Retirement Systems dated February 14, 2005, addressing concerns of local city and county governments over employer rate increases. Vince and ELT discussed the limited options available to manage the increasing cost of CERS. Vince said any effective reform of the system would need to be undertaken by the Governor.

Financial Results for January 2006 – Amber Halloran (2:10)

Amber distributed and discussed the January 2006 financial results, and audited results for December 2005. She commented the new auditors, Strothman, were very thorough and did a good job. She plans to start work on the annual report this week.

Corporate Social Responsibility – Karla Teasley and Susan Lehmann (2:17)

Combined Fundraisers - Susan Lehmann has been working with Karla and Barbara, and they have concluded employees must sign documents for continued payroll deductions in 2006. An article will be published in Newsleaks, and we will ask employees whether they wish to continue with payroll deductions. A combined two-week campaign will be held around September or October. Each campaign will have a chair, but the campaigns will run concurrently. One form will be used for all three fundraisers (Water for People, Fund for the Arts, and Metro United Way).

John Huber mentioned Smile Kentucky and asked if our work in Jefferson County schools is proportionate to our involvement in schools outside Jefferson County. Karla will check on this.

Environmentalism – Karla asked if LWC should take a more proactive role with respect to environmental principles. She distributed a Draft Statement of Environmental Principles jointly prepared by UofL, Jefferson County Public Schools, and Louisville Metro Government for discussion. The BSOC will be asked to identify a potential team leader and team to work on this topic. Greg suggested we use the draft document as a starting point.

Community Involvement – Professional groups would count as community involvement. Karla distributed a 2006 Corporate Social Responsibility Questionnaire and asked for ELT approval, which was given. Consideration will be given to incorporate community involvement into job descriptions or job expectations, as well as career/development planning for Process Owners and above. Karla will follow up with Marianne Butler in the next few weeks and will work with Human Resources to build expectations into job descriptions, etc. After the survey results are in, Marianne will work to develop a map of community involvement by employees to identify gaps.

Adjourn (3:05)

**ELT/Strategic Planning Meeting Minutes
February 27, 2006**

Attendees: Greg Heitzman (ELT Leader), Ed Chestnut, Bill Meeks, Bob Miller, Karla Teasley

Absent: Barbara Dickens, Susan Lehmann

Visitors: Kathie Johnson (Recorder), Jim Brammell, Vince Guenther, Amber Halloran, Jim Smith, Karen Wunderlin

Review Minutes and Agenda – Greg Heitzman (1:30)

The minutes from the February 20 ELT meeting were reviewed and approved. The agenda was reviewed and approved.

Synergy and Efficiency Sub Team Update – Ed Chestnut (1:35)

Ed reported the team finalized its team charter and is on track with its work. No SWOT or gap analyses have been done. The team is hopeful it will identify doable strategic synergies. Any overlaps/ideas that surface will be shared with the appropriate team(s) for their consideration.

Regionalization Sub Team Update – Greg Heitzman (1:50)

The team charter has been completed and confidentiality agreements have been signed. A SWOT analysis will be completed. The team is on schedule.

Economic Development Strategy Sub Team Update – Bob Miller (2:05)

Two experts shared their perspectives with the team in February. SWOT and gap analyses will be completed. The team is on schedule.

Vertical and Horizontal Integration Strategy Sub Team Update – Karla Teasley (2:20)

A SWOT analysis is nearly completed. Interviews are planned to get the perspectives of some Louisville business leaders. Three team meetings will be held in March, and a gap analysis will be done.

Strategic Plan Vision and Purpose – Greg Heitzman (2:45)

In Susan's absence, Greg commented we don't want to lose what was built into the existing Strategic Plan, and will be taking the core Strategic Plan and moving it forward.

Discussion will be held at the Board Agenda Prep meeting regarding the timing for an update to the Board on sub-team activities.

2006 Proposed Goals – Ed Chestnut (3:00)

ELT discussed the revised 2006 Proposed Goals. Follow up items:

- Bob Miller will prepare a description for the first part of ELT Shared Goal E relating to the MBE spending goal. Discussion was held regarding the attainability of the goals as currently written, and it was agreed the goals should be changed. Ed Chestnut will make the change.
- Susan Lehmann and Kathy Schroeder will develop a description for the second part of ELT Shared Goal E relating to underutilized job categories placements.

Open Time (3:55)

IT Investment Resources - Bob Miller introduced an idea to form an internal advisory group to prioritize the timing and amounts of IT investment resources. Bob distributed a white paper prepared by Tony Gregory as to what should be considered in establishing an information technology steering committee. Tony would like to present this at a future ELT meeting. John Huber commented a front-line users forum is also needed.

Agenda and Bin List (4:08)

Greg will develop and email an agenda for the March 6 meeting. A presentation by Tony Gregory on an IT Steering Committee will be added to the bin list.

ELT Meeting Minutes
March 6, 2006

Attendees: Greg Heitzman (ELT Leader and Recorder), John Huber, Barbara Dickens, Susan Lehmann

Absent: Ed Chestnut, Bill Meeks, Karla Teasley, Bob Miller

Visitors: Tony Gregory, Nora Freeman, Carl Blanton, Barbara Crow, Amber Halloran, Kathy Schroeder

Review Minutes and Agenda – Greg Heitzman (1:30)

The minutes from the February 27 ELT meeting were reviewed and approved as written. The agenda was reviewed and approved.

System Certification – Carl Blanton

Carl provided a brief summary of the 2004-05 certification process and the certification plan for 2006 (handout). Carl reported that six Business Systems are up for certification in 2006. The areas of focus include: Performance Partnerships; Internal Customer Satisfaction; Natural Work Team effectiveness; and documentation. In addition, Carl discussed ISO certification, workforce planning, intranet documentation methods currently used by some systems, and the need to pursue a program for knowledge management and knowledge transfer. Carl stressed the need to shift toward knowledge and vision with the quality program.

John asked ELT if we need more structure and discipline to our quality program and the certification process. John discussed the value of ISO certification because of future EPA regulations (citing how Las Vegas process documentation was used to defend the water system from accusations of a cryptosporidiosis outbreak as an example).

Greg suggested a mid-year assessment of the O&M budget to determine if funds were available to begin a gap analysis for ISO 9000 or ISO 14000 by external consultant. An estimated \$20,000 is needed to conduct a gap analysis. If complete by early 2007, this would allow 18-24 months to become ISO compliant by the December 2008 Strategic Plan goal.

Senior Olympics Summer 2007 – Barbara Crow

Barbara advised ELT that the Company has committed office space at the former River Road Country Club to Ray Hoyt (Olympics Director) to serve for coordination of the 2007 Senior Olympics being held in Louisville. She advised Ray has requested 250,000 bottles of pure tap water, a value of approximately \$85,000. ELT discussed the logistics in producing the additional supply, which is nearly 75 percent over annual production of 350,000 bottles. The commitment will require additional labor and bottle resources during the peak bottling period of April through May 2007. Barbara reported that Tyler Mountain (Anita) no longer provides private label bottling, and other small bottlers can not handle this quantity. ELT agreed that this one time event would provide a good marketing and branding opportunity, and also serve as LWC's contribution, valued at over \$100,000, to the Senior Olympics. John agreed for Barbara

to advise Ray Hoyt that LWC will provide the bottled water for the events. In addition to filled pure tap bottles, LWC will provide approximately 5,000 empty bottles.

HRMS Team Recognition – Kathy Schroeder and Amber Halloran

Kathy and Amber provided a brief summary and handout of the successful HRMS implementation and results. They recommended the team be recognized and rewarded similar to the FINS team, with four levels (Level I – PTO valued at \$1,700 and \$250 paid on LWC pay check; Level II – PTO valued at \$850 and \$250 paid on LWC pay check; Level III - \$150 paid on LWC pay check; Level IV - \$100 paid on LWC pay check). The levels were determined based upon the levels of involvement of various team members. ELT also agreed that Kathy, Amber, and Tony Gregory be included with the recognition, consistent with past practice to include BSOs on corporate team recognition. ELT approved the recognition and reward as presented by Kathy Schroeder. See Kathy's handout for the employees participating on the team and eligible for the recognition.

Open Time

John Huber mentioned a recent presentation he heard by Stephen Daeschner of Jefferson County Public Schools on the changing demographics of Jefferson County school children. He recommended we have this information presented to ELT and BSOC to identify future trends that will impact our future workforce and market place.

Agenda and Bin List (2:45)

Greg will develop and email an agenda for the March 13 meeting. Tentatively, the agenda will include the Board meeting review, Greenbacks Financial Report, and the IT Steering Committee Charter Proposal.

**ELT Meeting Minutes
March 13, 2006**

Attendees: Greg Heitzman (ELT Leader), Ed Chestnut, Barbara Dickens, Susan Lehmann, Bill Meeks, Bob Miller. John Huber and Karla Teasley arrived at approximately 2:30 p.m.

Visitors: Kathie Johnson (Recorder), Susan Camp, Tony Gregory, Amber Halloran, Sue Purdy.

Review Minutes and Agenda – Greg Heitzman (1:35)

The minutes from the March 6 ELT meeting were reviewed. A correction was made to the minutes to show that Ed Chestnut was absent from the March 6 meeting. The minutes were approved with that change. The agenda was reviewed and approved.

Review of Board Agenda – Greg Heitzman

As John Huber was meeting offsite during most of the ELT meeting, Greg Heitzman reviewed the BOWW agenda. The agenda was straightforward. Greg mentioned Peter Naaka, with the “Save Reservoir Park” group, had requested five minutes on the Board agenda to read a statement regarding the chlorine plant being considered at Reservoir Park.

IT Steering Committee (1:45)

Bob Miller said the IT Steering Committee concept was being brought to ELT for their discussion and input. ELT felt the committee should function at a strategic level and should develop the next IT Strategic Plan. The team makeup should consist of 3-4 BSOs and 2-3 ELT members. Greg recommended the Steering Committee focus on updating the IT Strategic Plan and allow BSOs to work on resourcing the plan through operating and capital budgets. Susan Lehmann recommended Practical Solutions be asked for their input on the team. Any further input on the subject should be furnished to Bob and Tony through email. This topic will be added to the ELT bin list for approval of the charter and empowerment matrix again in 3-4 weeks.

Review Operating Performance (Greenbacks Report) – Amber Halloran (2:15)

Amber Halloran and Sue Purdy distributed and discussed the February financial results. Amber presented a high level review of February’s results. LWC was under budget in water revenue by \$90,000. Overtime was over budget, and Amber will follow up to understand what is driving the overtime expense.

Open Time (2:45)

Airport Work – Greg reported the Airport 60-inch tie in was completed on Sunday and the new 60-inch main placed in service. No incidents were reported during the tie-in period. Attention will now focus on the abandonment of the existing 48-inch main in Fern Valley Road. Ted Niemann is coordinating this work as Project Manager.

Community and Business Leader Interviews – Karla reported she, John Huber, and Jerry Martin met with J. D. Nichols today, and a meeting will be held with Bill Street on Wednesday. These

meetings are being held to get perspectives from community and business leaders on the work of the Horizontal and Vertical Integration Strategic Planning Sub Team.

Agenda and Bin List – Greg Heitzman (2:55)

Greg reviewed the bin list with ELT. Bob asked that the Borrowing Update and Timeline be added to the bin list. Greg will prepare and distribute the next ELT agenda. Greg will also provide a copy of the ELT roles for the remainder of the year by e-mail.

Adjourn (3:05)

**ELT Meeting Minutes
March 20, 2006**

Attendees: Greg Heitzman (ELT Leader), Ed Chestnut, Barbara Dickens, John Huber, Susan Lehmann, Tony Gregory (representing Bob Miller), Karla Teasley

Absent: Bill Meeks, Bob Miller

Visitors: Kathie Johnson (Recorder), Kathy Schroeder

Review Minutes and Agenda – Greg Heitzman (1:45)

The minutes from the March 13 ELT meeting were reviewed and approved. The agenda was reviewed and approved.

ELT Roles – Greg Heitzman (1:47)

ELT discussed the upcoming roles. Bob Miller becomes Leader on April 3. Greg will ask Christy Ray to update the roles schedule through the year 2007.

EEO/AA Quarterly Update – Kathy Schroeder (1:50)

Information developed by Evelyn Freeman of F. W. Consultants, Ltd. was distributed for review. The report was based on statistical data as of December 2005.

Discussion of measurement of the Shared Hiring Goal was held. Greg summarized the discussion. The reporting system must be manageable with an understandable goal. We will continue to track the data quarterly, focusing on underutilized categories, but will also have a rollup of total numbers by union, non exempt, and exempt, with metrics or controls established. This will be a two part goal. The first part is to track underutilization of minorities using the current measuring system. The second part will be developed by Kathy Schroeder to include numbers for underutilization of women and minorities by union, exempt, and non exempt classes as of December 31, 2005. Kathy Schroeder will develop target numbers so the improvement in hiring of women and minorities can be tracked through the year. Kathy will report back to ELT in April on the progress through the first quarter for the underutilized categories (Part 1) and also provide a recommendation on the target measures for union, exempt, non-exempt (Part 2).

Open Time (2:50)

Manager, Distribution Operations Position – Greg Heitzman announced that Spencer Bruce, formerly of Rohm & Haas, will begin work with LWC as Manager, Distribution Operations effective March 31. Greg will introduce him at ELT on April 3, and will arrange meetings to introduce him to the C2 organization. His office will be at Almond Avenue.

Centralized Contract Files – Barbara Dickens has been working with Amber Halloran, Lynn Humphrey, Beverly Soice, and Greta Howard on a project to keep all contracts except deeds in the confidential file storage room on the lower level. Once a contract is closed out, it can be

shipped off site. This project is being worked collaboratively between Legal and Procurement. John Huber mentioned the lower level may not be an ideal location for file storage due to potential flooding, and the third floor may be a better location. Details are still being worked through. This will become a documented procedure.

Warehouse Fire - Greg reported the flow availability was excellent for fighting the six alarm fire downtown on Friday. He estimated between 10,000 to 12,000 gallons a minute was used by the Metro Fire Department. The Central Business District is designed to provide 20,000 gallons per minute capacity for fire flow demand. The flows at Cardinal Hill and Crescent Hill were monitored, and no problems were encountered by LWC operations. LWC also provided an Emergency Turner and Supervisor on site for coordination of water supply. The Metro Fire Department reported no problems with hydrants or the water supply.

Agenda and Bin List – Greg Heitzman (3:11)

Greg said he will send out the agenda for the next meeting, which will probably be devoted to Strategic Planning sub team updates.

Adjourn (3:12)

**ELT/Strategic Planning Meeting Minutes
March 27, 2006**

Attendees: Greg Heitzman (ELT Leader), Ed Chestnut, Barbara Dickens, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Absent: Bill Meeks

Visitors: Kathie Johnson (Recorder), Jim Brammell, Vince Guenther, Amber Halloran, Jim Smith, Karen Wunderlin

Review Minutes and Agenda – Greg Heitzman (1:35)

The minutes from the March 20 ELT meeting were reviewed and approved. The agenda was reviewed and approved.

Strategic Planning Sub Team Updates (1:38)

Synergy and Efficiency Sub Team – Ed Chestnut reported his team is on target to complete their work by the end of April.

Regionalization Sub Team – Greg reported his team completed a SWOT analysis, and will complete a gap analysis. They are scheduled to meet 4 times in April. Meetings have been held with investment people regarding the viability of funding. Greg expects the team to deliver a strategy by the April 28 deadline.

Economic Development Strategy Sub Team – Bob Miller discussed the progress his team made during March. The team is on track to meet the deadline.

Vertical and Horizontal Integration Strategy Sub Team – Karla Teasley reported a SWOT analysis is complete, and a gap analysis is underway and should be completed tomorrow. Two meetings have been held to gain the perspectives of local business leaders (J. D. Nichols and Bill Street). Karla expects the team's work will be completed on time.

Updating the Existing Strategic Plan – Susan Lehmann (2:15)

The team is going through the current strategies, which have been broken up into sub groups. Jack Wang is leading the group on product quality; Karla is leading the group on service and quality; Susan Lehmann is working on organizational effectiveness; and, Ed Chestnut is working on organizational efficiency. The group will meet again in mid April.

Open Time (2:25)

Affordability Issues – Bob Miller noted that he met recently with Marion Gee to discuss the future affordability of combined water, sewer, and drainage bills based on rate increases contemplated through 2010. MSD and LWC have independently begun studying approaches used in larger cities facing similar issues. Bob and Marion plan to meet again to share their findings and consider this matter further.

Employee Feedback on Vision, Values and Purpose – Carl Blanton, Johnnie Rice (2:30)

Carl Blanton distributed and discussed results from the Focus Group on Vision, Values and Purpose. He said the focus group was interested in the process and was forthcoming with suggestions. Vince noted several of the comments could be addressed by wordsmithing the document so its intent was clearer.

Johnnie Rice will provide feedback to those who participated in the focus group meetings. Carl mentioned the evident pride employees have in providing a product vital to life, firefighting, etc. Greg said we can use the focus group feedback as a resource document at the end of the process. Susan Lehmann will schedule a meeting to review the Strategic Plan document following the May 11 Board meeting. Susan thanked Carl and Johnnie and their group for the work they did on this project.

Open Time (2:55)

Employee Corporate Performance Award – Ed Chestnut discussed the gross amount of Corporate Performance Awards being reduced by about 55% due to taxes and other deductions.

Available Property East of Allmond Avenue – Greg Heitzman mentioned the parcel near Allmond Avenue is up for sale again. LWC has no immediate need for the property.

Agenda and Bin List – Greg Heitzman (3:02)

Greg will develop and distribute an agenda for the next ELT meeting.

