

Louisville Water Company

Metro Council Update
2015 Budget Communication
November 13, 2014



2014 – Louisville Water’s Value



- Safe, high-quality and reliable supply of drinking water
- Water quality excels, meeting or exceeding all EPA standards
- Commitment to research: Water Research Foundation Award Winner 2014

2014 – Louisville Water's Value

- 2006 advanced refunding saves \$7 million (Present Value)
- Affirmation of highest credit ratings from Standard and Poor's and Moody's
- Increased funding for Customer Assistance Program with MSD partnership (\$200K)

2014 – Louisville Water’s Value



- On-Site chlorine generation at B.E. Payne Treatment Facility
- Successfully managed through two winter emergencies with over 380 water main breaks in 60 days
- Managed the West Virginia chemical spill with no impact
- National focus on urgent need for infrastructure investment
- Maintain nearly 24,000 public fire hydrants
- Maintain 4,200 miles of main

2014 – Louisville Water’s Value

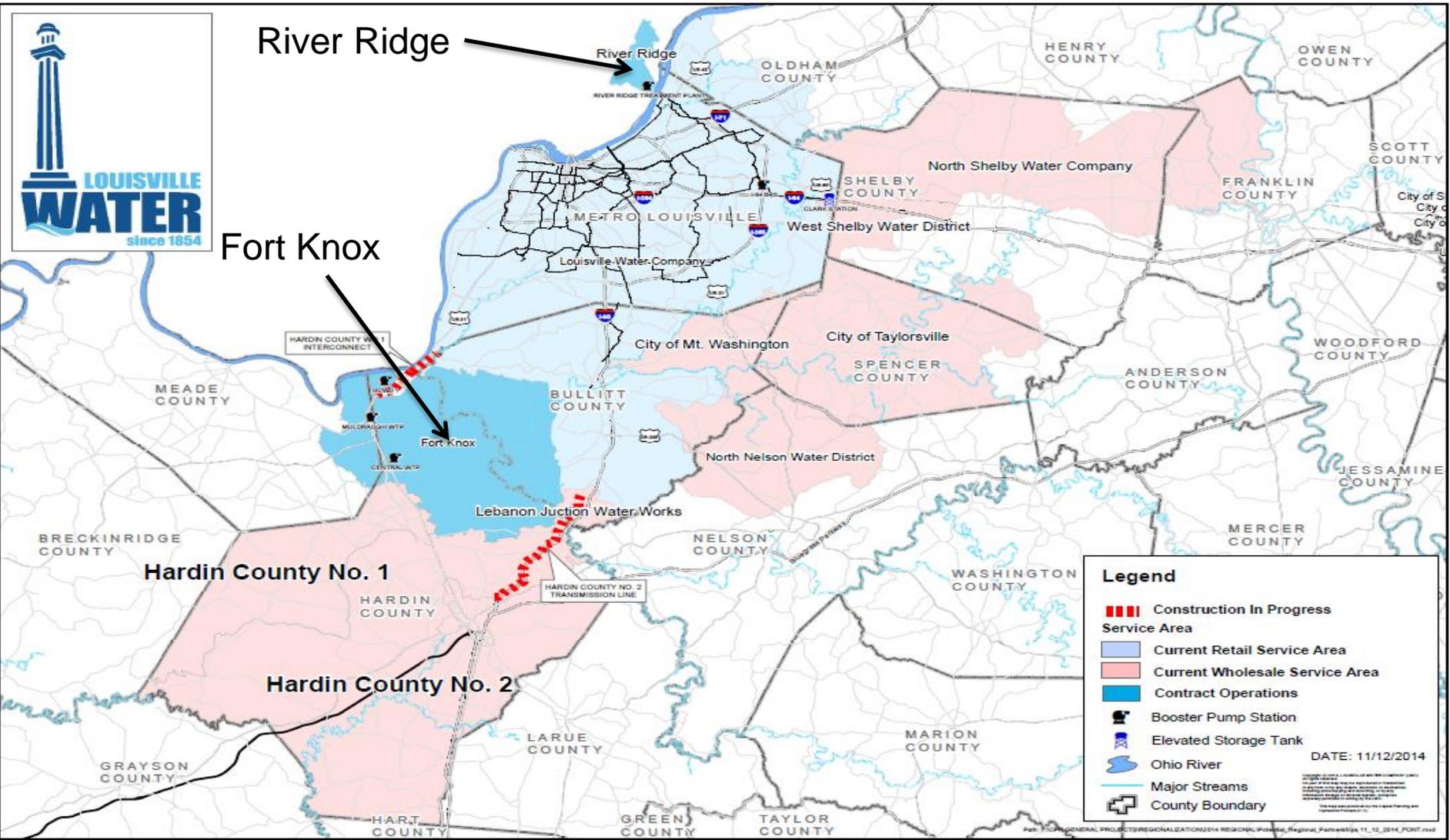


- Opened Louisville Water Tower Park, a community asset for the public with the WaterWorks Museum
- Louisville gets “back to the tap”

