

KMUA Recommendations

Prohibit revenues generated by utility customer rates to be:

- Transferred, co-mingled, or otherwise used for any function outside of the utility's operation, maintenance, debt service, planning, or any other aspect of running the utility, or
- From being diverted to the general fund or any other department, agency or entity of the city, county, district or other political or private entity, except as provided by current Kentucky law.

All water/wastewater utilities may request assistance to develop the following:

- Start an asset management plan, (with assistance from the Kentucky Rural Water Association and/or the Kentucky League of Cities);
- Start a non-revenue water program that measures acceptable levels of non-revenue water loss on financially cost-effective measures used by the American Water Works Association (AWWA).

All water/wastewater utilities may seek assistance from the Kentucky Municipal Utilities Association, Kentucky Rural Water Association, Kentucky League of Cities, Kentucky Association of County Officials, Kentucky Infrastructure Authority, and/or Kentucky Division of Water to:

- Set customer rates at amounts to provide for proper operation, maintenance, debt service and other capital planning of the utility;
- Adjust customer rates for inflation using the Consumer Price Index (CPI) annually, or more frequently as needed to meet all financial needs of the utility;
- Be a financially, self-sufficient entity capable of funding liabilities from customer rates so as to meet regulatory performance expectations;
- Establish a reserve account based on best management practices for the replacement of water or wastewater infrastructure;
- Undergo an independent, annual audit.

Authorize the Auditor of Public Accounts to:

- Assist in the requirement to perform annual audits; and

Authorize the Kentucky Infrastructure Authority to:

- Assist in annual audits;
- Conduct a simplified review or a sample desk audit of annual audits to identify utilities operating in a financial deficit; and
- Refer any utility operating in a deficit for assistance in a cooperative program to the KY Division of Water and to the PSC (if the utility is regulated by the PSC).

Authorize the Division of Water to declare a utility as Distressed and provide cooperative assistance to:

- Identify a water/wastewater utility as “distressed” if the utility has failed to perform required annual audits or if the utility’s audit is operating in a financial deficit.
- Provide assistance to the water commissioners or board members of a distressed utility in completing annual water board/commissioner training under a program developed by the DOW whose goal is to ensure best management practices are identified and implemented by the water/wastewater utility.