Adjourn (3:15)

ELT Meeting Minutes
April 3, 2006

Attendees: Bob Miller (ELT Leader), Carl Blanton (representing Susan Lehmann), Greg Heitzman, John Huber, Vince Guenther (representing Karla Teasley)

Absent: Ed Chestnut, Barbara Dickens, Susan Lehmann, Bill Meeks, Karla Teasley

Visitors: Kathie Johnson (Recorder)

Review Minutes and Agenda – Bob Miller (1:35)

The minutes from the March 27 ELT meeting were reviewed and approved. The agenda was reviewed and approved.

Review Strategic Plan Assumptions (1:40)

Bob Miller led the group through the Assumptions, and the group discussed whether the assumptions were still valid and still drivers. Bob Miller will provide a summary of the changes to ELT.

Open Time (2:50)

Change in Operating Status Review Template for BSOs – Greg Heitzman discussed the changes in the proposed form, and asked for feedback.

Agenda and Bin List (2:55)

Bob Miller said the next agenda will include discussion of the Board agenda, financial reports, an update on the borrowing, and other items. Bob will email the agenda.

Adjourn (2:57)

**ELT Meeting Minutes
April 10, 2006**

Attendees: Bob Miller (ELT Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman (Recorder), John Huber, Kathy Schroeder (for Susan Lehmann), Bill Meeks, Karla Teasley

Absent: Susan Lehmann

Visitors: Amber Halloran, Roger LeMaster, Kathy Schroeder

Agenda and Minutes Review – Bob Miller (1:30)

The minutes from the April 3 ELT meeting were reviewed and approved. The agenda was reviewed and approved.

Board Summary – John Huber (1:35)

John provided a brief overview of the Board agenda, including the Annual Meeting, and Regular Meeting. John mentioned several items from the Audit Committee report, including business continuity planning and adequacy of controls on the Capital Program.

Americana Foundation – John Huber (1:40)

John and Bill provided a summary of their trip to meet with Edgardo Mancilla of the Americana Foundation. John advised LWC can't make a monetary contribution, but can consider coordinating a project to rebuild a community play set. The project would use LWC employee volunteers and we would solicit material donations from local suppliers. John will work on developing these ideas further with Bill.

Public Affairs and Customer Satisfaction Committee Meeting – Karla Teasley (1:45)

Karla advised everyone of the planned meeting on Wednesday afternoon. The meeting agenda will include an update on AMR, monthly billing, service sleeves for new development, credit card convenience fees, and call center measures.

Financial Review – Amber Halloran (1:50)

Amber and Sue led a discussion of the Financial Report for the month of March. High level discussions included water sales revenue, net income, overtime costs, O&M costs, and the capital program. Although O&M expenses are under budget, ELT concluded we need to be cautious with discretionary spending, since YTD revenue is under budget by approximately 1% and YTD pumping is down 3%. We need to communicate to BSO's to review any discretionary spending and determine if any deferrals are appropriate. In addition, Amber will work on the

details driving overtime above budget. Kathy also projected a higher than normal employee vacancy rate, with employees announcing retirement.

Bond Issue and Timeline – Bob Miller (2:30)

Bob provided a brief summary of the plans to issue up to \$80 million in bonds to fund the capital program over the next several years. Bids will be received over the internet. The Board will meet on May 25th to authorize the bond issue documents and again on June 21 to approve the bond sale. The Bond Feasibility study is underway with Black & Veatch. Bob will be briefing the Board on Tuesday on the timeline and expectations. One key issue will be to discuss any changes to the Bond covenants. The timeline is tight, and Bob requests cooperation from staff in various areas to execute the bond issue in a timely fashion.

Internal Control Survey – Roger LeMaster (2:50)

Roger provided a summary of the major areas for improvement identified in the survey. These include: communications; training and development; adequacy of staff resources; and timely filling of jobs. ELT discussed various approaches for follow-up. Kathy advised the BSO's planned to review the results from the OEI survey and then develop an action plan for any common elements. We all agree the need to communicate the purpose and need for internal controls to management and employees. Bob will also work to schedule a future ELT agenda topic with subject area experts (communications, training & development, and human resources) to develop an approach to address these areas.

Adjourn (3:10)

**ELT Meeting Minutes
April 17, 2006**

Attendees: Bob Miller (ELT Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Karla Teasley

Visitors: Kathie Johnson (Recorder), Jack Wang, Amber Halloran

Review Minutes and Agenda – Bob Miller (1:35)

The minutes from the April 10 ELT meeting were reviewed. The minutes will be amended to show that Susan Lehmann was absent and was represented at the meeting by Kathy Schroeder. The minutes were approved with that change. The agenda was reviewed and approved.

Consider Changes to Bond Covenants – Bob Miller and Amber Halloran (1:38)

Bob Miller reviewed the advantages and disadvantages of three possible options to change the dividend calculation contained in Section 508 – Payment of Dividend (excerpted from the Series 1992 Bond Resolution. ELT discussed the three dividend calculation options at some length. Bob Miller said he will discuss this topic with ELT again before the May Board Meeting.

LT2 and DBP Regulations Update – Jack Wang (2:23)

Jack Wang distributed copies of a PowerPoint presentation prepared by Monica Ottens, Rengao Song, and Jack Wang providing an overview of the LT2ESWTR and Stage 2 DBP Regulations, and the status of LWC's readiness.

Following the discussion, Greg summarized that LWC needs to take another look at critical human resources needed for compliance monitoring and contingency planning for short-term technology alternatives for the Crescent Hill plant.

Agenda (3:15)

Bob Miller said the next ELT meeting agenda will consist of Strategic Plan sub team reports.

Adjourned (3:16)

**ELT Meeting Minutes
May 1, 2006**

Attendees: Bob Miller (ELT Leader), Ed Chestnut, Greg Heitzman, John Huber, Carl Blanton (representing Susan Lehmann), Bruce Mingus (representing Bill Meeks), Susan Camp (representing Karla Teasley)

Absent: Barbara Dickens, Susan Lehmann, Karla Teasley

Visitors: Kathie Johnson (Recorder), Kay Ball

Review Minutes and Agenda – Bob Miller (1:34)

The minutes from the April 17 ELT meeting were reviewed and approved. Today's agenda was reviewed and approved.

2007 Water Professionals Conference – Kay Ball (1:36)

The 2007 Water Professionals Conference will be held at the Galt House July 15-18, 2007. The conference is a joint meeting of the WEA and AWWA KY-TN Sections. This is the third year for the joint conference. LWC and MSD will co-host the 2007 Louisville meeting. Kay's purpose in bringing the matter before ELT is to solicit support for employees who become involved in organizing and working the conference. She will also be addressing the BSOC regarding employees to fill committee positions and assist with the conference. Kay will furnish ELT a list of the positions that need to be filled on various committees, registration, etc. Bob Miller asked Kay to let him know of any funding requirements for the 2007 Conference by July 2006.

ELT Measures Quarterly Report – Ed Chestnut (1:46)

Ed Chestnut reviewed the first quarter measures results with ELT.

Payne Plant Risk Assessment – Bob Miller (2:06)

Bob Miller distributed risk catalog sheets on the BE Payne RBF project for the preconstruction, construction, and post construction (operational) phases of the project. He recommended the BOWW be given a synopsis of the risk catalog information instead of the catalog sheets. Greg said risk assessment work has now begun on the Crescent Hill Plant advanced treatment technology alternatives.

Open Time (2:20)

Business Continuity Exercise – Bob Miller related his recent review of the business continuity plan at a northeastern U.S. regional water authority. Key lessons learned:

- Identify facility loss to be managed.
- Identify capabilities needed to achieve recovery by recovery time objectives..
- Know recovery point objectives.
- Have measurable criteria to determine success of BCP exercises.

Agenda and Bin List (2:33)

Bob Miller will email the agenda for the next meeting, which will likely consist of changes to the bond covenant, a summary by Jim Brammell on the Waterworks Management Workshop, discussion of the May 11 Strategic Planning workshop, and a review of the board agenda and April financial results.

Adjourned (2:35)

ELT Meeting Minutes May 8, 2006

Attendees: Bob Miller (ELT Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Jim Brammell, Amber Halloran, Sue Purdy

Review Minutes and Agenda – Bob Miller

The minutes from the May 1 ELT meeting were reviewed and approved. Today's agenda was reviewed and approved.

Review Board Agenda – John Huber

John Huber reviewed the board agenda, noting the agenda is briefer than normal, but the topics may have lengthy discussion. He expects a good deal of discussion regarding the decrease in water revenue over the same period in 2005. Karla Teasley expressed concern over competition for resources among the various corporate initiatives currently underway with the addition of the significant team workload for pandemic planning. The ELT agreed to discuss this matter further at the May 15th meeting.

Changes to Bond Covenants – Bob Miller

Bob Miller reviewed his letter to the BOWW summarizing existing bond resolution covenants, and a second letter to the BOWW setting forth potential changes to the bond resolution, with the recommendation the dividend covenant remain unchanged.

Greenbacks Report – Amber Halloran, Sue Purdy

Amber Halloran and Sue Purdy reviewed the April 2006 Financial Results, noting that net income through April was \$944,282 under budget. Bob Miller stated that \$200,000 of the variance was due to no interest earnings on bond funds because of the timing of the bond issue for later in the year and that the earnings are not eligible for distribution as dividend. The ELT agreed to identify tactics to meet the earnings target at the May 15th meeting.

Waterworks Management Workshop – Jim Brammell

Jim Brammell reviewed answers received to Louisville Water Company questions at the Waterworks Management Workshop held recently in Los Angeles. He noted that an electronic copy of the answers will be available in the coming weeks.

Preparations for Upcoming Strategic Planning Session – Susan Lehmann

Susan Lehmann discussed the agenda for the half-day strategic planning session scheduled for Thursday May 11th.

Open Time

There were no items discussed under open time.

Next Agenda

The ELT agreed to consider a recommendation to charter an IT Steering Committee at the next meeting in addition to the two items noted above.

ELT Meeting Minutes May 15, 2006

Attendees: Bob Miller (ELT Leader), Ed Chestnut, Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Karla Teasley

Absent: Barbara Dickens, Susan Lehmann

Visitors: Kathie Johnson (Recorder), Carl Blanton, Tony Gregory, Amber Halloran

Review Minutes and Agenda – Bob Miller

The minutes from the May 8 ELT meeting were reviewed and approved. Today's agenda was reviewed and approved.

IT Steering Committee Charter – Bob Miller, Tony Gregory

Bob Miller distributed a charter for the proposed IT Steering Committee for review and discussion. Tony Gregory stated he found no standard practice among water utilities in having a steering committee for information technology. Bob discussed sponsorship for the team, and recommended he be the team sponsor. Because of the importance of this team's work, he will provide regular updates to ELT.

Bob discussed the proposed makeup of the Steering Committee, which included mostly BSOs. Karla Teasley said ELT should be sensitive to the number of requests given the BSOs to participate on teams. The BSOC is already involved in updating the corporate strategic plan, preparing the budget, providing operating status reports, etc

ELT discussed the responsibilities of the proposed IT Steering Group. Bob will hold a first meeting of the Steering Committee and report back to ELT. John Huber said the Steering Committee's responsibility will be to review resources and assure alignment with strategic objectives.

Tactics to Achieve Earnings Target – ELT

LWC is currently \$800,000 under in net income, \$200,000 of which is earnings not achieved in the form of interest on bond proceeds. ELT discussed measures that can be taken to meet the earnings target. Karla recommended the expense reduction work done in 2004 be revisited instead of starting from scratch. The BSOC will be asked to identify expenditure reductions of \$500,000 after consulting with their respective CBSO; ELT will be notified, and John Huber will provide final approval. The BSOC has a June 2 deadline to have their recommendations completed.

Resource Competition among the Corporate Initiatives

This topic will be moved to a future ELT agenda due to lack of time at today's meeting.

Agenda and Bin List – Bob Miller

Additions to the bin list include discussion of information to include on a daily dashboard, and identifying opportunities to reshape the organization to create variability. Bob Miller will email the agenda for the next ELT meeting.

Adjourned (3:05)

**ELT Meeting Minutes
May 22, 2006**

Attendees: Bob Miller (ELT Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Amber Halloran

Review Minutes and Agenda

The minutes from the May 15 ELT meeting were reviewed and approved. A correction was made to the fourth sentence under the heading "Tactics to Achieve Earnings Target," as follows:

The BSOC will be asked to identify expenditure reductions of \$500,000 after consulting with their respective CBSO; ELT will be notified, and John Huber will provide final approval.

The minutes were approved with that change. Today's agenda was reviewed and approved.

Resource Competition among the Corporate Initiatives

ELT discussed the BSO's extra commitments, including the Strategic Plan, Strategy Innovations, SI sub-teams, pandemic planning, identification of expenditure reductions, the bond issue, new project initiatives, and the 2007 budget. Some of these commitments are slowing down, and some have a near completion date. The items with the nearest deadlines and no timing flexibility are: expense reductions, the borrowing, Strategic Plan, and budget preparation. Those with the longest lead times and some flexibility are: pandemic planning, Strategy Innovation and IT Steering Committee kickoff.

Communications with BSOs to identify work priorities will be made in staff meetings, and also at the BSOC (to help identify project interdependencies).

Review Agenda for Special Meeting of the BOWW on Bond Issue Document Approval

Bob Miller reviewed the agenda for the May 25 BOWW Special Meeting on the bond issue document approval. Dave Naumann and Larry Gaddis of Black & Veatch will attend to discuss the bond feasibility study.

Open Time – Open Time was cancelled due to lack of time. Proposed topics will be added to the bin list.

Agenda and Bin List

The topic of Cross Connections will be added to the bin list. Bob Miller will develop and distribute the agenda for the next ELT meeting. Since May 29 is a holiday, the next ELT meeting will be held June 5.

Adjourned (3:05)

**ELT Meeting Minutes
June 5, 2006**

Attendees: Bob Miller (ELT Leader), Ed Chestnut, Greg Heitzman, John Huber, Karla Teasley

Absent: Barbara Dickens, Susan Lehmann, Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran, Kathy Schroeder

Review Minutes and Agenda

The minutes from the May 22 ELT meeting were reviewed and approved. A correction was made under the Agenda and Bin List heading. The first sentence was amended to read: "The topic of Cross Connections will be added to the bin list."

The minutes were approved with that change. Today's agenda was reviewed and approved.

Cost Reduction Planning Status

Kathy Schroeder and Amber Halloran discussed the recommended expense reductions identified by the BSOC.

Risk Identification and Assessment for Capital Projects

Bob Miller stated that the risk identification and assessment work done by LWC was well received by the bond rating agencies. ELT discussed the LWC Operational Risk Catalog for BE Payne RBF, which was done for the phases of pre-construction, construction, and post construction.

Open Time

Strategic Planning Updates – John Huber said final editing of the revised strategic plan is nearly complete. The BOWW will review the newly updated plan at the June Board meeting. The Strategic Planning team will meet tomorrow from 10:00-12:00.

Agenda and Bin List

Bob Miller will develop and distribute the agenda for the next ELT meeting to be held June 19.

Adjourned

ELT Meeting Minutes June 19, 2006

Attendees: Bob Miller (ELT Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Karla Teasley

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy, Roger LeMaster, Don McKay

Review Minutes and Agenda

The minutes from the June 5, 2006 ELT meeting were reviewed and approved. Today's agenda was reviewed and approved.

Review Financial and Operating Results

Amber Halloran and Sue Purdy distributed and discussed the financial results for May 2006. Year-to-date water sales were \$981,500 under budget, primarily due to the cool, rainy weather this year. Sue Purdy is in the process of setting up meetings with ELT members to gain feedback on the types of reports that would best meet their needs.

John requested that Bob Miller provide a financial forecast for the remainder of the year at the July BOWW meeting.

Parameters for 2007 Operating Budget

Amber Halloran and Bob Miller discussed 2007 budget parameters with ELT. Amber is planning to distribute budget packages July 10. Amber will ask BSO's to complete decision papers for new initiatives and resource requests to get an understanding of the requests and associated budget dollars.

Internal Control Report

The report provides a big picture of the internal controls to address business risks. Bob Miller will draft a response for consideration by ELT to set dates for accomplishment of recommendations and forward to the Audit Committee.

Board Meeting Update

John Huber said the strategic plan document will be the main focus of tomorrow's Board meeting. The overview and discussion should be very high level.

Agenda and Bin List

Bob Miller will be on PTO during the June 26 ELT meeting, so Bill Meeks will begin his term as ELT Leader on June 26.

Adjourn (3:20)

ELT Meeting Minutes June 26, 2006

Attendees: Bill Meeks (Leader), Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann, Karla Teasley

Absent: Barbara Dickens, Bob Miller

Visitors: Kathie Johnson (Recorder), Carl Blanton, Tony Gregory, Vince Guenther, Kathy Schroeder

Review Minutes and Agenda

The minutes from the June 19, 2006 ELT meeting were reviewed and approved. Today's agenda was reviewed and approved.

Strategic Planning Follow Up

Susan Lehmann discussed edits made to the Strategic Plan resulting from feedback received during the June 20 BOWW meeting. Karla Teasley discussed changes to the SWOT Analysis, and will incorporate the changes ELT agreed to today.

John Huber suggested the Horizontal and Vertical Growth Strategy be presented to the BOWW in July, then two more Strategies will be presented in August and two more in September.

Susan Lehmann will distribute the edited Strategic Plan to the Board with a transmittal letter saying the plan incorporates their edits and will be used as a guiding document. We will continue to review and update the plan. The next step will be to review the strategies in detail.

Performance Partnership Review

Kathy Schroeder reviewed the Summary of Performance and Salary Increases with ELT. She noted there was a marked increase in the number of employees receiving an "Exceeds Expectations" rating. Carl Blanton said there was insufficient documentation supporting many of the "Exceeds" ratings, and emphasis will be placed on having stretch goals for employees, and in documenting reasons an employee is rated "Exceeds Expectations." Susan Lehmann said she would like to see definitions for ratings emphasized in the review process next year.