2014 Review and Highlights

- Revenue forecasted at \$166.5 million, \$44 thousand over budget
- Operating expenses forecasted at \$118.8 million, in line with budget
- Customer Satisfaction at record high levels
- Dividend forecasted at \$20.2 million

Regionalism



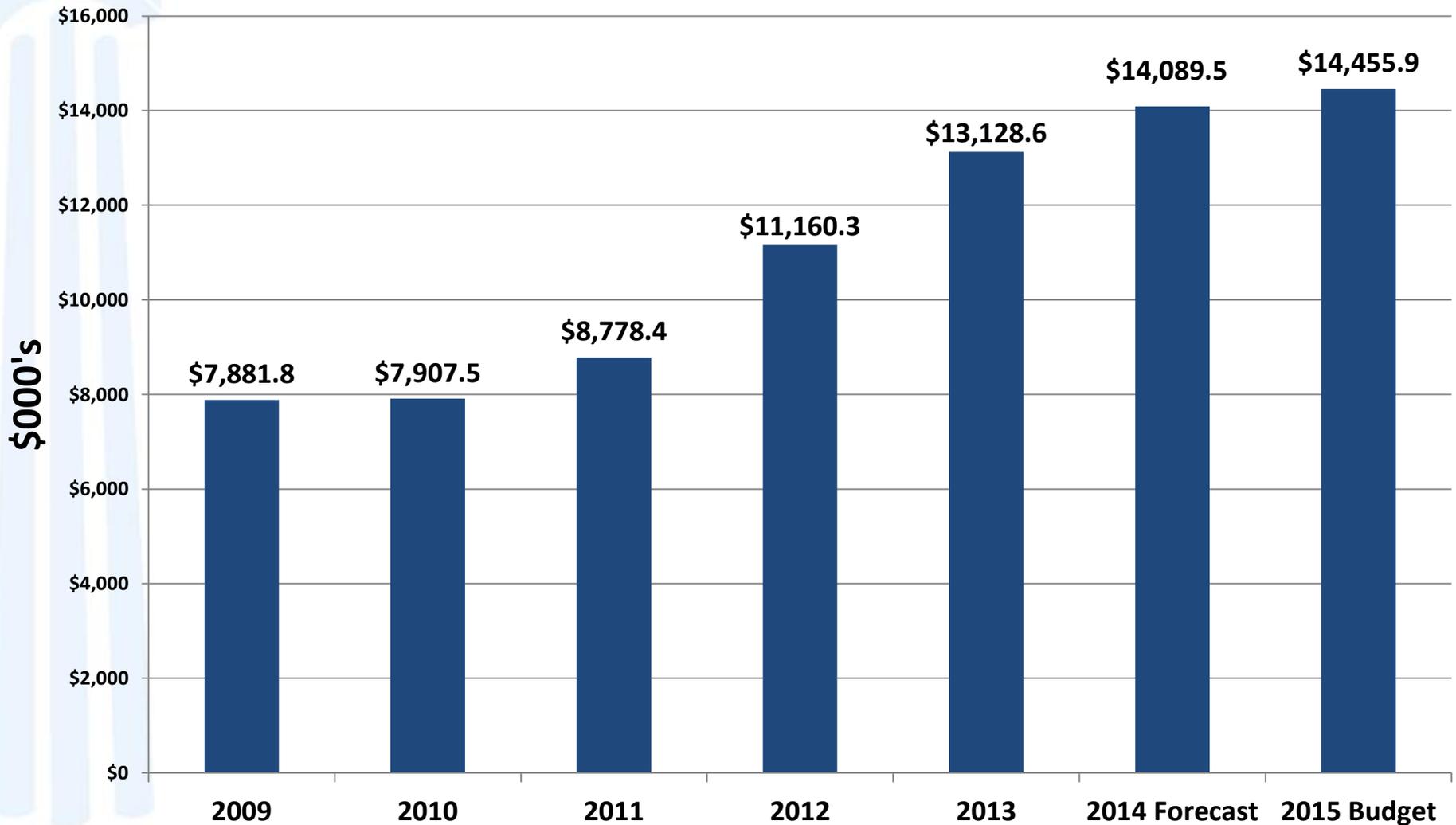
River Ridge

Fort Knox

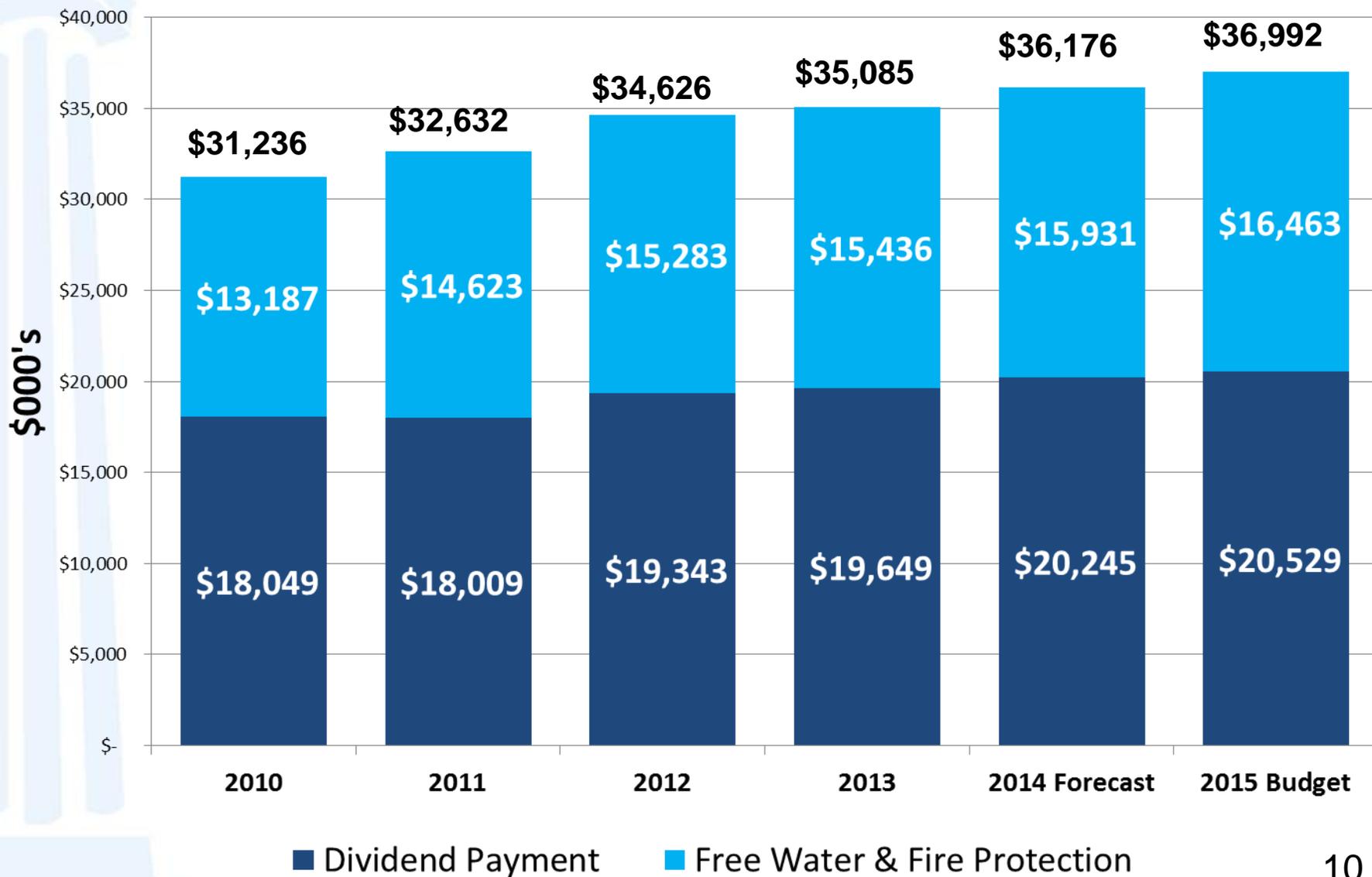
Economic Development

- Water is a “Differentiator”
- Revamped economic development and strategy
- Focus on Louisville Water as an economic engine for growth based on abundant water supply and low water rates
- Partnerships
 - Louisville Forward
 - LGE
 - Kentucky Economic Development Cabinet
 - GLI
 - Kentucky Chamber of Commerce

New Business Initiatives Increase Other Operating Revenues



Stockholder Benefit



Stockholder Benefit

Louisville Water Company creates value for Louisville Metro by:

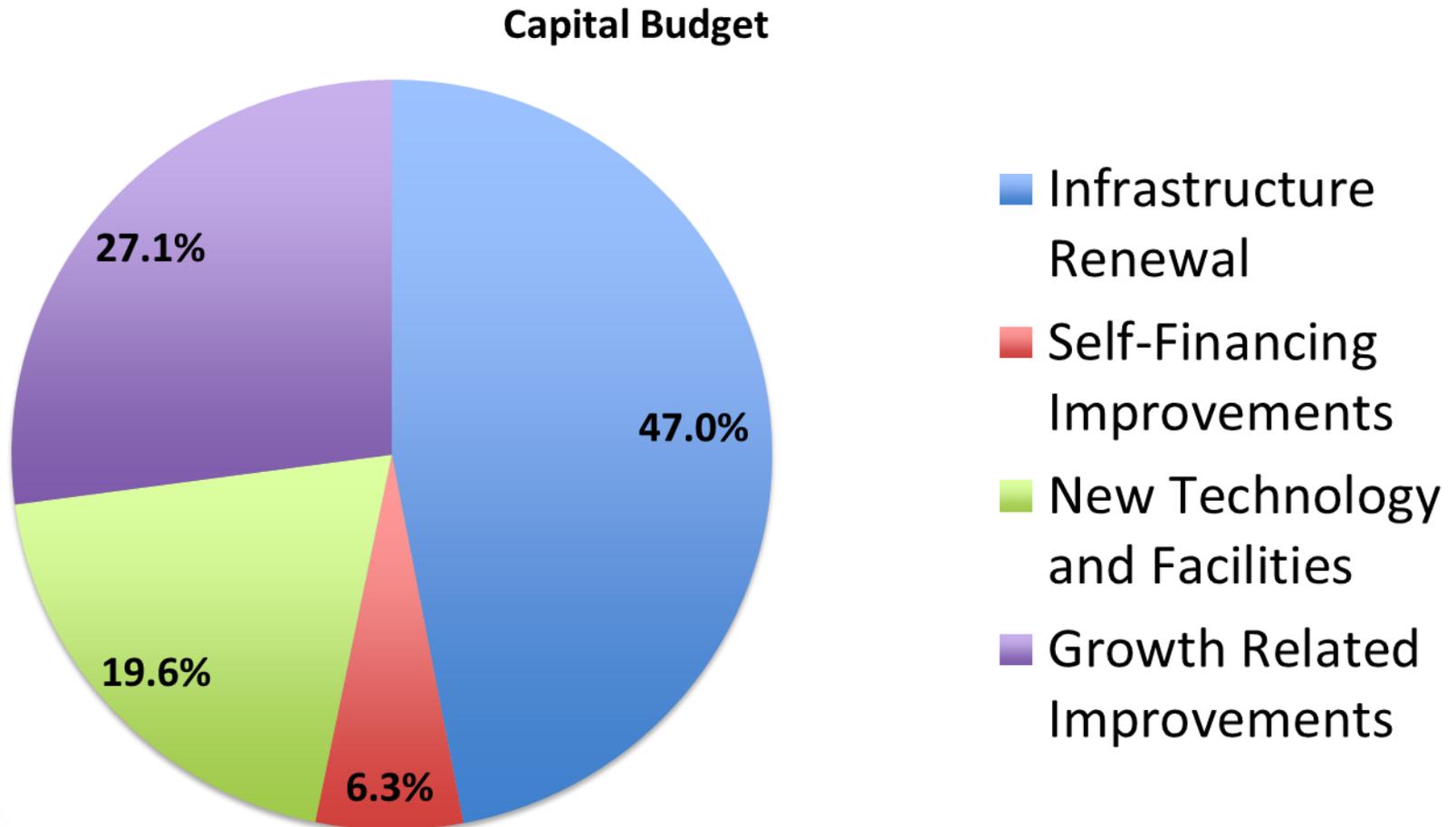
- Investing 50% of adjusted net income into the infrastructure of the Water Works
- Distributing the balance of adjusted net income as a dividend to Louisville Metro
- Providing free water to all Metro buildings, parks, the Zoo and Waterfront Park, a value of \$3.8 million in 2014
- Free fire protection with nearly 24,000 public fire hydrants

2015 Operating Budget

- Budgeted consumption, 34.8 billion gallons, in line with 2014
- Total operating revenue of \$175.0 million
- Operating and maintenance expenses of \$71.2 million, an increase of 2.8% over 2014 budget
- Depreciation expense of \$33.2 million, an increase of 6.7% over 2014 budget
- Savings achieved with MSD partnerships – projected total of \$1 million
- Dividend budgeted at \$20.5 million

Capital Budget Highlights

- The Proposed 2015 Capital Budget includes \$89.6 million (before cash reimbursement):



2015 Capital Projects

Infrastructure Renewal

- Design and begin to rehabilitate the critical 48-inch transmission main along Eastern Parkway
- New technology to inspect 7 miles of larger transmission mains while they remain filled with water and in service
- Repair/replace up to 10 miles of smaller distribution water mains
 - Continue Lead Service Renewal Program
 - Aqueous Ammonia Plant