Open Time

John Huber discussed the critical importance of a drug-free workforce and the need to assure LWC is utilizing best practices in seeking to maintain a drug-free workforce.

Adjourned (3:20)

ELT Meeting Minutes July 17, 2006

Attendees: Bill Meeks (Leader), Barbara Dickens, Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Carl Blanton, Tim Hester, Amber Halloran, Sue Purdy, Susan Camp

Review Minutes and Agenda

The minutes from the June 26, 2006 ELT meeting were reviewed. Susan Lehmann changed the second paragraph under the Strategic Planning Follow Up heading, as follows:

“John Huber suggested the Growth Strategy be presented to the BOWW in July, then two more strategies will be presented in August and two more in September. “

Susan also revised the last sentence under the Performance Partnership Review heading, as follows:

“Susan Lehmann said she would like to see definitions for ratings emphasized in the review process next year.”

Today’s agenda was reviewed and approved.

Review BOWW Agenda

ELT reviewed the board agenda. No representatives from Metro Government will be present at the meeting, which may result in Item IV.C. being deferred.

Character First Presentation

Tim Hester of Character First gave background information on the formation of the organization, and presented a video of testimonials. He discussed how the concept works and how training and materials are introduced to individuals supervising others. The training facilitates recognition of good character traits demonstrated in achieving a goal.

Open Time

LWC President - John Huber mentioned an ad is expected to appear Wednesday in the Courier-Journal for an RFP to recruit his successor.

Random Drug Testing - The policy for random drug testing is being revised, and implementation is expected in the next 4-6 weeks.

Greenbacks

Amber Halloran and Sue Purdy reviewed financial results for the month of June. Year-to-date water revenue was under budget by \$828,700, while consumption was 246,600 MG less than budget. Staff continues to analyze revenue patterns to try and identify any anomalies that would account for revenue being under budget. Overtime is \$333,000 over budget, partially due to unfilled positions. Reports are currently being developed to capture overtime hours and dollars by system.

Providing Customer Service and Public Information System Certification

Susan Camp discussed the steps taken to meet certification requirements. The certification had been deferred following consideration by ELT in February 2006. A total of 13 process improvements were submitted by the Providing Customer Information & Assistance process, the highest among all business systems. The bulk of issues cited in the certification audit were related to the Call Center. After some discussion, consensus was reached by ELT to certify the system.

Bin List and Agenda

Bill Meeks briefly reviewed the bin list, asking for presentation dates so the bin list can be updated. He will develop and distribute an agenda for the next ELT meeting.

Adjourn

ELT Meeting Minutes July 24, 2006

Attendees: Bill Meeks (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bob Miller

Absent: Karla Teasley

Visitors: Kathie Johnson (Recorder), Nora Freeman

Review Minutes and Agenda

The minutes from the July 17, 2006 ELT meeting were reviewed and approved. Today's agenda was reviewed and approved.

Roundtable Updates

Bob Miller - Don McKay continues to work on business continuity planning. Tony Gregory and Bob Miller are planning a kick off of the new IT Steering Committee. Bob said he would like LWC to consider standardizing documentation, testing and certification of internal controls so LWC is assured of predictable results.

Susan Lehmann – LWC is recruiting to fill 30 open positions, 15 of which are union vacancies that have been on hold since Spring 2006. The greatest need is in the Call Center and Customer Service. Interviews will begin in August for the union vacancies, and 7 union positions will be filled in the September timeframe; another 7 or 8 union positions will be filled by the end of the year, budget permitting. Policies and procedures continue to be updated. Job description update work continues with Mercer. OEI results were reported last week. System certification work was completed for Infrastructure Planning and Facility Design, and the Water Quality system certification work is underway. The Training Bytes sessions have been well received. A "How to Interview" guide is being developed and rollout is expected in the third quarter.

John Huber - A Request for Proposal has been published to solicit proposals from executive search firms to recruit John's possible successor. The best three executive search firm proposals will be taken to the Board to select a firm.

Mr. Huber discussed some concerns regarding funding for the remaining 2/3 majority main extension in Bullitt County.

There are concerns to be discussed and resolved regarding MBE awards to brokers who then subcontract the work to others. Mr. Huber will discuss this further with Barbara Dickens.

Mr. Huber mentioned the forecast reports for the Quarterly Operations meeting do not reflect budget cuts identified earlier in the year.

Ed Chestnut – Ed is sending out the template for mid year BOWW strategic plan measures this week. Ed wants to present the 2Q goal information at next week's ELT meeting. John asked that ELT look at the August-September BOWW agendas and get information to Barbara Dickens, with a copy to him. Ed asked for input on updating quarterly goals. Ed mentioned possibly using time without an accident as a measure for employee safety and vehicular accidents. Susan Lehmann suggested Ed contact Carl Blanton to tap his experience with this kind of measure. Ed said he just completed the QualServe Benchmarking Survey. While the

industry numbers are not available yet, Greg thought it would be useful for Ed to make a presentation to ELT on LWC's numbers and trends, and then make another presentation when industry results are available.

Greg Heitzman – The Zorn Station had major repairs. The Zorn intake presented major system constraints, but the problem has been moved from the critical stage to less of a concern. There is a leak in a 48" cast iron pipe that will not be easy to repair, and alternative solutions are being evaluated.

The work order system is being reevaluated with input from Nora Freeman and Jack Wang. Use of capital crews for pipeline capital construction is being considered - do we have enough activity?

Spencer Bruce is working on safety training documentation for C2, and is also looking at overtime hours.

The BOWW has approved the revised budget for RBF. The budget is going up \$3 million, driven by construction costs. The project is expected to be bid in the next two months. Work is underway to define a sole source provider for the collector wells. Greg is optimistic bids will be opened in September.

Greg has another Community Advisory Group meeting scheduled August 4 to discuss the Crescent Hill chlorine plant issue. They are attempting to narrow four alternatives down to two.

The Bluegrass supply proposal is currently being examined, and Bob Miller is preparing a presentation to educate the Bluegrass Water Commission on how we set water rates. This likely will be done within the next two weeks.

Nora Freeman (for Karla Teasley) - Credits to monthly customers resulting from the billing windows problem is going smoothly. Credits were issued last week. There was a kick-off meeting of the monthly billing pilot team this morning. Nora will recruit a representative from MSD to serve on the monthly billing pilot team.

Bill Meeks – Training assessments are underway. They are moving forward with the Ideaport, which Bill described as a high-tech suggestion box to increase process improvements.

John Huber commented on the Cross Connection team's recommendation to assess \$65 per commercial customer, generating approximately \$1.8 million. Bob Miller feels strongly that no assessment be made, but that the cost should be covered in rates across the customer base.

Susan Lehmann mentioned the joint charitable giving campaign will be held September 18-29.

Bin List and Agenda

Bill Meeks will be out of the office next week. Bob Miller volunteered to lead the ELT meeting. Bill will send out the agenda.

Adjourn

ELT Meeting Minutes July 31, 2006

Attendees: Bob Miller (Leader), Ed Chestnut, Greg Heitzman, John Huber, Karla Teasley

Absent: Barbara Dickens, Susan Lehmann, Bill Meeks

Visitors: Kathie Johnson (Recorder), Jim Asseff, Carl Blanton, Jim Brammell, Harold Hunt, Sharon Dawson, Nora Freeman, Tammy Raley,

Review Minutes and Agenda

The minutes from the July 24, 2006 ELT meeting were reviewed. Susan Lehmann was absent from the meeting, but later provided the following changes to her Roundtable Update, beginning with the second sentence of the update:

"The greatest need is in the Call Center and **Customer Service**. Interviews will begin in August **for the union vacancies**, and 7 union positions will be filled in the **September** timeframe; another 7 or 8 union positions will be filled by the end of the year, **budget permitting**." *(Changes indicated in bold text.)*

Today's agenda was reviewed and approved.

Metered Water Ratio Team Action Plan Update

Tammy Raley reviewed results of the 2005 water audit compared to the 2004 water audit. Results using the Infrastructure Leakage Index (ILI) Performance indicators showed an improvement over the 2004 water audit of 0.65% primarily due to changes in the method for estimated unmetered water usage. Harold Hunt reviewed the basis for changing the method for estimated water loss due to fire hydrant testing and water main breaks. Kate Farrow reviewed the basis for changing the method for estimated water loss due to slow meter registers. John Huber noted that the best opportunities for improving the Infrastructure Leakage Index may be through acceleration of the meter exchange program. Sharon Dawson stated that the program was on track with most action items. John Huber encouraged the team to continue putting more emphasis on 1-1/2" and larger. Greg Heitzman commented on the good documentation that was provided.

Facility Design, Construction and Maintenance System Certification

Carl Blanton reviewed the findings cited in the certification audit and steps taken by the system to address the issues for the Facility Design, Construction and Maintenance System. Jim Asseff said he agreed with all the recommendations that were made in the certification audit. Jim Brammell said he believed the findings were appropriate and should be easy to remedy. Jim Brammell recommended the system be certified, and ELT agreed to the System Certification of the Facility Design, Construction and Maintenance System.

ELT congratulated Jim Asseff on a very successful career with LWC. Jim is retiring effective August 1 2006.

Open Time

Monthly Billing Update – Karla Teasley reported that Paul Hollinsead of MSD will participate on the Monthly Billing Team.

Boil Water Advisory – Greg said the BWA issued for parts of Eastern Jefferson County is affecting about 5,000 customers. Investigation into the cause of the pressure failure is continuing.

Meeting Adjourned

**ELT Meeting Minutes
August 7, 2006**

Attendees: Bob Miller (Leader), Ed Chestnut, Barbara Dickens, John Huber, Susan Lehmann

Absent: Greg Heitzman, Bill Meeks, Karla Teasley

Visitors: Kathie Johnson (Recorder), Carl Blanton, Jim Brammell (for Greg Heitzman), Vince Guenther (for Karla Teasley), Amber Halloran, Vince Monks, Scott Muhlenbeck, Janet Muller, John Ralston, Jim Smith, Rengao Song, Jack Wang

Review Minutes and Agenda

The minutes from the July 31, 2006 ELT meeting were reviewed and approved. Today's agenda was reviewed and approved.

Cross Connection Control Program

Vince Monks distributed a PowerPoint presentation regarding the Cross-Connection Control Program for commercial and industrial customers. Vince cited some instances where serious contaminants can enter a distribution system as a result of cross connections from back pressure or back siphonage. Three options for an enhanced Cross Connection Control Program were offered in the presentation, and the team recommended Option B, which is a full risk assessment to be completed in three years or less. A few changes to the presentation were suggested by ELT members. The funding method is still to be worked out. ELT agreed that Option 2 was the most appropriate approach. The team is on track to present its recommendation to the Board at the September meeting.

Infrastructure Planning System Certification

Carl Blanton commented the certification audit for the Infrastructure Planning System went very well. There were two recommendations made and have already been implemented. Jim Brammell and Carl recommended the system be certified, and ELT concurred.

Diversity Expo

Janet Muller discussed the Diversity Expo, and asked ELT to solicit donations from restaurants, etc. for prizes at the event. She will also ask the BSOC to solicit donations of prizes. Janet asked ELT to provide her with any ideas for activities/entertainment at the Expo.

Shared Goals

Ed Chestnut distributed 2Q shared goals results, to be reviewed by ELT in a future meeting. Ed noted the goals inventory of benchmarking data for 2005 is preliminary. Results for ELT Shared Goal Objective E on Hiring and Promotions will be presented by the BSO-Human Resources at a future ELT meeting.

Adjourn

**ELT Meeting Minutes
August 14, 2006**

Attendees: Bill Meeks (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Amber Halloran, Scott Muhlenbeck, Don McKay

Review Minutes and Agenda

The minutes from the August 7, 2006 ELT meeting were reviewed and approved. Today's agenda was reviewed and approved.

Review Board Agenda

John Huber discussed the Board agenda. Most of the discussion will involve special issues and growth strategy. Wendy Welsh will be absent, and Joe Wise will present the Audit Committee report.

Review Operating Performance

Amber Halloran and Scott Muhlenbeck presented financial results for the month of July. Amber will furnish a report on labor and overtime expense.

Executive Delegation and Succession for Pandemic Illness Planning

Don McKay distributed and discussed a presentation on Business Continuity Planning in the event of widespread employee unavailability due to illness, natural disaster, or chemical, biological or radiological events. Don discussed the LWC teams currently working to have a response plan prepared by the end of September, 2006.

Don asked the ELT, as the Executive Delegation & Succession Team, to develop and document an emergency pre-delegation plan for all officers, with documented parameters of authority and accountability to be delegated. ELT is also to develop and document a two-level succession plan for all company officers for the duration of the crisis, with documented criteria for implementation and termination of succession. Delegation assumes the return of the sick employee; succession assumes the employee is not returning. Bob Miller will furnish an example of the delegation and succession documents, and will schedule a meeting to discuss further.

Don commented the overall success of continuity planning depends on each team's commitment to the process.

Agenda and Bin List

Bill Meeks will develop and send out the next agenda.

Adjourn

ELT Meeting Minutes
August 21, 2006

Attendees: Bill Meeks (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Amber Halloran, Roger LeMaster, Janet Muller, Kathy Schroeder

Review Minutes and Agenda

The minutes from the August 14, 2006 ELT meeting were reviewed. At Karla Teasley's suggestion, the second sentence was omitted from the paragraph under the heading, "Review Operating Performance." Today's agenda was reviewed and approved.

Outreach and EEO/AA Information

Kathy Schroeder distributed and discussed a summary of EEO/AA activity for the 2nd Quarter of 2006. Janet Muller discussed the Outreach efforts during the 2nd Quarter, in which two new recruiting resources were added.

Diversity Expo

Janet Muller appealed to ELT to solicit prizes to give away at the Diversity Expo, and extended the deadline for such prizes to September 8. Janet will send a letter to each prize donor acknowledging their gift.

Procurement Card Controls

Amber Halloran and Roger LeMaster discussed issues with Procurement Cards. There are 246 pro-cardholders, each having a per purchase limit, and per month limit. Amber said a significant issue is getting manager approval of monthly charges. A team is looking at the pro-card process to make revisions and reduce the number of cardholders. Roger LeMaster has begun an audit, and is looking at the appropriateness of charges, approvals, accountability, non-compliance, etc. The pro-cards are a great tool, but the program must have stringent controls and be carefully managed. Amber will furnish a YTD report of employee spending using pro-cards, by area, to help managers make decisions to cut unneeded pro-cards, or tighten pro-card limits.

Open Time

Customer Advisory Group – Crescent Hill Water Treatment Plan – Greg Heitzman updated ELT on the meeting he and John Huber attended today with the Customer Advisory Group regarding issues in locating a chlorine plant at Crescent Hill. The Advisory Group is appealing to LWC to use the south side of the property instead of the north side. This may be feasible with some retrofitting and resolution of ingress and egress issues. Greg said he expects to bring the matter to the Board on September 19.

Strategic Planning Meeting Canceled

The Strategic Planning meeting is canceled for August 28. John Huber asked if the BSOs had what they needed from the Strategic Plan for budgeting purposes. Greg suggested an exercise be added to the Bin List for sometime in October-November to identify gaps for unfunded initiatives or changing priorities. John mentioned the importance of planning for knowledge management and being a learning organization in anticipation of upcoming retirements.

Agenda and Bin List

Bob Miller suggested the next ELT agenda be used to discuss the delegation and succession documents to be used in the event of widespread employee unavailability. Bill Meeks will develop and send out the agenda and bin list for the next ELT meeting.

Adjourn

ELT Meeting Minutes August 28, 2006

Attendees: Bill Meeks (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, Bob Miller, Karla Teasley

Absent: John Huber, Susan Lehmann

Visitors: Kathie Johnson (Recorder), Carl Blanton, Spencer Bruce, David Collier, Amber Halloran, Don McKay

Review Minutes and Agenda

The minutes from the August 21, 2006 ELT meeting were reviewed. At Greg Heitzman's recommendation, the second and third sentences were deleted under the Strategic Planning Meeting heading. The minutes were approved with that change.

Inventory Management Update

Spencer Bruce discussed a draft letter addressed to the Audit Committee regarding results of the annual physical inventory conducted June 8-10. Spencer noted the inventory was done without the benefit of bar code technology. He discussed steps being taken to improve the warehouse processes, educate staff, and better account for inventory. The next action will be to present the inventory information to the Audit Committee.

Executive Delegation and Succession

Bob Miller presented the documents he provided related to delegation of management authority and accountability during an extended absence. The documents included procedures, a flowchart, and an Empowerment and Accountability Matrix, using the Vice President-Treasurer position as an example. Bob Miller will make changes recommended by ELT, and will re-distribute the documents to the Vice Presidents electronically for their use as a template in delegating their responsibilities. This information will become a part of the Emergency Response Plan. The Vice Presidents will provide a matrix of their responsibilities to Don McKay by September 15th. Bob Miller will work with John Huber to prepare a matrix of the President's responsibilities.

Agenda and Bin List

There will be no ELT meeting during the week of September 4 due to the Labor Day Holiday. The September 11 meeting will be held as usual. The September 18 meeting will begin at 1:00 instead of 1:30, and will be moved to another location due to a Compensation Committee meeting in the Board Room at 2:30. Bill Meeks will send out the agenda for the September 11 meeting.

Adjourn

ELT Meeting Minutes September 11, 2006

Attendees: Bob Miller (Leader), Ed Chestnut, Barbara Dickens, John Huber, Greg Heitzman, Karla Teasley

Absent: Susan Lehmann, Bill Meeks

Visitors: Kathie Johnson (Recorder), Carl Blanton, Amber Halloran, Sue Purdy

Review Minutes and Agenda

The minutes from the August 28, 2006 ELT meeting were reviewed and approved. The agenda for today's meeting was approved.

August Financial Reports

Amber Halloran and Sue Purdy presented a high level review of financial results for August. Amber discussed preparations for the budget meetings to be held Thursday and Friday.

Open Time

Turn-Offs/Turn-Ons – Karla Teasley said the threshold will be changed. Implementation of the change is planned for later in the week. The change is expected to affect labor costs and may also affect bad debt. Karla said controls may need to be tightened before water service is turned on for new customers.

Status of Search for New President - John Huber said the Search Committee consists of Joe Wise, Rick Johnstone and Stewart Conner. There were 6 - 7 respondents to the RFP for a search firm, which was narrowed down to 3 search firms. The committee will select a search firm, and then develop a job description.

ELT Diversity Expo Skit – Bob Miller discussed his idea for a performance by ELT at the Diversity Expo. ELT agreed to perform the material developed by Bob.

Agenda and Bin List

Items to be added to the bin list:

- CPAC presentation of 2007 budget
Presenter – Jim Brammell
- Status of Policies and Procedures Development
Presenter – Barbara Dickens
- System Certification of Managing Water Quality and Production
Presenter – Greg Heitzman, Jack Wang, Carl Blanton

Bill Meeks will develop and send out the next ELT Agenda.

Adjourn

**ELT Meeting Minutes
September 18, 2006**

Attendees: Bill Meeks (Leader), Ed Chestnut, Barbara Dickens, John Huber, Greg Heitzman, Susan Lehmann, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Amber Halloran, Kathy Schroeder

Review Minutes and Agenda

The minutes from the September 11, 2006 ELT meeting were reviewed. Karla Teasley made a minor edit to the first sentence under the heading of "Turn-Offs/Turn-Ons." The amended minutes were approved. The agenda for today's meeting was amended to allow for a discussion of ways to reduce the 2007 budget. Bob Miller said his agenda item can be covered in email, and he will email the IT Steering Committee/COBIT information to ELT for review.

Board Agenda

John Huber briefly reviewed the BOWW agenda. Approximately three visitors from the Crescent Hill Customer Advisory Group are expected to attend regarding the proposal for locating the chemical storage facility at Crescent Hill.

Budget Discussion

Greg Heitzman discussed the approach to identifying \$1.25 million in budget reductions for 2007. The Vice Presidents began discussion of potential reductions during this meeting, and will continue at another meeting on Wednesday afternoon, September 20, to complete the budget work. Greg Heitzman, Bob Miller and Amber Halloran will meet with John Huber on Monday, September 25, to discuss the recommended budget reductions.

Bin List and Agenda

Bill Meeks will send out an agenda for the next meeting.

Adjourned

**ELT Meeting Minutes
September 25, 2006**

Attendees: Bill Meeks (Leader), Ed Chestnut, Barbara Dickens, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Absent: Greg Heitzman

Visitors: Kathie Johnson (Recorder), Eric Ayers, Jim Brammell, Spencer Bruce, Ron Green, Amber Halloran, Lynn Humphrey, Mike Isgrig, Brad McBride, Dallas Morrow

Review Minutes and Agenda

The minutes from the September 18, 2006 ELT meeting were reviewed and approved. The agenda for today's meeting was approved.

MDO Fire Hydrant Program

Eric Ayers, Brad McBride and Dallas Morrow presented an overview and current status of the MDO Fire Hydrant Program. The team's focus is to maintain fire hydrants to documented specifications, using the NWT and quality tools to identify and make improvements in the program. Operational excellence is achieved through the application of standard operating procedures, benchmarking industry practices, employee involvement and customer interaction. Their goal is to increase fire hydrant availability to 99.9% or better, and they are currently at 99.88%. The team currently services about 5,000 hydrants each year with a goal to service 7,500 hydrants in 2007. Dallas Morris discussed an innovation the team designed to keep hydrant barrels dry through the use of a buried drain tank system. This system will prevent freezing in the hydrant during cold weather. The team was congratulated on the use of quality tools in their process and their commitment to the success of the program.

Good Faith Bidding Program

Amber Halloran and Ron Green discussed improvements in the good faith bidding program. Ron Green reviewed the current GFE process and said they continue to look for improvements in the process.

Bin List and Agenda

ELT Leadership passes to Susan Lehmann next; however, she will be absent from the meeting next week. Bill Meeks volunteered to serve as leader on October 2. Bob Miller asked that the focus of the next ELT meeting be on the Capital and O&M budget update. Susan Lehmann will send out an agenda for the next meeting.

Adjourned

**ELT Meeting Minutes
October 2, 2006**

Attendees: Bill Meeks (Leader), Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bob Miller

Absent: Ed Chestnut, Karla Teasley

Visitors: Kathie Johnson (Recorder), Jim Brammell, Vince Guenther, Amber Halloran, Bruce Mingus, Kathy Schroeder, Jim Smith

Review Minutes and Agenda

The minutes from the September 25, 2006 ELT meeting were reviewed and approved. The agenda for today's meeting was approved.

Capital Budget Review

Jim Brammell provided background information on how the capital budget for 2007 was developed. Liaisons have been assigned to work with operating areas to better define project scopes of work.

Jim Smith provided a handout regarding the 2007 Capital Improvement Plan. The 2007-2016 CIP includes \$74.2 million in funding for 2007. Approximately 90% of that amount is for projects currently under design or construction. Funding for the 2007 plan was reduced by \$20 million from the amounts anticipated in the 2006 bond issue and CIP. The reduction resulted from cash flow adjustments and deferrals of transmission projects intended to improve system reliability and redundancy. John Huber asked if the problem has been resolved of who performs the value engineering analysis for projects. Jim Brammell indicated improvements have been made but the process is still being refined. Mr. Huber also commented that with a strategy where the focus is on growth instead of reliability, risk management becomes very important.

A follow-up action is to further assess the three transmission mains being deferred. Amber Halloran, Jim Brammell, Jim Smith and Ralph McCord will look at the Cardinal Hill Secondary Transmission Line and the Wolf Pen Branch 36" Transmission Line and portions of the Gene Snyder Transmission Line.

2007 O&M Budget Review

Amber Halloran distributed and discussed information regarding the 2007 budget. Assumptions for 2007 include budgeted water consumption of 38,200,000 and a rate increase of 6.5%. LRO continues to increase. Pension expense is up 25% over 2006 due to increased CERS rates. Mr. Huber requested a revised analysis of the rate equalization dates that were computed upon acquisition of the Goshen, Shepherdsville, and Kentucky Turnpike water systems.

Agenda and Bin List

Susan Lehmann will send out the agenda and bin list for the next meeting.

Adjourned

**ELT Meeting Minutes
October 9, 2006**

Attendees: Bill Meeks (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy

Review Minutes and Agenda

The minutes from the October 2, 2006 ELT meeting were reviewed and approved. The agenda for today's meeting was approved.

Review Board Agenda

John Huber reviewed the agenda. He commented it would be important to have thorough communication regarding the rate increase and budget, and to communicate the reasons for the 6.5% rate increase. An expectation should also be set that if we experience improved revenues in 2007, work may begin on some previously deferred items.

Financial Highlights for September 2006 (Greenbacks Report)

Amber Halloran and Sue Purdy distributed and discussed financial results for September. YTD water consumption was 720 million gallons lower than budget. Consumption for the month was 394 million gallons lower than budget.

Status of Policy and Procedures Development

Barbara Dickens distributed information on the current status of corporate policies and related procedures. She stated that Spencer Bruce and Jack Wang wanted procedures development to be uniform and had developed a standard procedure that could be used in other business systems. Karla Teasley suggested the BSOC should be consulted for input, and Barbara agreed to discuss this at the next BSOC meeting. Karla Teasley will discuss with John Huber whether there is a need for both a Business Development policy and a Regionalization (Business Development/Expansion) policy.

Open Time

RBI – Greg Heitzman said the RBI project bid opening will be moved to November 8 to allow California contractors to bid. A special board meeting will be scheduled during the last week in November for the purpose of approving a contract on RBI, Phase II.

Risk Based Decision Support – Bob Miller discussed the benefits of risk based decision making, and offered support to those needing assistance in building plans to reduce risk. He said risk assessments are intended to create actionable items that reduce risk, and can become part of the operating plan.

MSD Negotiations – Karla Teasley said meetings will be held soon with MSD to discuss the future billing arrangement.

Adjourned

ELT Meeting Minutes
October 16, 2006

Attendees: Barbara Dickens (Leader), Ed Chestnut, Bill Meeks, Bob Miller, Karla Teasley

Absent: Greg Heitzman, John Huber, Susan Lehmann

Visitors: Kathie Johnson (Recorder), Roger LeMaster, Kathy Schroeder

Review Minutes and Agenda

The minutes from the October 9, 2006 ELT meeting were reviewed. Barbara Dickens modified the second and third sentences under the Policies and Procedures Development topic to read as follows:

“She stated that Spencer Bruce and Jack Wang wanted procedures development to be uniform, and had developed a standard procedure that could be used in other business systems. Karla Teasley suggested the BSOC should be consulted for input, and Barbara agreed to discuss this at the next BSOC meeting.”

The agenda for today’s meeting was approved.

Internal Control Survey

Bob Miller and Roger LeMaster discussed Roger’s memo to ELT on Management’s Response to the 2005 Internal Control Questionnaire. ELT discussed the proposal for CBSOs to meet with the System Advisory Councils regarding management’s response to opportunities for improvement. ELT agreed with the approach described in the memo. Karla Teasley discussed similarities between the OEI and the ICQ. She will discuss these similarities with Carl Blanton and how to communicate OEI results.

Executive Information for Daily Dashboard Measurement

Bob Miller and Ed Chestnut discussed their recommendation that key operational data (corporate measures and strategic measures) be prepared in a consistent and meaningful format and posted on the intranet, and updated as new data becomes available. The data would be presented with key performance indicator results, history, forecast, control limits, goals and trends. Bob and Ed will come back to ELT with examples of how the corporate measures data will be presented.

Open Time

AMR Fixed Network - Karla Teasley said Neptune is partnering with Hexagram on an AMR fixed network. Neptune/Hexagram will be at LWC on Wednesday, October 18 to discuss integration of the fixed network into the AMR system.

Agenda – Bob Miller will send out the next ELT agenda.

Adjourned

**ELT Meeting Minutes
November 6, 2006**

Attendees: Susan Lehmann (Leader), Barbara Dickens, Greg Heitzman, John Huber, Karla Teasley, Bill Meeks

Absent: Ed Chestnut, Bob Miller

Visitors: Kathie Johnson (Recorder), Diana Smith-Cohen, Sherry Dukes, Don McKay, Janet Muller, Kathy Schroeder

Review Minutes and Agenda

The minutes from the October 30, 2006 ELT meeting were approved as written.

Shared Hiring Goal

Kathy Schroeder discussed the EEO/AA 3rd Quarter Executive Summary she provided to ELT. There was one hiring opportunity in the 3rd quarter, and we met our goal with a minority hire in the Administrative Supervisory Group. For the total company, we are 15 over market for minorities, and 24 over market for females.

Janet Muller discussed efforts to provide a diverse pool of applicants. She met with a representative of the Urban League Workforce Development office to discuss improvement in the quality of referrals. She also discussed the possibility of hiring blind candidates experienced as customer service representatives. Employment of blind candidates would require the addition of new computers and "window eyes." Chris Goodloe is in the process of acquiring new PCs to test the use of "window eyes."

Barbara Dickens distributed a memorandum to ELT, Re: Boundary Conditions for Reliance Upon A Protected Category to Further Diversify our Workforce. Barbara discussed the legalities of using race or gender as a basis for making hiring decisions. She recommended LWC continue to focus its efforts on value-added minority and women recruitment efforts whereby qualified individuals are in the pool of candidates for available positions in the company.

Evaluation of Monthly Billing

Diana Smith-Cohen distributed a PowerPoint Presentation on a proposed monthly billing pilot in AMR service areas. The pilot is planned to begin in March 2007. The demographics of the AMR service areas are seen as a good cross section of customers for analysis. Among the benefits of monthly billing is the regularity of the bills that might encourage EFT payments, and smaller bills that are easier to pay. MSD is participating on the team so they will understand the advantages/disadvantages of monthly billing. The team will make their presentation to the BOWW Public Affairs and Customer Satisfaction Committee on Tuesday, November 7.

Open Time

CEO Search – Susan Lehmann reported the search firm was selected in September, and the BOWW Search Committee will discuss the search criteria with the Mayor. Susan expects the

search to begin in November and December. Internal and external candidates will be considered.

360 Update – Susan Lehmann discussed the need to complete 360 reviews by November 10.

EPA Full Cost Workshop – John Huber reported on his participation in the EPA workshop held at Michigan State University last week. The workshop's focus was on charging the full cost of water. EPA's estimate of the funding gap projects rates of CPI plus 3% will be required to close the funding gap. The group was organized by the EPA and consisted of representatives from water utilities, wastewater utilities, public service commissions, economists and rate experts. There was also a consumer advocate in the group. LWC's situation with decreased consumption per household and per capita is seen as the norm for the industry. Utility regulatory commissions and economists expressed concern regarding water utilities getting into other lines of business. EPA plans to further advance conservation, and Midwestern and Eastern utilities need to recognize and align to deal with the long term effects of conservation. De-coupling a higher fixed cost piece of the water bill from decreased variable income was discussed. Global warming and climate change is expected to continue, with arid climates experiencing more severe droughts, and severe storms and large rainfall events are projected to be more severe. How do we embrace conservation and adjust our marketplace to reflect these anticipated events?

Adjourn

**ELT Meeting Minutes
November 13, 2006**

Attendees: Susan Lehmann (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Bob Miller, Karla Teasley

Absent: Bill Meeks

Visitors: Kathie Johnson (Recorder), Carl Blanton, Jim Brammell, Amber Halloran, Ralph McCord, Sue Purdy, Jack Wang

Review Minutes and Agenda

The minutes from the November 6, 2006 ELT meeting were approved. The agenda was reviewed and approved.

Review Board Agenda

John Huber reviewed the BOWW Agenda. An RBI award is being recommended for approval by the Board. If the BOWW takes action on the RBI award, the November 28 Special Board Meeting may be canceled. The Audit Committee report will be presented.

Review Operating Performance (Greenbacks Report)

Amber Halloran and Sue Purdy reviewed October financial results with ELT. Consumption is 1 billion gallons lower than budget through October, and 2.2 billion gallons lower than the same period in 2005. Water revenue through October 2006 is \$107,000 lower than last year, and \$2.6 million lower than budget.

Water Quality and Production System Certification

Carl Blanton concluded his review of this system in September. He commended the group for placing its documentation on the intranet in an easily accessible, easily navigable format. Jack Wang discussed the action being taken to implement recommendations made with respect to training needs, knowledge transfer, SOPs, etc. Greg said if the SOE's recommendation for on-the-job training and knowledge transfer for Maintenance Mechanics can be effected, he recommended certification of the Water Quality and Production System, and ELT agreed.

Pipeline Design & Construction System Certification

Carl Blanton reported there were no specific recommendations for this system. He commended the system for its thorough documentation and encouraged them to place the documentation on the intranet. Ralph McCord indicated that would be done. Greg Heitzman discussed the effect the reorganization had on this group, and said the group was a great success story. Jim Brammell recommended the Pipeline Design & Construction System be certified, and ELT agreed. The system will remain on a two-year certification schedule.

Open Time

Industry Talk: John Huber briefly discussed some topics he's been hearing about in the industry, including the efficient use of capital -- privately held companies vs. others, including regulated companies. Some believe privately held companies are doing better, and some believe regulated companies have more efficient use of capital. What is the appropriate level of operating risk? What level of back up facilities and investment is needed for reliability? What is the plan horizon?

Strategic Plan Powerpoint Presentation: Susan Lehmann mentioned the PowerPoint presentation was emailed by Vince Guenther to the Strategic Planning Team last week and CBSO's and VP's should rollout this communication to their employees by year end. If anyone anticipates issues with getting this completed, please talk to Susan.

Adjourned

**ELT- Strategic Planning Meeting Minutes
November 20, 2006**

Attendees: Susan Lehmann (Leader), Jim Brammell, Ed Chestnut, Barbara Dickens, Vince Guenthner, Amber Halloran, Greg Heitzman, John Huber, Bob Miller, Jim Smith, Karla Teasley

Absent: John Huber

Visitors: Kathie Johnson (Recorder)

Review Minutes and Agenda

The minutes from the November 13, 2006 ELT meeting were approved.

Strategic Planning Unfunded Gaps for 2007:

Strategy I – Water Quality

Distribution System Water Quality – Increase knowledge and expertise for water quality in distribution system area (\$75,000 to \$100,000 gap for FTE).

Advanced Treatment Technology at BE Payne and Crescent Hill Filter Plant Contract Administration for RBF – For the first two dot points under this topic, the estimate is a one-half FTE gap, which could be resolved through reprioritization or reallocation of internal resources.

Treat and Produce High Quality Water – There is an ISO funding gap. To have someone come in and do an assessment is estimated at \$15,000 to \$20,000.

Expanded Cross Control Protection – This could be resourced with 3 to 4 part time employees. It is planned to be funded with a fee based structure to be presented to the Board in March 2007.

Strategy II – Customer Satisfaction

Monitor and Address Affordability Issues – This includes monthly billing \$20,000 gap. Budget billing to be tied into the affordability issues. Budgeted gap at this time is uncertain.

Customer Education Program – This includes school programs and additional bottles \$50,000 gap if funded at full level

Timely Electronic Mass Communications – No specific plan in place. Potential gap.