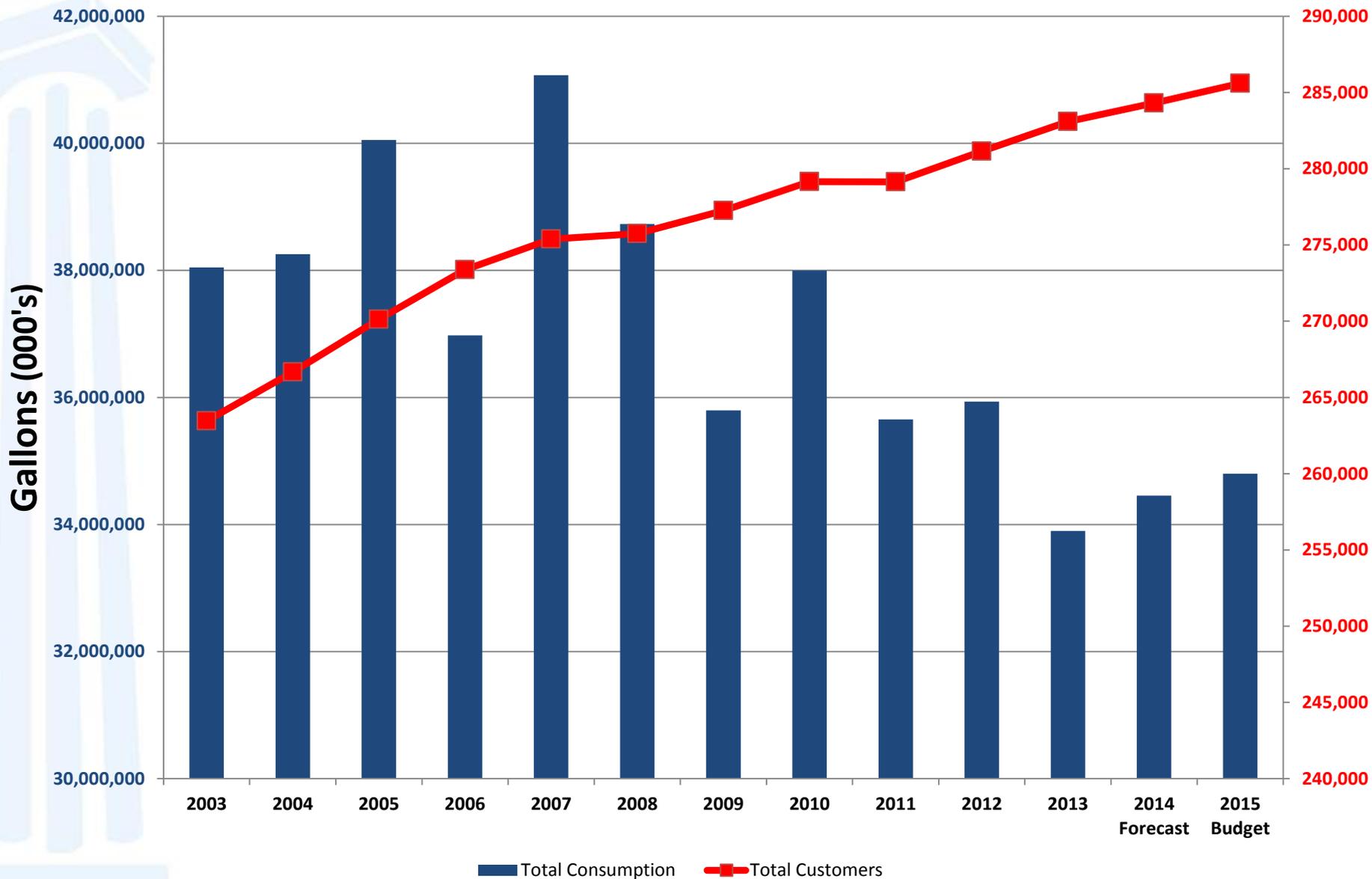
2015 Capital Projects

New Customer Care & Billing System

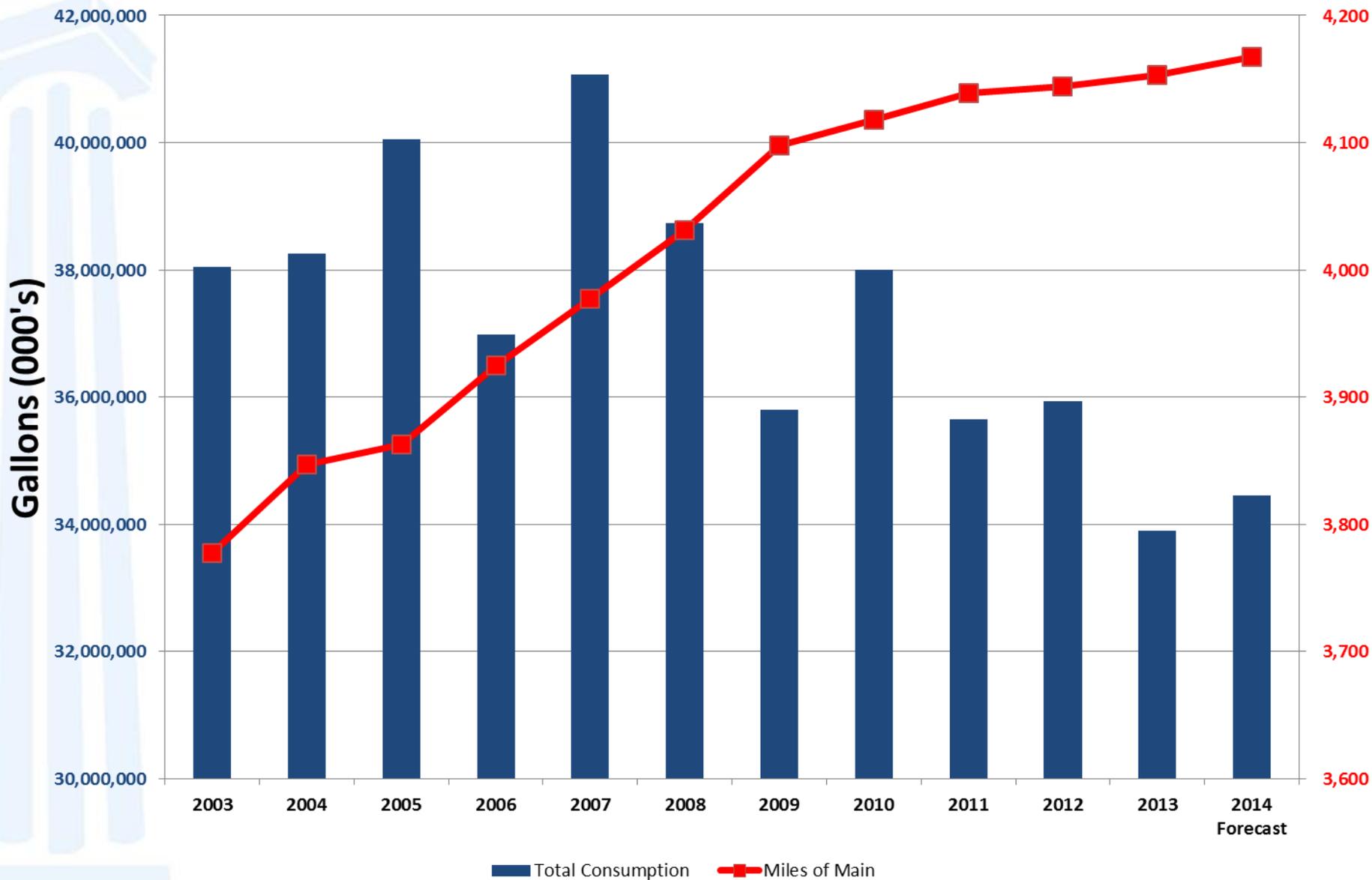
- Replacing 15-year-old billing system in spring 2015
- Partnership with MSD
- Internal tools to improve customer service
- Customers have more options for account management
- Mobile workforce management for crews