Outdated Website - \$10,000 – \$20,000 gap. May look at using City's facility as a host. There remains an issue of who manages the site. One-half of a position,

which could be part time. Greg feels we need to have a web-based strategy in 2007 to leverage technology in an integrated approach.

Consulting Services for Application Development - \$15,000 gap as it relates to application development of GIS and ties into web-based applications.

Summary Billing Capacity - \$40,000 gap. Summary billing is for multiple locations broken down into 3-4 location systems.

Strategy III - Synergy

Ed Chestnut distributed a matrix of Synergy Opportunities. He said items 1, 2, 4 and 5 can be absorbed into internal resources. He asked ELT, specifically, the areas of responsibility, to look at the first item under No. 3 and let him know what the gaps are.

Vince Guenther commented we need a coordinated approach on how to implement some of the strategies under No. 4, "Develop local government and utility planning group for project planning and operational needs."

Strategy V – Growth

Economic Development - Bob Miller recommended LWC consider providing funding to governmental agencies for property acquisition in Jefferson County. The funding gap would be in funding and interest costs. Another potential strategic gap is a shortage of water transmission and sewer and treatment facilities in Southern Indiana to facilitate growth. Bob believes the best approach would be to develop concepts inhouse regarding the corporate structure and authority to do these kinds of things and then have them peer reviewed with other utilities who have achieved this.

Horizontal and Vertical Integration - There are gaps for future years related to dedicated resources for strategy innovation and business development. Internal and external resources will be needed to establish and maintain customer information, expertise and technology related to or impacting the water industry.

Barbara Dickens commented this will get us started, but there are not enough resources to get it done. There is a gap in coordinating opportunities and a long-term gap in having dedicated resources necessary for research and development.

Amber Halloran distributed a list of unfunded initiatives for consideration in 2007 that was developed by the BSOC. Greg suggested taking Ed's template as a tool for the BSOs to identify 2007 gaps and future year gaps. Amber will take this list of strategic items and have the BSOs prioritize the list.

Strategy IV – Organizational Effectiveness – Diversity measurement tool - \$16,000 gap for the first year of measures. Cost of \$20,000 to \$30,000 to replace Performance Impact System in 2008.

Bin List

Bob requested further discussion at a future meeting of who will release funding for items on the prioritized list developed by the BSOs (i.e., what is the process, and who approves the release of funding?) This item will be added to the bin list for future discussion.

Adjourned

**ELT Meeting Minutes
November 27, 2006**

Attendees: Susan Lehmann (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder)

Review Minutes and Agenda

The minutes from the November 20, 2006 ELT/Strategic Planning Meeting were reviewed and approved.

Preliminary Discussion of 2007 Goals:

2007 ELT Shared Goals –

- A. Implement 2007 Capital Improvement Program - Greg will work with Amber and Bob on the numbers for the goal statement. John asked them to develop a long-term goal and how it can be achieved.
- B. Create New Business Strategies to Ensure Revenue and Profitability – Susan suggested this could be a long-term goal with tasks to be completed in 2007. Greg, Karla and Bob will work on a task-related goal.
- C. BE Payne RBF III and CHFP Advanced Treatment Phase III – Bob suggested adding a risk monitoring element for Phase III, and said it may also be timely to update the economic analysis for Phase III. Greg said that the updated economic analysis might be a 2008 activity. Greg will discuss with Jack Wang and Kay Ball.
- D. Metered Water Ratio (MWR) Improvements – Karla will ask Nora Freeman to update the goal based on planned 2007 activities.
- E. Part 1 - M/WBE Spending Goal – Bob recommended that the goal should be updated to move the goal further towards the long term levels of 15% MBE spending and 5% WBE spending. He will update the metrics based on MBD Team recommendations for what is attainable and bring it back to ELT.
Part 2 – Hiring and Diversity Goal – Susan Lehmann recommended no changes be made to the goal, and ELT agreed.

Bob suggested six new goals topics for consideration:

- 1. Dashboard/standardize measurements.
- 2. Activity-based costing.
- 3. Business continuity planning.
- 4. IT Strategic Plan update.
- 5. Internal controls documentation/testing.
- 6. System certification components

The ELT picked disaster recovery and business continuity planning to add to the goals. A question to be answered is whether business continuity planning will encompass the IT Strategic Plan update. Bob will draft the proposed goal and bring it back to ELT for discussion.

2007 Incentive Plan Goals -

The Light Switch Goal statement/objective will not be changed. The measures will be reviewed.

- I. 2007 Net Operating Income – No goal statement/objective change recommended. The measures will be reviewed.
- II. Customer Needs and Expectations –ELT supported the goals as presented. Karla will revisit the goal after reviewing the 4th quarter CSI results.
- III. Reduce Microbial Risk/Become Compliant with EPA Partnership for Safe Drinking Water – Greg will incorporate ATT and Cross Connection program objectives and make them quantifiable.
- IV. Perform Work More Productively – Bob will review the goal to determine the appropriate denominator to use for this measure.
- V. Quality of Worklife – Susan will review the job satisfaction portion of this goal to determine which instrument may be used to provide this measure. Bob will review and update the vehicular accidents/lost-time injury portion.

Corporate Performance Award – Will be discussed at a future meeting.

Bin List and Agenda

ELT will use the December 18 ELT meeting to again review goals. Susan Lehmann will email the agenda for the December 4 meeting.

Adjourned

**ELT Meeting Minutes
December 4, 2006**

Attendees: Susan Lehmann (Leader), Ed Chestnut, Barbara Dickens, John Huber, Bill Meeks, Bob Miller, Karla Teasley

Absent: Greg Heitzman

Visitors: Kathie Johnson (Recorder), Eric Ayers, Spencer Bruce, Amber Halloran,

Review Minutes and Agenda

The minutes from the November 27, 2006 ELT Meeting were reviewed and approved. The agenda for today's meeting was reviewed. The topic of Funding Gaps will be deferred until January to allow discussion at today's meeting of November revenue results.

Winter Plan Presentation

Spencer Bruce gave an overview of the 2006 Winter Plan, i.e., levels of emergency, crews, authorizations, etc. The plan includes four levels of emergency: Emergency Levels 1 and 2 will be declared by the BSO-Distribution Operations, Level 3 will be declared by the Senior Vice President – Chief Engineer, and Level 4 will be declared by the President. Mr. Huber asked whether new Call Center employees had been given enough training to answer questions from customers during a winter emergency. Spencer said training has occurred. In answer to Bob Miller's inquiry, Spencer said the Radio Room still runs a paper system that backs up MDS in the event of a breakdown of the MDS system. Bob will check on the sufficiency of inbound telephone lines.

ELT Representation on Teams

ELT reviewed the list of Board, ELT and BSO Team Assignments for 2006-07 and recommended changes. Susan Lehmann will update and redistribute the list to ELT.

Bob will provide ELT a status update on Pandemic Planning for Louisville Water Company.

November 2006 Revenue Results

Revenue results for November are \$1.5 Million under budget. November is a month where significant variances from budget do not normally occur. Amber Halloran and Nora Freeman discussed possible reasons for this anomaly, and they suspect it is due to the billing cycle schedule. Other issues may include decreased consumption, the budget spread and decreased pumpage. Communication to the Mayor's office is required this week regarding the dividend payment. We should communicate LWC has experienced a greater than expected revenue shortfall that may affect the dividend payment. More analysis needs to be done.

Open Time

CEO Search – Susan Lehmann reported that Battalia Winston was in last week for meetings with the Search Committee, the Mayor, and John. The firm has vast experience and capabilities.

The team was reminded the December 11 ELT has been rescheduled to 10:00 a.m. that morning because of the diversity session at YUM! in the afternoon.

ELT Agenda

Susan will email the agenda for next week's meeting.

**ELT Meeting Minutes
December 11, 2006**

Attendees: Susan Lehmann (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Karla Teasley

Absent: Bob Miller

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy

Review Minutes and Agenda

The minutes from the December 4, 2006 ELT Meeting were reviewed and approved. The agenda for today's meeting was reviewed.

November Financial Results (Greenbacks)

Amber and Nora Freeman are doing analysis of the billing cycle problem where under billing negatively affected November revenue. They expect the analysis to be completed this week. She said most accounts would be billed for less than 365 days at year end unless additional billings are made. Additional billings will be made, and care will be taken to assure no over billing of service charges. This handling has been reviewed with our external auditors.

Amber Halloran presented and discussed the November financial results. She said the dividend will be declared as budgeted. Mr. Huber requested an explanation be provided regarding wholesale customers' consumption due to the 2007 water rate increase. Wholesale customers' cost of service increased due to their consumption budget, while LWC's consumption decreased. Scott will follow up on whether the decrease in consumption by Oxyvinyl is a result of their intended use of well water.

BOWW Agenda

Mr. Huber reviewed the agenda, and reminded everyone of the need for concise reports.

ELT Agenda

Susan will email the agenda for next week's meeting, at which work will continue on the 2007 goals.

Adjourn

**ELT Meeting Minutes
December 18, 2006**

Attendees: Susan Lehmann (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Karla Teasley

Visitors: Kathie Johnson (Recorder), Janet Muller

Review Minutes and Agenda

The minutes from the December 11, 2006 ELT Meeting were reviewed and approved. The agenda for today's meeting was reviewed.

Business Case for Diversity

Janet Muller gave a presentation on the business case for diversity, and distributed an article providing a portrait of area immigrants. LWC's customer base has become and will continue to become more diverse with the influx of ethnic minorities. Ethnic minorities are 16% of the population in LWC's service area. The Hispanic/Latino population is now represented in all 120 Kentucky counties and will continue to grow. LWC will need to position itself to deal with the changing demographics of its customer base in order to meet its strategic goals. Janet feels the next steps should include creating a team comprised of representatives of the Diversity Council, ELT, Purchasing, and Ron Green to develop a plan.

ELT Shared Goals

ELT continued their review of the ELT Shared Goals. Ed Chestnut made changes to the goals worksheet during the discussion. The Goals Review will be continued during the next ELT meeting.

Bin List and Agenda

Barbara Dickens becomes ELT Leader in January. Barbara will email the agenda for the next meeting.

Adjourn

**ELT Meeting Minutes
January 8, 2007**

Attendees: Barbara Dickens (Leader), Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller, Karla Teasley

Absent: Ed Chestnut

Visitors: Kathie Johnson (Recorder), Barbara Crow, Amber Halloran, Scot Muhlenbeck, Sue Purdy

ELT Photo

Barbara Crow coordinated shooting a photograph of ELT for the 2006 Annual Report.

Review Minutes and Agenda

The minutes from the December 18, 2006 ELT Meeting were reviewed and approved. The agenda for today's meeting was reviewed.

Review of December 2006 Financial Results

Amber Halloran discussed revenue results. She commented revenue was lower than anticipated. She is working with the Metering/Billing area to assure everything was billed. Bob Miller said an analysis of revenue and consumption is underway, but does not expect a dramatic change in revenue. Communication to the Mayor's office will need to be made shortly.

Proposed 2007 Goals Review

2007 ELT Shared Goals:

Goal A – Implement 2007 Capital Improvement Program. Complete, however the numbers still need to be validated.

Goal B – Create New Business Strategies to Ensure Revenue and Profitability. Complete.

Goal C – Implement Advanced Treatment Technology for the BE Payne Water Treatment Plant and Crescent Hill Water Treatment Plant. Complete

Goal D – Metered Water Ratio. This goal is being reevaluated by the team.

Goal E – M/WBE Spending. The MBE target spending goal is being raised 2% for each level. The hiring and promotions goal is being finalized by Kathy Schroeder.

2007 Incentive Plan Goals:

ELT reviewed and approved the proposed 2007 Incentive Plan Goals. Susan Lehmann and Carl Blanton will draft a goal on knowledge transfer to be included as part of Goal V – Provide an environment which values quality of work life and employee contribution and well being.

2007 Corporate Performance Award Worksheet:

The CSI Serviced Customers Goal was raised 5 points for Levels I, II and III.

Teams

John, Greg and Jim Brammell will discuss Karla's replacements on the teams in which she was involved.

Bin List and Agenda

Bob Miller requested an hour be added to the bin list to discuss Enterprise Risk Management.

Karla Teasley's Departure

John noted that this was Karla's last ELT meeting. John thanked Karla for her service to the Company and participation on ELT.

Adjourn

**ELT Meeting Minutes
January 22, 2007**

Attendees: Greg Heitzman (Acting Leader), Jim Brammell, John Huber, Susan Lehmann, Bill Meeks, Bob Miller

Absent: Barbara Dickens

Visitors: Kathie Johnson (Recorder), Amber Halloran, Carl Blanton, Johnnie Rice

Review Minutes and Agenda

The minutes from the January 8, 2007 ELT Meeting were reviewed and approved. The agenda for today's meeting was reviewed.

Welcome Jim Brammell

ELT welcomed its new member, Jim Brammell, to the team.

Review of Unaudited Financial Results for December 2006

Amber Halloran presented unaudited financial results for December 2006. The external auditors will be at LWC for two weeks beginning Monday, January 29. Greg and Ed will work together to determine a reason pumpage was not down as much as consumption. Unaccounted for water does not account for the difference.

Amber discussed the top twenty, and mentioned Oxyvinyl's consumption was down as a result of using a second well. John Huber suggested a cross-connection check be done there, and Greg will follow up.

2006 Year End Performance Partnerships

Carl Blanton discussed steps being taken to assure accountability for ratings given during Performance Partnerships Reviews. Supporting data should be provided for "Exceeds Expectations" and "Exceptional" ratings. A review of definitions for "Exceeds Expectations" and "Exceptional" ratings will help determine the appropriate rating. Employees performing above the "Fully Achieves" level should be rewarded for their performance; however, documentation is needed to support those recommendations. Carl reiterated that an employee rating of "Fully Achieves" indicates a solid performer who is doing the job well.

Each performance evaluation will be reviewed by Carl and Susan to assure the appropriateness and documentation. Carl asked ELT to discuss the importance of this with BSOs.

Johnnie Rice presented examples of best practices for documentation of "Exceeds Expectations" and "Exceptional" performance ratings, and presented examples where those ratings were poorly documented.

Finalize Draft 2007 Goals

Susan said goals need to be finalized so materials can be sent to the Compensation Committee members in advance of its meeting next week. Susan, Ed and Carl will revise ELT Shared Goal E, and will email the change to ELT. Other ELT members are invited to work on the goal as well.

Two alternatives were considered to replace Incentive Plan Goal V, Part II (formerly OEI). ELT decided to adopt the alternative requiring annual performance goals be established as early in the new year as possible, where all non-union employees will submit a draft of their 2008 performance goals by December 31, 2007 and goals be finalized with each employee by March 1 of each year (beginning 2008)..

The second alternative was not adopted as a goal, but was considered valuable. The BSOs will be asked to consider how to proceed with the second concept to improve communication and knowledge between systems and processes.

Susan and Carl will send an email for an affirmative action goal. Jim Brammell will update the Capital Improvement Plan percentages and email the changes to ELT.

Bin List

Greg asked that Carl and Johnnie return in late March 2007 to review Performance Partnership data.

Adjourn

**ELT Meeting Minutes
February 5, 2007**

Attendees: Barbara Dickens (Leader), Jim Brammell, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller

Absent: Ed Chestnut

Visitors: Kathie Johnson (Recorder), Amber Halloran, Roger LeMaster

Review Minutes and Agenda

The minutes from the January 22, 2007 ELT Meeting were reviewed and approved. The agenda for today's meeting was reviewed.

Winter Emergency Update

Greg Heitzman related the Call Center and Cashiers were short a total of seven employees. The abandonment rate was very high due to staff shortages, not because of call volume. Greg will be addressing with Human Resources how to shore up staffing.

Main breaks are high due to the colder temperatures. A Level I Emergency has been called, but that may escalate to a Level II or III if conditions warrant over the next day or so. Middletown and Capital Crews are being used to help repair broken mains. Metering is doubling up employees to minimize exposure to the cold. They are seeing frozen lines on the customer side, but not on the LWC side of the meter.

Combined Giving Campaign

John Huber distributed a projected rotation schedule of leaders for charitable giving campaigns that was based on the past rotation, for discussion by ELT. Susan Lehmann proposed there be one leader of the Combined Giving Campaign to oversee the effort. Barbara Dickens volunteered to head the campaign this year, and Jim Brammell volunteered to head the campaign in 2008. BSOs will be asked to head the three charities, and John Huber suggested they be provided expectations and a description of the role. We will leave off the Loaned Executive for United Way.

ProCard Audit and New Procedures

Amber Halloran discussed the recommendation by the auditors to take another look at the number of ProCard users and try to reduce the number. The BSOs will be asked to identify any infrequent users or other users where ProCards should be removed. Amber stressed the importance of allocating and approving the charges each month. A report will be issued each month listing designated approvers who did not approve charges.

Open Time

Bob Miller commented that after adjusting for consumption and inflation, water bills have remained flat over the last 18 years.

Agenda and Bin List

Barbara Dickens said NIMS training will be held during ELT next week in Training Room A, along with the BSOs.

Adjourn

**ELT Meeting Minutes
February 12, 2007**

Attendees: Barbara Dickens (Leader), Jim Brammell, Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller

Visitors: Kathie Johnson (Recorder), Don McKay, Glen Mudd, Maj. John Gofney (Trainer, Fire Department)

NIMS Training

The BSOs joined ELT at the beginning of the meeting to participate in National Incident Management System (NIMS) training. Glen Mudd introduced Maj. John Gofney of the Fire Department, who presented an overview of NIMS, and then presented an abbreviated training session. NIMS provides a consistent, nationwide framework to enable government, private-sector and nongovernmental organizations to work together during domestic incidents. At the end of his presentation, he directed staff to the FEMA website to locate IS-700 in the course list and take the test to certify the training. The BSOs left the meeting following the NIMS training.

Review Minutes and Agenda

The minutes from the February 5, 2007 ELT Meeting were reviewed and approved. The agenda for today's meeting was reviewed.

Open Time

John Huber said he is considering asking the various advisory boards for a luncheon meeting with Board members, and asked ELT to provide him any ideas or comments regarding such a meeting.

Bob Miller said Mt. Washington is experiencing financial concerns with its water system. Jim Smith, Patti Kaelin and Bob Miller will meet with the Mt. Washington City Council tonight.

2006 Goals Results

Ed Chestnut presented results for 2006.

ELT Shared Goals –

- A. Capital Improvement Plan Goal. Achieved a Level 5.
- B. New Business Strategies. The BOWW will make a final assessment for the level of achievement.
- C. Advanced Treatment. Achieved a Level 4.
- D. Metered Water Ratio Improvements. Achieved a Level 4.
- E. MBE/WBE and Diversity Goal. Achieved a Level 3 overall. (Achieved a 5 for the MBE/WBE portion. The diversity portion of the goal was not met).

Incentive Plan Goals -

The Light Switch Goal was not met.

- I. 2006 Net Operating Income Exceed the Budget. Goal was not met.

- II. Meet and exceed customer Needs and expectations. Achieved Level 1.
- III. Reduce Microbial Risk/Become Compliant with EPA Partnership for Safe Drinking Water. Goal was not met.
- IV. Perform Work More Productively. Goal was not met.
- V. Quality of Work Life. Part I-A, Number of Preventable Vehicular Accidents, was not met; Part I-B, Number of Lost Time Injuries, was met; Part II, OEI Question on Job Satisfaction, was not met.

2006 Corporate Performance Award –

The Award will be paid at 62.5%.

Agenda

Barbara will email the next agenda. The meeting to be held on February 26 will be devoted to Strategic Planning.

Bill Meeks will lead the February 19 meeting while Barbara Dickens is out of the office.

Adjourn

**ELT Meeting Minutes
February 19, 2007**

Attendees: Bill Meeks (Leader), Jim Brammell, Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann, Bob Miller

Absent: Barbara Dickens

Visitors: Kathie Johnson (Recorder), Amber Halloran, Roger LeMaster, Don McKay

Agenda and Minutes Review

The February 12, 2007 minutes were reviewed and approved. The agenda for today's meeting was also reviewed and approved.

Review Final December Financial Results and January Financial Results

Amber Halloran reported completion of a successful audit of year-end financial results. There were no significant findings by the auditors. Amber discussed the year end financial results. Greg asked for additional information on cash paid to suppliers and others in 2006, which was \$3,732,479 more than in 2005. Amber will provide the detail information. Amber is in the process of creating a pumping/consumption spreadsheet as a management tool. Greg Heitzman commented estimated bills are high, and we need to better understand the calculation for estimated bills.

Board Agenda

John Huber said Stewart Conner and Joe Wise will be absent from the board meeting. Wendy Welsh will chair the meeting. Beverly is calling to see whether there will be a quorum present. The agenda is straightforward.

Enterprise Risk Management

Bob Miller discussed a presentation he made to the International Banff Workshop on Risk Management Cultures in the Water Utility Sector last December. He said the most pertinent part of the presentation for LWC was on pages 14-16. Bob Miller and Don McKay will make a recommendation on when and how the next update to strategic risks should be made. They will work with Jim Brammell on application of the tools for capital projects, and will continue to execute plans underway on disaster recovery.

Bin List and Agenda

Ed said SOE has been holding classes in statistical process controls, and he would like to present some best practice examples to ELT in mid March. Jim Brammell said he and Amber Halloran would like to roll out the new CPAC Rules to ELT in a 30 minute overview of the rule changes. Bill Meeks will email the agenda for the February 26 meeting.

Adjourn

**ELT/Strategic Planning Meeting Minutes
February 26, 2007**

Attendees: Barbara Dickens (Leader), Jim Brammell, Marianne Butler, Ed Chestnut, Vince Guenther, Amber Halloran, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Jim Smith

Absent: Bob Miller

Visitors: Kathie Johnson (Recorder)

Agenda and Minutes Review

The February 19, 2007 minutes were reviewed and approved. The agenda for today's meeting was also reviewed and approved.

Strategic Planning

Service Line Insurance Business Case - Vince Guenther provided an update on activities to date, and a timeline for future activities. The team has put together an aggressive timeline. They have discussed the program with three vendors, all of which offer a turn-key approach where LWC provides billing, but they market and manage the program. An RFP scope will be developed and advertised in the same time frame. Under the current schedule, proposals will be evaluated in April, and the contract awarded in May, with the contract to begin June 1.

Key issues to evaluate are extent of involvement of our call center representatives, what area will be responsible for resources for the initiative, and what new lines of services should be offered. Follow up items include responsibility for management of the initiative, Call Center involvement, billing interface, and contractor interface.

Bottled Water Business Case – Marianne Butler discussed the current cost analysis. A production cost of 20 cents per bottle is required before selling bottled water is a viable initiative. Other factors to consider include lease or purchase of a facility, resources, equipment, storage space, shelf life, and bottle and label costs. Marianne said discussions were held with a local company to discuss private labeling. She believes the company will want to lease our equipment to bottle for their customers. Amber said a contract for marketing expertise should in place by May. Greg suggested an update to the Board be made by the third quarter.

Revenue Recognition/Reporting and Evaluation/Review of Rate-Making Process – Amber Halloran discussed the analyses being done for revenue, meter reading, and rate making. Revenue analysis will include high level comparison of actual pumping and consumption to budgeted pumping and consumption, analysis of rate blocks sold versus rate-making analysis, and a model to predict consumption. The meter reading analysis will include analysis of meter reading schedules to assure all consumption will be read; analysis of variances to scheduled meter reading dates; and analysis of long and short bills in reporting and forecasting. Amber will take a hard look at ratemaking, and plans to model alternative ratemaking methods, by benchmarking against other utilities. A question to be considered is whether the general rate should subsidize a certain part of the customer base. Barbara Dickens noted we likely have demographic information on

customers who may qualify for any subsidies, should we decide to do so. By November of 2007, Amber expects to propose new alternatives to the rate making process.

Point of Entry/Point of Use Devices (POE/POU)

Jim Smith discussed POE/POU devices. The concept is for customers to purchase POU devices from LWC via their water bill and spread payments for the devices over time. Purchase of water filter replacements, at regular intervals, would also be paid through the water bill. LWC would purchase the devices through a goods contract. A marketing survey projected potential sales in approximately 21,000 homes. We are looking for lessons learned from others who pursued this business, and will meet with Don McKay to assess business risks.

Regionalization

Jim Smith covered progress being made with regionalization.

Bin List and Agenda

Barbara Dickens will email the agenda for the March 5 meeting.

**ELT Meeting Minutes
March 5, 2007**

Attendees: Barbara Dickens (Leader), Jim Brammell, Ed Chestnut, Greg Heitzman, Susan Lehmann, Bill Meeks

Absent: John Huber

Visitors: Kathie Johnson (Recorder), Don McKay, Carl Blanton, Amber Halloran, Kathy Schroeder, Claudette Doyle

Agenda and Minutes Review

The February 26, 2007 minutes were reviewed and approved. The agenda for today's meeting was also reviewed. The agenda topic of Diversity Role will be moved to another ELT agenda. Instead, Kathy Schroeder will present the EEO/AA 4th Quarter 2006 Summary.

January Financial Results

Amber Halloran presented a high level review of financial results for January. As follow up, Amber will email ELT the amount of consumption related to billing cycles moved from February to January. Sue will add the O&M cost per million gallons sold to the Key Financial Measures on future reports.

System Certification for Managing Business Risks

Bob Miller distributed the System Certification Review of the Managing Business Risks system prepared by SOE staff, along with Don McKay's responses to the three recommendations made. Don commended Carl Blanton on SOE's approach to the certification review. Don McKay concurred with each recommendation, and is taking steps to comply. Carl noted binders were well documented and SOPs were well prepared and easy to understand; also, SAC meetings are going well. The system met all elements for certification. ELT agreed the Managing Business Risks System should be certified.

IT Steering Committee Strategic Plan – Bob Miller said the IT Steering Committee's objective is to have an IT Strategic Plan ready for review by BSOs, ELT, and the Board in time for 2008 budget preparation. At Bob's request, ELT provided feedback on the merits of ERP (Enterprise Resource Planning) vs. Best of Breed vs. Open Source/Internal development. Greg expressed the opinion that ERP would be better suited to a large company like LG&E with a higher tolerance for risk than a water utility. Susan Lehmann had past experience with an ERP implementation and said it was disruptive to the organization. Greg believed implementation of a 3-year plan was unlikely and suggested a 5 to 7 year plan be considered.

EEO/AA Quarterly Update

Kathy Schroeder presented 4th quarter results. There were no hiring opportunities during the 4th quarter in the Administrative Supervisory or Technician Groups. During the year, there were three opportunities and two hires in both groups. The ELT commended HR for the good progress made during 2006.

Agenda and Bin List

Barbara Dickens will email the next agenda. Items to be covered will include CPAC rule changes and February financial results.

Adjourn

**ELT Meeting Minutes
March 12, 2007**

Attendees: Barbara Dickens (Leader), Jim Brammell, Ed Chestnut, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks

Visitors: Kathie Johnson (Recorder), Carl Blanton, Amber Halloran, Sue Purdy

Agenda and Minutes Review

The March 5, 2007 minutes were reviewed and approved. The agenda for today's meeting was also reviewed.

CPAC Rule Changes

Jim Brammell and Amber Halloran presented a high level review of CPAC rule changes. Jim Brammell said a more detailed presentation of the changes has been rolled out to those affected during the past month. Jim stated CPAC's role does not include technical review of projects, which should already have occurred within the Core. The role of CPAC is to assure CPAC procedures are followed for project proposals and change actions. The rule changes will further streamline and improve the process.

February Financial Highlights

Amber Halloran and Sue Purdy presented financial results for February. Water revenue was \$646,000 higher than the same period in 2006, but \$570,000 below budget. Amber stated the Contingency Fund was nearly depleted as a result of the winter emergency.

Board Agenda

John Huber reviewed the board agenda. He anticipates discussion regarding income and expense issues, and the CFO magazine article, "Water for Profit."

Diversity Role

Susan Lehmann discussed the feedback she received during focus groups on diversity at Louisville Water Company. Greg Heitzman recommended diversity training be continued. Efforts will be made to communicate LWC's successes to employees in areas like AA/EEO results and M/WBE efforts.

Executive Search

Susan Lehmann provided an update on the CEO search. The executive search firm is continuing to identify, interview and refer candidates to the Board search committee.

Agenda

The next agenda will include a presentation on Statistical Process Controls and budget status.

Adjourn

ELT Meeting Minutes
March 19, 2007

Attendees: Barbara Dickens (Leader), John Huber, Bob Miller, Ed Chestnut, Greg Heitzman, Susan Lehmann, Bill Meeks

Absent: Jim Brammell

Visitors: Dawn Czajka (Recorder), Ralph McCord, Bonnie Gimbel, Brad McBride, Dale Hall, Carl Blanton, Spencer Bruce

Agenda and Minutes Review (1:30)

The March 5, 2007 minutes were reviewed and approved. The agenda for today's meeting was also reviewed.

Statistical Process Control Presentations (1:35)

Bonnie Gimbel provided an overview of Measures and Statistical Process Control Training being conducted with employees throughout the company by her and Ed Chestnut. The purpose of this training is to identify useful process measures, and to chart the data in a format that gives a picture of the process performance over time, enabling data based decisions. Bonnie introduced employees who have used the training to make process improvements in order to provide ELT specific examples of the value of this training.

Servicing Fire Hydrants –Brad McBride and his team of hydrant services calculated the number of hydrants that needed to be serviced daily according to the servicing schedule for hydrants. They flowcharted the process to eliminate waste and identified opportunities to increase efficiencies. Out of this analysis, they developed an SOP with a servicing checklist, changed the routing, stocked the trucks with necessary equipment, parked closer to the hydrants, etc. to increase productivity. Statistical process control gave them a tool to track their data, giving them information for additional changes. They had great success in increasing productivity to the levels needed.

Fire Hydrant Availability – Bill Meeks participated in the training to improve Fire Hydrant Availability, meaning hydrants are back in service within 72 hours or sooner. He relayed that we currently have 22,000 fire hydrants of which 99% are kept available due to our quick repair time. The data shows a process that is predictable with very little variation, and these results are outstanding compared to the national average.

Exercising Valves – Dale Hall reviewed data on the number of valves exercised per day. Technology has reduced the redundancy of exercising valves. The tools talked about in the training gave Dale a better method for tracking the data and a picture of how his process is performing over time so he can make data based decisions.

Bob commented employees updating their own charts can immediately determine if they are achieving their accomplishments. Ed Chestnut noted further that it is more gratifying to see the outcome when you monitor your own data. Ed stated there have been six classes conducted YTD with 2 more planned for 2007. Bonnie Gimbel remarked there have been 30-36 people trained so far. Bonnie invited the ELT to attend the next Symposium on August 21, 2007 at 8:00 a.m.

Budget Update (2:10)

Bob Miller said the risks we are facing in achieving earning objectives are variations in weather, higher expenses due to water quality, and liability exposure. The controls we have in place are budgeting water sales more conservatively, establishing the contingency, and funding the infrastructure replacement reserve. With 9 ½ months left in the year, Bob stated that we still run

the risk of low water sales, cost impacts due to winter emergency or water quality situations, and liability exposure. One of the controls, contingency, is no longer available due to the winter emergency costs. The question for ELT is whether the Company could get by with two controls or we should restore the third control. Bob and Amber Halloran recommended ELT quickly assess the status of potential risks, including interest rates which have fallen, and other O&M costs. He also suggested the BSOC identify two levels of prioritized expense reductions, first a \$850,000-\$1,000,000 range and a second level of \$500,000 in cuts after the initial cuts. Greg Heitzman remarked it is a good approach, but there would not likely be more than \$500,000 in discretionary costs without reducing positions because we already eliminated much of the discretionary items from the budget. Barbara Dickens commented that liability issues are, to an extent, unquantifiable.

Open Time (2:40)

Combined Giving Campaign - Barbara Dickens discussed the Combined Giving Campaign. She suggested having the breakfast on September 7th or September 11th with the campaign running from September 17-28. Barbara suggests we begin holding some events to raise money now, such as social events at the different locations. Barbara will work with Marianne Butler and the BSOC to determine the role of the BSO coordinators, who those individuals are, and how their roles will differ from the site coordinators, which will still be involved this year.

Third Street Office Appearance - John Huber said there are stacks of boxes in the hallways that need to be relocated or shredded.

"Undoing Racism" Program - John Huber summarized a diversity program called "Undoing Racism" sponsored by the State of Kentucky, the police, the NWACP, Health and Family Services, etc. and suggested we consider attending this program.

Agenda and Bin List (2:50)

Barbara Dickens will email the next agenda. Items to be covered will include a review of current Risks and their potential impact to the 2007 Budget. Susan Lehmann advised that Strategic Planning will not be on the next Agenda.

Adjourn (2:55)

**ELT Meeting Minutes
March 26, 2007**

Attendees: Barbara Dickens (Leader), Jim Brammell, John Huber, Ed Chestnut, Greg Heitzman, Susan Lehmann, Bill Meeks

Absent: Bob Miller

Visitors: Kathie Johnson (Recorder), Amber Halloran, Roger LeMaster

Agenda and Minutes Review

The March 19, 2007 minutes were reviewed and approved. The agenda for today's meeting was also reviewed.

Budget Discussion – Earnings Risks and Controls

Amber Halloran distributed and discussed a Risk Catalog of the 2007-2021 Strategic Plan goal for return on equity, and the 2007 dividend payment objective. She is looking for ELT guidance in developing an action plan on budget reductions: target amounts, restrictions, and reporting budget reduction progress to ELT. Currently, LWC is \$670,000 under budget in net income, \$600,000 under budget in net revenue. The \$880,000 contingency fund has been depleted as a result of the winter emergency. Amber will meet with BSOs to discuss budget savings and boundary conditions for identifying savings. ELT will examine Strategic initiatives; BSOs will look at operational/tactical items, discretionary items, and will delay filling vacant positions. Corporate goals will be maintained. Any questionable items will be reviewed with the CBSO. The action plan is for expense reductions to restore the contingency fund, first round of reductions of \$500,000, and second round of reductions of \$900,000. Efforts to curtail discretionary spending should begin immediately.

LOJIC Policy Board

Jim Brammell discussed the response he is preparing to the LOJIC Policy Board regarding funding the Enterprise License Agreement. LWC will be unable to fund the incremental costs in its 2008 budget, but will commit to the same funding level in 2008 as in 2007. He will recommend the Policy Board consider delaying implementation until 2009.

There has been discussion between LOJIC and MSD to make LOJIC a separate entity. LWC has been asked if LWC could house LOJIC and its 12 employees here. Jim Brammell will look into this further.

ELT Leadership Change

Barbara Dickens will check to see who assumes leadership for the next quarter and will email that information to ELT.

Agenda and Bin List

The new ELT leader will prepare the agenda and bin list for the April 2 meeting.

Adjourn

**ELT Meeting Minutes
April 2, 2007**

Attendees: Ed Chestnut (Leader), Jim Brammell, Barbara Dickens, Greg Heitzman, John Huber, Susan Lehmann, Bill Meeks, Bob Miller

Visitors: Kathie Johnson (Recorder), Amber Halloran, Carl Blanton, Johnnie Rice

ELT Leadership

Ed Chestnut became ELT Leader today and will continue through the 2nd Quarter 2007.