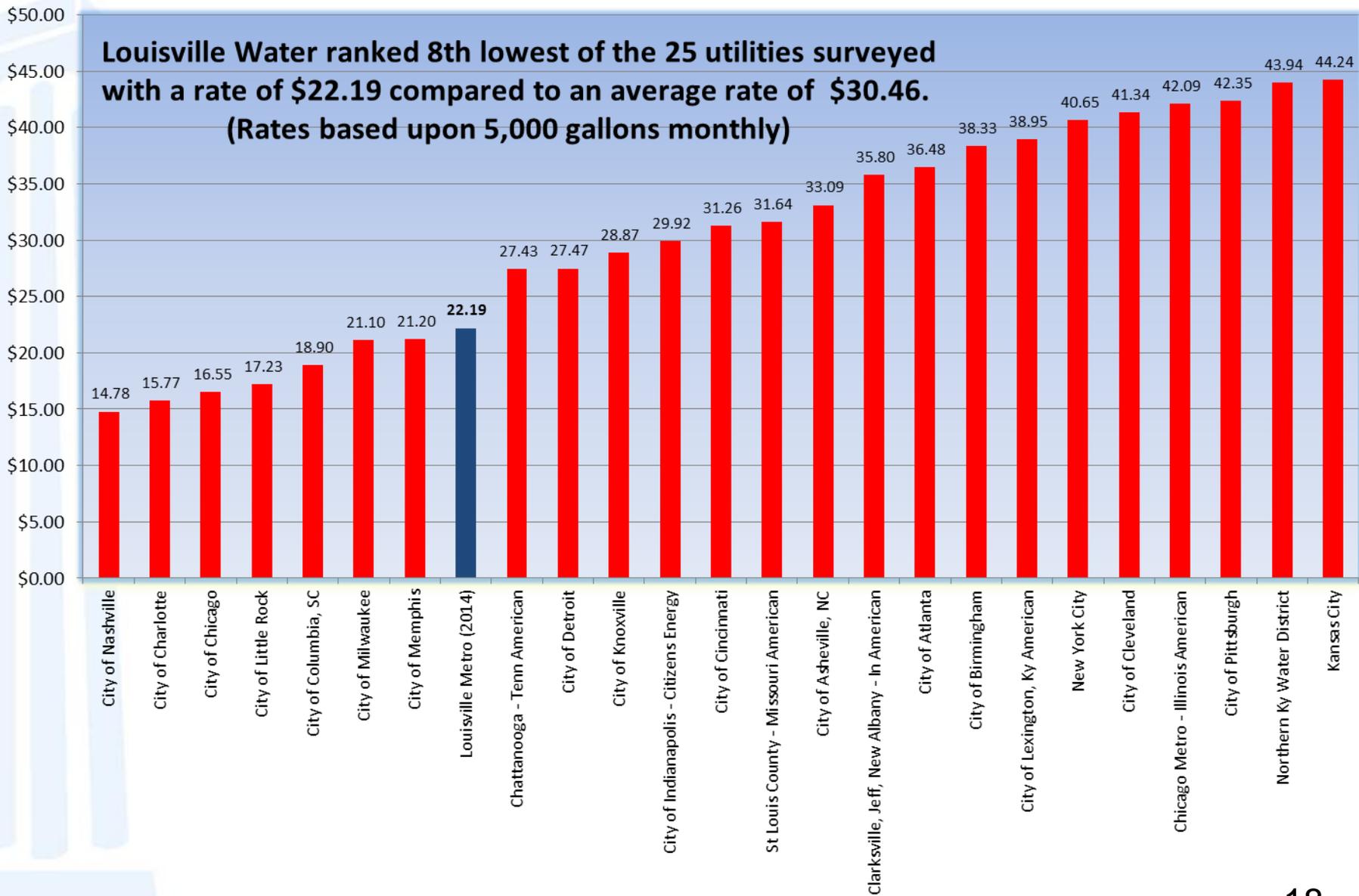
Consumption and Customers 2003-2015



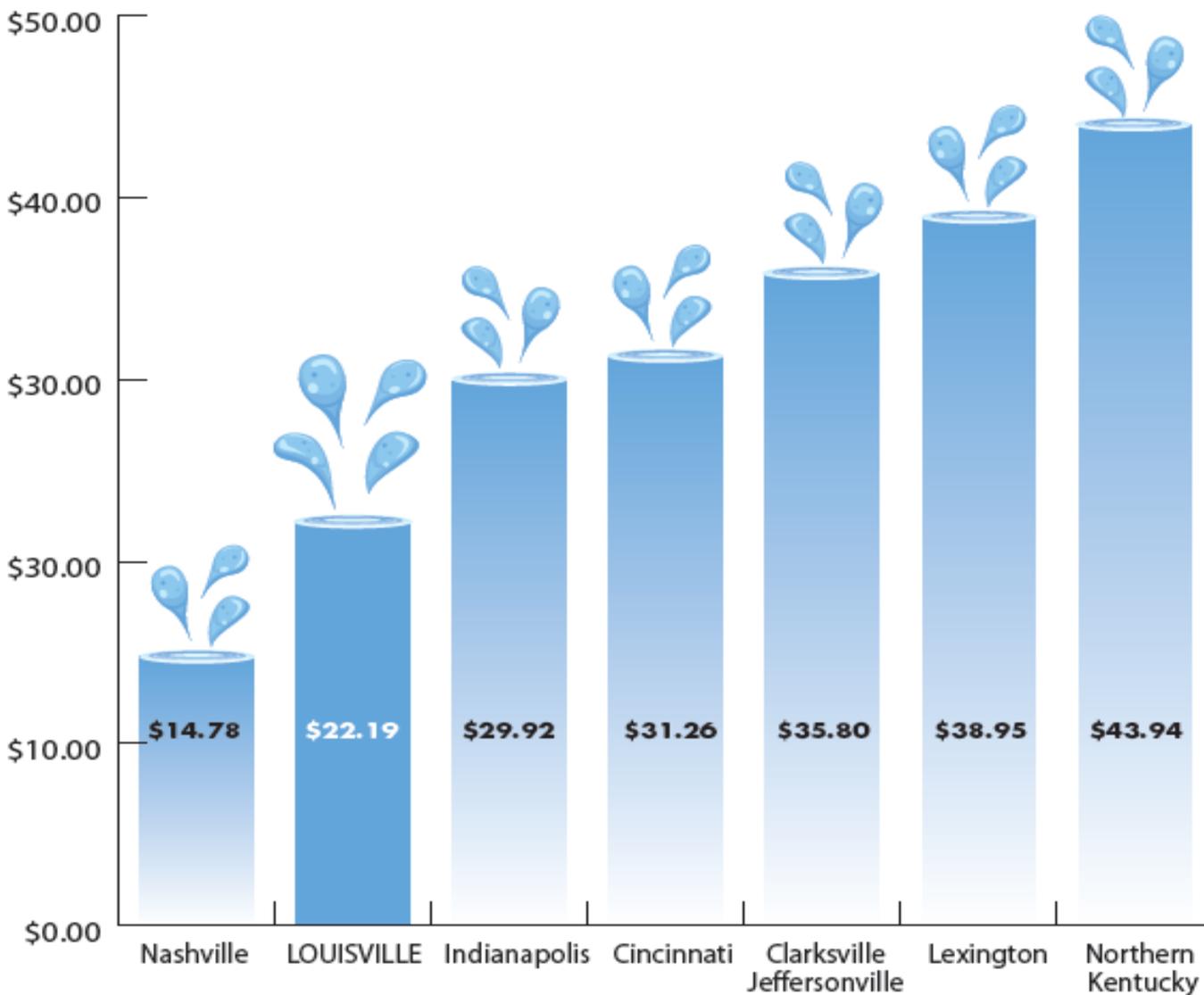
Consumption and Miles of Main 2003-2014



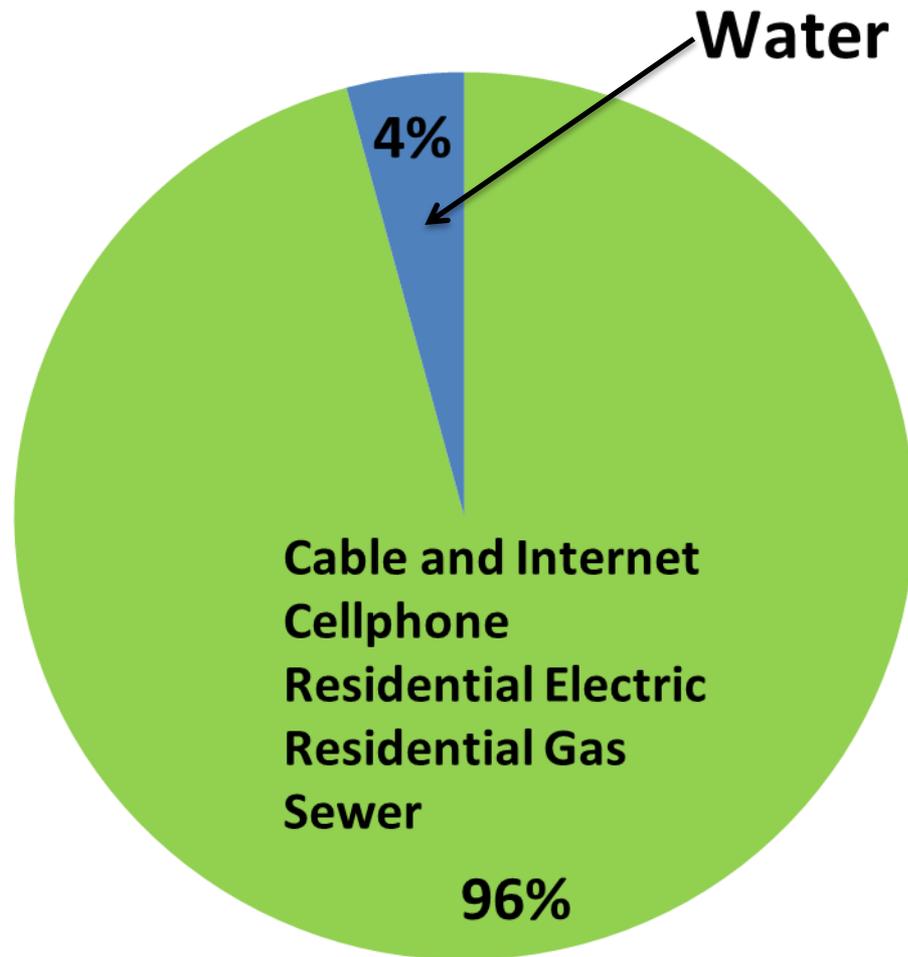
2014 Water Rate Comparison



WATER RATE COMPARISON 2014



Typical Cost of Residential Household Monthly Utility Bills



Community Partner



- School-based education programs reach 50,000
- Smile Kentucky! dental program
- Over 500 organizations benefit with Louisville pure tap®
- Employees actively support and volunteer with philanthropic endeavors
- Customer Assistance Program – partnership with Community Ministries

Conclusion

- Continue providing an exceptional value by supplying a safe and reliable water supply to Louisville Metro and surrounding counties
- Continue to educate customers and stakeholders on the value of a safe, reliable water supply
- Continue to focus on Louisville Water as an economic differentiator
- Continue to pursue business strategies and efficiencies with MSD

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