Agenda and Minutes Review

The March 26, 2007 minutes were reviewed and approved. The agenda for today's meeting was also reviewed.

Budget Reduction Update

Amber Halloran met last Tuesday with the BSOC regarding the budget reduction plan. There was good discussion on the risk catalog. They discussed boundary conditions for budget reductions, and the timeframe. They will begin to identify budget reductions after they receive the financial reports on Thursday, with reductions effective April 1 through year end. A follow up will be to review the full forecast on April 24.

360 Feedback

Johnnie Rice distributed a 360 Feedback Implementation Timeline for BSOs and Rollout Strategy for Process Owners and Managers. She discussed the process that will be followed. An assessment will be made following the first round of 360s to see if any improvements to the process are needed.

2006 Performance Partnership Year-End Evaluation Results

Carl Blanton distributed and discussed his memorandum summarizing 2006 Performance Partnership Evaluation results. He and Susan Lehmann reviewed all of the 2006 year-end reviews and contacted managers when additional information was needed, for answers to questions regarding ratings, and general concerns. They hope this has been a learning experience for managers in what is expected in terms of specific, measurable goals, supporting documentation for ratings, etc. Carl mentioned a class will be held on Specific, Measurable, Attainable, Relevant, Timely (SMART) goals, even though the date for submission of final goals has passed (March 30th). Participants in this April 5th class will be able to review their current 2007 goals and make any revisions necessary to ensure that they meet the SMART criteria.

Policy, Procedures & Work Instructions Update

Barbara Dickens provided an update. Policies, Procedures and Work Instructions have been posted on the intranet, under the General Counsel heading. Those that have been completed and approved have a link that will open the complete policy, procedure or work instruction when clicked. Barbara said more progress has been made than is evident from the intranet site; many procedures have been completed but were returned to the originators so the responsibility section could be added.

Open Time

Metro Government Structure - John Huber updated ELT on his recent meeting with the Mayor regarding Metro Government's organizational structure. The position of cabinet director no longer exists. Instead, there are 13 department heads. The Mayor will hold meetings with the "independent agencies" once a quarter. John said it continues to be important to have effective working relationships with the deputy mayors and department heads, and we must keep them fully informed.

1Q 2007 Customer Satisfaction Index – Greg Heitzman shared CSI results with ELT. Bob Miller suggested the data be analyzed using the Statistical Process Control Training to interpret and present the results of the CSI survey to the Board.

Armenia Trip – Bob Miller reported on his travel last week to Armenia with a description of "lessons learned".

Agenda and Bin List

Ed Chestnut will prepare and distribute the next agenda. The meeting is expected to be shorter than usual.

Adjourn

**ELT Meeting Minutes
April 9, 2007**

Attendees: Ed Chestnut (Leader), Jim Brammell, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Bob Miller

Absent: Susan Lehmann

Visitors: Kathie Johnson (Recorder), Kathy Schroeder, Amber Halloran

Agenda and Minutes Review

The April 2, 2007 minutes were reviewed and approved. The agenda for today's meeting was also reviewed.

Open Time

Rate Setting – Bob Miller said the process for setting water rates has remained basically the same for the last 20 years. Bob will be analyzing the best way for LWC to set rates, keeping within M-1 and PSC rate making practices, with a goal to create fewer year-to-year earnings swings. The rate setting objective includes recovery of reasonable costs; recovery of the cost of service for each customer class; and sending an appropriate price signal to customers. Bob expects to gain feedback on alternative changes to the rate model from the Customer Advisory Council, his peer group within the water utility industry and other economists. John Huber said the drivers for such a change are managing weather-related risks and restoring the infrastructure replacement reserve and contingency fund. ELT indicated they would like to be involved by discussing alternatives on the front end. This item will be added to the bin list.

Board Agenda Review

John Huber said the annual meeting consists of appointment of the board chair and vice chair, officers, and board committees. The rest of the meeting will be straightforward.

Agenda and Bin List

Ed Chestnut reviewed the bin list with ELT. Items to be added were Corporate Risk Assessment (Don McKay and Bob Miller); SOX 404 (Bob Miller); Water Rate Redesign (Bob Miller), and IT Strategic Plan Status Report (Bob Miller and Tony Gregory). Ed will email the April 16 agenda.

Review Operating Performance

Amber Halloran distributed and discussed financial results for March 2007. We are continuing the cost reduction initiative; however, the net income variance under budget improved.

Adjourn

ELT Meeting Minutes
April 16, 2007

Attendees: Ed Chestnut (Leader), Jim Brammell, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Bob Miller

Absent: Susan Lehmann

Visitors: Kathie Johnson (Recorder), Jack Wang, Rengao Song, Amber Halloran, Emily O'Mara, Sue Purdy, Rhonda Thome

Agenda and Minutes Review

The April 9, 2007 minutes were reviewed and approved. The agenda for today's meeting was also reviewed.

Cross Connection Control Program Update

John Ralston distributed a Powerpoint presentation on LWC's Enhanced Cross Connection Control Program for commercial and industrial customers. He gave an overview of the Cross Connection Control Program (CCP) and said the enhanced CCP will meet emerging water utility best management practices and future US EPA drinking water regulations. Feedback from customers regarding the program has all been positive. The program is expected to be self sustaining, with costs being recovered through an annual \$36 fee, billed at \$3.00 per month, or \$6.00 per bi-monthly bill to commercial and industrial customers, excluding free water accounts. CCP implementation will likely begin in September-October, 2007. ELT supports moving ahead with the CCP. The BOWW will be asked to approve the \$36 annual fee for industrial and commercial customers. Bob Miller said the board action will be to amend the tariff to allow this new fee.

Corporate Risk Assessment

Bob Miller distributed a LWC Strategic Risk Catalog, Strategic Risk Action Plans, and ELT Strategic Risk Map for review and discussion. Bob recommends ELT review the action plans for the current status and reasonableness. John Huber recommended a sub-team of ELT review the plans. Bob Miller said he and Don McKay will present a status report to ELT, along with a method to identify any gaps between the updated corporate strategic plan and the risk assessments.

Open Time

60" Main Break - Jim Brammell provided an update on the 60" main break on Palatka Road. The break involves a circumferential break in the pipe and will entail a replacement of 2-4 joints of pipe. Price Brothers is working to fabricate replacement material as soon as possible. The contractor is T&C.

Lab Reports – Bob Miller is working with Jack Wang on developing recommendations for applying financial reporting internal controls to water quality regulatory reporting.

Adjourned

ELT Meeting Minutes
April 23, 2007

Attendees: Ed Chestnut (Leader), Jim Brammell, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Susan Lehmann

Visitors: Kathie Johnson (Recorder), Carl Blanton, Don McKay, Glen Mudd

Agenda and Minutes Review

The April 16, 2007 minutes were reviewed and approved. The agenda for today's meeting was also reviewed.

Supplying Financial Resources System Certification

Bob Miller reported on the status of system certification for the Supplying Financial Resources system. He stated that the system has accomplished nearly all of the certification requirements and he anticipated bringing a recommendation for approval next month. There were two findings in the system certification report that still needed further progress: system advisory council needs to demonstrate its sustainability and the operating plan need to be prepared in more detail. Amber Halloran will prepare a SFR system certification status report on resolution of outstanding issues. Bob Miller and Carl Blanton will bring the SFR System Certification topic back to ELT at a future ELT meeting.

John Huber commented SAC team meetings across the company should focus on system operating plans, internal customer satisfaction, etc., and Carl Blanton responded that part of the NWT Effectiveness Training Program is a discussion and clarification of the differences between NWT and SAC meetings.

Open Time

Affordability – Bob Miller will meet with Marion Gee of MSD tomorrow to discuss affordability issues as a result of new fees to be added to the bill to fund capital improvements to resolve the federal consent decree.

Water Rate Strategy – Bob Miller shared concepts about water rate structures involving the identification of costs to perform certain tasks on behalf of and at the request of customers. The costs could be recovered from fees rather than from water rates..

Diversity – Susan Lehmann said by mid May an outside consultant will be selected to facilitate development of a diversity vision, purpose, and priorities with ELT.

CEO Search – Susan Lehmann reported the candidates for CEO have been narrowed to the finalists. Meetings have been scheduled for the finalists to meet with the full board and with the Mayor. A decision is planned to be made at the May BOWW meeting.

Pandemic Planning

Don McKay distributed and discussed business continuity planning in the event of a pandemic event or widespread employee unavailability. Glen Mudd asked for ELT's comments on the incident command structure.

Agenda and Bin List

Ed Chestnut reviewed the bin list with ELT. Ed will email the agenda for the next meeting.

Adjourn

ELT/Strategic Planning Meeting Minutes
April 30, 2007

Attendees: Ed Chestnut (Leader), Jim Brammell, Barbara Dickens, Vince Guenther, Amber Halloran, Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Susan Lehmann, Jim Smith

Visitors: Kathie Johnson (Recorder), Kay Ball

Agenda and Minutes Review

The April 23, 2007 minutes were reviewed and approved following clarification by Susan Lehmann to the paragraphs on Diversity and CEO Search. The agenda for today's meeting was also reviewed.

Hosting the KY-TN Water Professionals Conference

Kay Ball discussed the planning and involvement of LWC staff in the KY-TN Water Professionals Conference, being jointly hosted by LWC and MSD. Kay will let ELT know what resource needs still exist, but she mentioned volunteers were still needed for registrations and to serve as room monitors.

Quarterly Goals Review

Ed Chestnut distributed and discussed first quarter results.

ELT Shared Goals –

Objective A – Implement Capital Improvement Program – This objective was not on target for the first quarter, but will improve as capital spending occurs.

Objective E, Part 1, - M/WBE Spending - Amber Halloran will follow up to see why the MBE result is lower than projected.

Incentive Plan Goals -

Light Switch Goal – The goal was not on target; however, it doesn't include the contingency fund.

Goal III – Reduce Microbial Risk – John Huber said this goal may need to be modified to redefine Phase I of the Cross Connection Program.

Corporate Performance Award –

Everything was on target with the exception of cost control; if the winter emergency costs were backed out, the measure would probably be on target.

Strategic Planning – Marketing

Amber Halloran commented the Customer Advisory Council was updated at its last meeting on Strategy Innovation. The CAC members liked the concept of the point of use devices and filter sales, and had positive comments about service line insurance and bottled water. Amber said work continues on the marketing RFP. They hired a marketing consultant, Paul Schultz, who was deemed the best of the consultants, and was also the lowest bidder.

Regionalization Update

Greg Heitzman and Jim Smith gave an update on regionalization efforts.

John Huber congratulated Jim Smith, Bob Miller and Patti Kaelin on getting the wholesale water rate approved by the PSC for North Shelby, West Shelby and North Nelson.

Open Time

Legislation – John Huber discussed standards on MTBE, lead and perchlorate. LWC expects to have all its lead lines replaced by 2015. Vince Guenther said it might be helpful to discuss our position with John Yarmuth on MTBE, lead line replacement, and perchlorate standards.

60" Main Break on Palatka – Jim Brammell provided an update on the repair. The original repair work to the line was made, and the line should be back in operation tomorrow. However, a gate valve failed which will require keeping Palatka Road closed a few days longer.

Derby Preparations – Greg reported on preparations for the Oaks, Derby and related events. Staff is on call during Oaks and Derby, and crews are available in the event of a main break.

CSX Derailment Update – Residents displaced during the CSX derailment are now able to move back into their homes.

Adjourn

**ELT Meeting Minutes
May 7, 2007**

Attendees: Ed Chestnut (Leader), Jim Brammell, Barbara Dickens, Greg Heitzman, John Huber, Bill Meeks, Bob Miller, Susan Lehmann

Visitors: Kathie Johnson (Recorder), Tony Gregory, Kathy Schroeder, Claudette Doyle

Agenda and Minutes Review

The April 30, 2007 minutes were reviewed and approved. The agenda for today's meeting was also reviewed.

Requests for Support of Not-for-Profit Community and Charitable Organizations

John Huber said the three charities approved by the Board of Water Works for LWC support are Metro United Way, Fund for the Arts and Water for People. Requests for support of other organizations and their fundraising efforts are not sanctioned by the Company. Employees who wish to engage in fundraising for other than MUW, FFA or WFP must do so by word of mouth only, and not use Newsleaks to promote contributions, etc. since it gives the appearance of "official" support by LWC and is contrary to LWC policy.

Review of Board Agenda

Mr. Huber reviewed the upcoming agenda. It is expected the BOWW will go into closed session to consider the selection of a new Louisville Water Company President to succeed Mr. Huber. Wendy Welsh will join the discussion by conference call. Announcements to the press and employees will be made immediately following a decision by the board. Mr. Huber said the remainder of the agenda is straightforward.

EEO Updates

Kathy Schroeder presented the first quarter Equal Employment Opportunity/Affirmative Action results. Claudette Doyle continues to work with outreach groups for recruitment. Categories identified as "less than market" for 2007 include Female – Professional Administrative, and Minority – Technicians. There were no hiring opportunities for either category in the first quarter of 2007. The EEO/AA results were very good overall. Kathy Schroeder will present the EEO updates to the BSOC tomorrow.

IT Strategic Plan Update

Bob Miller will provide a progress report to the board tomorrow on the IT Strategic Plan. He expects to make a second status report prior to presenting the plan for adoption. Once the plan is near completion, it will be reviewed by peer groups and an external consultant.

Bin List

Ed will add the topic of President Transition to the agenda for next week. Greg Heitzman briefly discussed a future topic on the bin list, Customer Service Call Center Strategy, which Susan Camp and Chris Goodloe will present to ELT in mid to late June. Ed Chestnut will email the next ELT agenda.

Adjourn

**ELT Meeting Minutes
May 14, 2007**

Attendees: Ed Chestnut (Leader), Jim Brammell, Barbara Dickens, Greg Heitzman, John Huber, Bob Miller, Susan Lehmann

Absent: Bill Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy

Agenda and Minutes Review

The May 7, 2007 minutes were reviewed and approved. The agenda for today's meeting was also reviewed.

April Financial Results

Amber Halloran and Sue Purdy presented financial results for April 2007. Amber distributed the 2007 Pumping/Consumption Management Report. Greg Heitzman discussed the need to identify \$900,000 in budget savings to replenish the contingency fund, which was nearly depleted during the winter emergency. Amber Halloran, Bob Miller and Greg Heitzman will meet with the BSOC to discuss the need for the additional budget savings and to communicate new boundary conditions to identify the savings.

President Transition

John Huber said the transition has begun and will be finished by August 1. ELT discussed items currently underway. The topic will be added to the bin list for biweekly discussion.

Long-Term Agenda Planning

Bob Miller recommended the following:

1. Review ELT's team charter.
2. Timely review of 2008 budget to allow analysis of implications on long-range financial planning.
3. Review budget development process.
4. System certification review dates.
5. Strategic plan risk identification and assessments.
6. Conversion of fixed costs to variable costs.
7. Internal controls survey.
8. Discussion of fear of reprisal issues.

Cancellation of June Board Meeting

The June BOWW meeting has been canceled. Documentation will be collected and published internally to allow LWC to monitor its operations. No report will be made to the BOWW unless something significant surfaces during review of monthly reports. An hour will be reserved to review reports and financials for June.

Open Time

Diversity Consultant – Susan Lehmann said a consultant will be meeting individually with each ELT member. She will then facilitate a joint session on June 4 to establish a vision and priorities for Diversity going forward.

Regionalization – Greg gave a brief update on activities underway.

Agenda and Bin List – Ed Chestnut will send out the May 21 agenda and will update the bin list.

Adjourn

**ELT Meeting Minutes
May 21, 2007**

Attendees: Jim Brammell (Leader), Barbara Dickens, Greg Heitzman, John Huber, Bob Miller, Susan Lehmann

Absent: Ed Chestnut

Visitors: Kathie Johnson (Recorder), Amber Halloran

Agenda and Minutes Review

The May 14, 2007 minutes were reviewed and approved following clarification by Susan Lehmann on the Open Time paragraph regarding the Diversity Consultant. The agenda for today's meeting was also reviewed.

Process for Reviewing Preliminary 2008 Annual Budget (O&M and Capital) and Long-Range Financial Plan

Bob Miller led discussion of the budget process. Ideally, timing will allow the 2008 budget and financial plan to be presented together at the board meeting in October. Budgets will be developed based on the "as is" organization. The Capital budget will be developed by CPAC, with notice to ELT. The team consisting of Amber Halloran, Ed Chestnut, Nora Freeman, Jack Wang, Diana Smith-Cohen, Roger LeMaster and Sue Purdy, currently working on the management report for pumping, consumption and modeling, will concurrently work on total sales projections. Bob and Greg Heitzman will work on boundary conditions for O&M budgeting. The BSOC will be asked to develop and prioritize the unfunded initiatives list. Bob Miller and Amber Halloran will present a recommended timeline, along with budget meetings to place on ELT's calendars. A budget meeting of 1.5 hours will be added to the ELT bin list. Amber will meet with the BSOC tomorrow, and she will convey their feedback on the budget process to ELT. Approval of the O&M budget will be by ELT consensus.

President Transition

Ron Raque will conduct phone interviews with each ELT member in advance of a New Manager Assimilation exercise. The offsite meeting, scheduled for July 2 at the Home of the Innocents, will be facilitated by Ron Raque.

Open Time

Talent Resource Planning (TRP) - Susan reminded the group that TRP forms are to be updated and submitted by the end of June. She also said the TRPs for the President's direct reports will be updated during the second quarter Performance Partnership Reviews.

New Meter Reader – Bill Meeks commented a new hire will be going directly into meter reading, with employee orientation to be held in approximately six weeks. Greg Heitzman commented inadequate staffing in meter reading directly impacts customer satisfaction, customer calls, etc.

Regionalization Update – Greg Heitzman provided an update of regionalization efforts.

Agenda and Bin List

The May 28 ELT meeting will be canceled due to the Memorial Day holiday. The June 4 meeting will be devoted entirely to Diversity. The first budget meeting will be held June 11. Ed Chestnut will email the agenda for the June 4 meeting.

Adjourn

**ELT Meeting Minutes
June 4, 2007**

Attendees: Ed Chestnut (Leader), Jim Brammell, Greg Heitzman, John Huber, Bob Miller, Susan Lehmann

Absent: Barbara Dickens, Billy Meeks

Visitors: Debra Walton, Tony Gregory, Andrew Brandt (EMC), Paul Thomann (EMC), Graeme Tosh (EMC),

Agenda and Minutes Review

The May 21, 2007 minutes were reviewed and approved following clarification by Susan Lehmann on the President Transition paragraph regarding the New Manager Assimilation exercise. The agenda for today's meeting was also reviewed.

Diversity – Establishing a Vision and Priorities

Susan Lehmann introduced Debra Walton, a Diversity Consultant. Debra made a presentation based on her individual interviews with each ELT member and her subject knowledge. She led a discussion of the topic enabling the ELT to develop a vision and priorities for Diversity at LWC going forward. This work was not completed and will be continued at a future ELT meeting as soon as scheduling will permit.

Results of Business Impact Analysis

Tony Gregory introduced representatives from EMC, who gave presented a summary of the Business Impact Analysis report. Their recommendations included:

- Establish a BC/DR Steering Committee
- Validate the Business Impact Analysis results
- Execute a business recovery gap analysis
- Priority business process recovery order
- Implement a Disaster Recovery Tier program
- Continue and expand the Business Impact Analysis process

The ELT requested that Bob Miller and Tony Gregory develop a recommendation for proceeding with the validation of the Business Impact Analysis results.

2008 Budget Schedule

The ELT accepted the budget development schedule previously distributed by Amber Halloran.

2007 Water Professionals Conference Attendees

The ELT agreed to support an expenditure of up to \$5,000 to allow up to 50 employees to attend the Water Professionals Conference in July in Louisville on day passes.

Agenda and Bin List

Ed Chestnut will send out the next ELT Agenda.

Adjourn

**ELT Meeting Minutes
June 11, 2007**

Attendees: Ed Chestnut (Leader), Jim Brammell, Greg Heitzman, John Huber, Bob Miller, Susan Lehmann, Barbara Dickens, Bill Meeks

Visitors: Amber Halloran, Sue Purdy

Agenda and Minutes Review

The June 4, 2007 minutes were reviewed and approved.

May Financial Reports - Amber Halloran and Sue Purdy presented May Financial Highlights. Revenue was up in May with YTD revenue \$407,000 above budget. During the month it was discovered Maverick Steel was under-billed by approximately \$580,000 (\$230,000 water) over the past 18 months. Nora and Amber are working with Maverick and MSD (Marion Gee) on a payment plan for recovery of this under-billed revenue.

O&M expenses are \$786,000 under budget. Contingency funds (budgeted in December) have been allocated to the operating areas to cover winter emergency expenses. Labor is higher than budget due to the winter emergency overtime and lost time allocation. There are 22 vacancies, however 8 union positions are not funded until July 1. Bad debt is under budget \$152,000. Material and supplies are under budget by \$772,000. The BSOC continues to work on a cost reduction plan with 2 levels: Level 1 of \$500,000 savings and Level II with \$900,000 savings. The \$900,000 savings target is established to allow restoration of the contingency in the event of another emergency and/or low water sales for the year. The Capital program is 25% expended with \$22.1 million through May, similar to 2006 levels of spending. External capital contributions are up substantially at \$9.8 million through May.

June Board Meeting - ELT discussed the method of communications to the Board when regular monthly meetings are not held. With no meeting in June it was agreed that the written officer reports will be forwarded by Wednesday to Barbara, who will prepare a packet to send to the Board by the end of the week.

2008 Budget Schedule - The ELT accepted the budget development schedule distributed by Amber. Greg advised that the 2008 budgets should be prepared using the as-is organizational structure, using a 3 percent target. Greg sees four major areas for new funding in 2008: 1. Increasing the Contingency Reserve and Infrastructure Reserve; 2. Increase funding for Top Line Growth Strategy; 3. O&M funding restorations for reductions in 2003, 2004, 2006; and 4. Debt service for an estimated \$30 million borrowing for the Capital Program. Water sales will be budgeted at the same level as 2007. The anticipated rate increase will range from 5.5 to 6.5 percent.

President Transition - Greg, and Susan discussed the plan for transition over the next 2 months. Ron Raque will be conducting an assimilation exercise for ELT on June 25th. This exercise will include discussion of Greg's vision, organizational strategy, review of the organizational culture survey, and the changing role of Greg from peer to boss. Greg is also meeting with all Board members and ELT members to discuss the transition, vision, and strategy. With Greg's promotion, there will be a vacancy with the Vice President of Operations, and Greg is working with Susan on organizational alternatives to fill this vacancy. There is some anxiety over this transition, and Greg agreed to send out a communication to employees regarding the transition

Open Time - Greg Heitzman and Jim Brammell discussed the production strategy for high water demand, PAC feed for Taste and Odor control for MIB and Geosmin, and the renovation work to the coagulation basins at BE Payne Plant. Currently BE Payne is limited to 45 MGD. Within the next week, the plant will be restored to 60 MGD capacity for summer demands, and work on the basins will resume in the fall.

Agenda and Bin List - Ed Chestnut will send out the next ELT Agenda.

Adjourn

ELT Meeting Minutes
June 18, 2007

Attendees: Ed Chestnut (Leader), Jim Brammell, Barbara Dickens, Greg Heitzman, John Huber, Bob Miller, Susan Lehmann

Absent: Billy Meeks

Visitors: Kathie Johnson (Recorder), Spencer Bruce, Bonnie Gimbel, Kathy Schroeder, Cindy Kowalski, Roger LeMaster, Johnnie Rice, Amber Halloran

Agenda and Minutes Review

Minutes from the June 11 meeting will be forwarded to ELT by Greg Heitzman for review. The agenda for today's meeting was reviewed and approved

System Certification Review of Managing Distribution Operations

Bonnie Gimbel congratulated the system for exceeding certification elements. Highlights included documentation on the intranet, a vision statement and recognition efforts for the response to the winter emergency and CSX derailment. Spencer Bruce commented 7 best practices were identified during the certification process. There was one minor finding regarding NWT meeting minutes that has been addressed. Greg Heitzman recommended certification of the Managing Distribution Operations System, and ELT concurred.

Model/Tool for 360 Feedback Development Planning

Johnnie Rice distributed a 360 tool for identifying areas needing improvement that can then be added to the Individual Professional Development Plan. ELT asked Johnnie to email the sample tool and a blank version to them for their use.

Open Time

System Demand Issues – Greg Heitzman updated ELT on system demand issues resulting from irrigation during the hot, dry weather.

July 30 ELT Meeting – Susan Lehmann suggested, and ELT agreed, to have a luncheon at the University Club on July 30, which will be the last ELT meeting John Huber will attend. Kathie Johnson will make arrangements with the University Club.

Smoking Ban – The smoke-free ordinance goes into effect July 1, 2007. An article regarding the ordinance appeared in the July 18 issue of Newsleaks. All LWC facilities must maintain a smoke-free environment, which includes the garage at Third Street and vehicles owned or leased by LWC. The article mentions smoking cessation programs available in the Louisville area for those who wish to quit smoking.

Code of Ethics Survey

Kathy Schroeder and Cindy Kowalski said 20 Code of Ethics surveys required follow up. Of those, only one required further investigation. Team culture issues identified in the follow up investigation will be addressed.

2008 Water Consumption Recommendation

Amber Halloran distributed a chart on budgeted, actual and predicted total water sales covering the period 1990 – 2025. She also presented actual consumption vs. budgeted consumption for the years 2002 - 2007, and included a budget recommendation for 2008 consumption.

Agenda and Bin List

The June 25 ELT meeting will be canceled because of the June 24-28 AWWA Annual Conference. The July 2 ELT meeting will be held offsite at the Home of the Innocents, and will be devoted to a Manager Assimilation meeting. Jim Brammell becomes ELT leader for the third quarter, and he will send out the agenda for the July 9 meeting. The Water Professionals Conference will be held in Louisville the following week, so the July 16 ELT meeting is canceled. It may become necessary to schedule additional ELT meetings to cover agenda topics and budget reviews. Ed Chestnut and Jim Brammell will meet to decide whether additional ELT meetings should be scheduled.

Adjourn

**ELT Meeting Minutes
July 9, 2007**

Attendees: Jim Brammell (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, John Huber, Bob Miller, Susan Lehmann, Billy Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy

Agenda and Minutes Review

Minutes from the June 11 and June 18 meetings were reviewed and approved as written. The agenda for today's meeting was reviewed and approved.

President Transition

This agenda item occurs every two weeks; however, there was nothing new to report at this meeting.

Review Board Agenda

John Huber reviewed the agenda. A new board member, Ed Crooks, will be sworn in at the board meeting, and outgoing board member Joe Wise will be presented with an engraved julep cup in recognition of his service on the board. The remainder of the board meeting should be straightforward.

Water Supply to Central Kentucky

Greg Heitzman updated ELT on the water supply proposals for Central Kentucky.

Greenbacks Report

Amber Halloran and Sue Purdy presented the financial results for June 2007. Although June was a good month in terms of consumption, revenue was lower than expected. This was due, in part, to bill read dates that did not include all the peak consumption days in June resulting from the hot, dry weather. It was noted that unaccounted water was high for the month, indicating that a large amount of water is still on the meters to be read. We are expecting more favorable results from July and August for consumption and revenue. Sue will review the top 20 graph, make necessary changes and redistribute.

2007 Budget Reductions and Forecast

Amber Halloran discussed budget reductions identified by the BSOs. The BSOs identified savings of \$399,755, and identified another potential savings of \$341,445. Amber and Sue will prepare further labor analyses to look for potential savings. Amber will distribute the June forecast to BSOs with instructions to continue to defer expenses until we have July and August revenue. This topic will be added to the bin list for discussion again in two to three weeks.

Open Time

2Q CSI Results – Greg Heitzman discussed the latest results. Ed Chestnut will analyze the results for any trends in the data.

Bottled Water in the News – John Huber reported that bottled water has been banned in San Francisco city government departments. Reasons cited included a billion bottles a year going to the state's landfills, energy used in producing, transporting and disposing of the bottles, etc.

Agenda and Bin List

The July 16 ELT meeting is canceled due to the Water Professionals Conference. Jim Brammell will prepare and distribute the agenda for the next ELT meeting, which will be held July 23. Bob Miller reported he will be on vacation on July 23.

Adjourned

**ELT Meeting Minutes
August 6, 2007**

Section under SOE Certification was modified to include reference to the other two best practices, as discussed and agreed to in August 20 ELT meeting.

Attendees: Jim Brammell (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, Billy Meeks

Absent: Bob Miller, Susan Lehmann

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy

Agenda and Minutes Review

Minutes from the July 9 meeting were approved. The agenda for today's meeting was reviewed and approved.

Update on the Combined Employee Giving Campaign

Barbara Dickens is leading the combined giving effort this year. The campaign will run during the period September 17 through September 28. Amber Halloran, Jack Wang and Spencer Bruce are heading up the individual charities, and the BSOs will rotate that responsibility in coming years. Marianne Butler is assisting and coordinating events. A Leadership Breakfast will be scheduled. September 7 and September 11 are possible dates for the breakfast. Barbara Dickens will furnish Greg Heitzman information on employee giving for the past five campaigns.

Quarterly Goals Update

Ed Chestnut presented an update on shared goals.

2007 ELT Shared Goals:

- A. Implement 2007 Capital Improvement Program – Q2 is not on target. We anticipate 90% expended for the revised capital program; meeting the \$68 million will be a challenge.
- B. Create New Business Strategies to Ensure Revenue and Profitability – On Target for a Level 3 rating.
- C. Implement Advanced Treatment Technology - On Target for a Level 3 rating.
- D. Metered Water Ratio Improvements – On Target for a Level 5 rating. Ed Chestnut will verify the second quarter Level Achieved results with Metering Services.
- E. M/WBE Spending – On Target, overall, for a Level 3 rating.

2007 Incentive Plan Goals

Light Switch Goal – On target.

- I. 2007 Net Operating Income Exceed the Budget – On target.
- II. Meet and Exceed Customer Expectations – On target.
- III. Reduce Microbial Risk – On Target.
- IV. Perform Work More Productively – Expect to be on target by 4Q.
- V. Provide Environment which Values Quality of Work Life – Item I, Part A (Preventable Vehicular Accidents) is on Target; Part B (Number of Lost Time Injuries) is Not on Target. Item II (2008 Performance Goals draft submissions) will be determined at the end of 4Q.

2007 Corporate Performance Award

CSI Serviced Customers – On Target

Safety – Lost Time Injuries – Not on Target (7 lost time injuries out of a goal of less than 12 for the year)
– Preventable Vehicular Accidents – On Target (5 accidents with a goal of 24 or less for the year).

Cost Control – Not on Target

Turbidity, Coliform and Chlorine – On Target

SOE Business System Certification

Roger LeMaster presented certification audit findings for the Supporting Organizational Effectiveness system. He commended them on meeting or exceeding requirements for system certification. Four best practices were noted, related to: 1) documentation of processes, 2) employee empowerment, 3) customer service, and 4) knowledge management. The SOE system's partnership agreement has expired, however, it cannot be considered to be updated until such time as Greg Heitzman and Bill Meeks renew the Partnership Agreement between LWC and Local 1683. After that is accomplished and the SOE system's partnership agreement is updated, SOE will either bring the certification back to ELT or submit for approval through email.

Open Time

Strategic Planning – Greg Heitzman met with Karen Wunderlin last week. She will assist LWC in monitoring and implementing the Strategic Plan.

Vision Communication – Greg will extend ELT meetings by 30 minutes over the next 5-10 weeks in order to share his vision for making LWC the best water utility in the United States. The meetings will occur only if all ELT members can be present.

Agenda and Bin List

Jim Brammell will send out the next ELT agenda, which will include the Greenbacks Report and Board Agenda review.

Adjourned

**ELT Meeting Minutes
August 13, 2007**

Attendees: Jim Brammell (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, Susan Lehmann, Bob Miller, Billy Meeks

Visitors: Kathie Johnson (Recorder), Amber Halloran, Sue Purdy, Carl Blanton

Agenda and Minutes Review

Minutes from the August 6 meeting were approved. The agenda for today's meeting was reviewed and approved.

BOWW Agenda

Greg Heitzman reviewed the agenda. Wendy Welsh will cover the Audit Committee Report. Gerald Martin will participate in the meeting by telephone, and Ed Crooks had another commitment and will not be attending.

Greenbacks

Amber Halloran reviewed July financial results. Amber will furnish the previous month's overtime charges to Greg. She will also prepare an updated forecast based on July sales and pumpage. Greg requested that proposals for expenditures of unbudgeted funds greater than \$20,000 in 2007 be forwarded to ELT for review and approval

System Certification of Supplying Financial Resources

This system was due for certification last December. Bob Miller discussed each recommendation and the steps taken to comply. Carl Blanton recommended approval; however, the SFR system's partnership agreement is out of date until such time as the Partnership Agreement between LWC and Local 1683 is renewed. Certification of SFR is approved upon renewal of the Partnership Agreement between LWC and Local 1683.

Open Time

Hot Weather – Greg said we are pumping 184-185 MGD. Jack Wang is monitoring algae blooms. Treatment for taste and odor will be expensive. Another temporary booster pump is being considered to pump more water to Bullitt County. We are keeping up with the Shelbyville Road corridor.

Statistics Process Control – A training session will be held Tuesday, August 21. ELT members are urged to attend if time permits. Bob Miller will address the training session next week, and will give examples of the types of information management would want to see.

Agenda and Bin List

Jim Brammell requested dates be provided, where possible for items on the bin list. He will send out an agenda for the next meeting.

Adjourned

**ELT Meeting Minutes
August 20, 2007**

Attendees: Jim Brammell (Leader), Ed Chestnut, Barbara Dickens, Greg Heitzman, Susan Lehmann, Bob Miller, Billy Meeks

Visitors: Kathie Johnson (Recorder), Susan Camp, Chris Goodloe, Amber Halloran

Agenda and Minutes Review

Minutes from the August 13 meeting were approved. Roger LeMaster, through an email, requested revision to the previously approved August 6 minutes. He requested the paragraph under the SOE Certification topic include reference to four best practices identified in the audit instead of two. The August 6 minutes will be modified to include reference to the four best practices, and the minutes will be notated that the change was made. The agenda for today's meeting was reviewed and approved.

Customer Service Call Center Strategy

Susan Camp and Chris Goodloe gave an overview of the Call Center Resourcing Strategy. Staffing strategies include partnering with other agencies to create a temp pool, and cross training of cashiers and NSA staff. Benchmarking was done with other small call centers (those with fewer than 20 reps) on staffing, hours of operation, call volumes, abandonment targets, service level targets and IVR usage. Plans for improvement were discussed to reduce call volume, revise call center metrics, optimize productivity, enhance resource availability, enhance technology, and partner with internal suppliers/customers.

Water Rate Redesign

Bob Miller discussed water rate redesign issues. He expects the overall rate increase for 2008 to be in the 5.5% to 6.5% range. We will be considering a new charge for service offs and ons to recover the cost of creating a final bill and beginning a new account. We plan to make minor changes to the rate structure in house and use CDM to look at the entire rate model and prepare recommended changes and enhancements.

Closed Session

Adjourn