

PUBLIC WATER AND WASTEWATER SYSTEM INFRASTRUCTURE TASK FORCE

Minutes of the 3rd Meeting of the 2020 Interim

October 14, 2020

Call to Order and Roll Call

The 3rd meeting of the Public Water and Wastewater System Infrastructure Task Force was held on Wednesday, October 14, 2020, at 11:00 AM, in Room 171 of the Capitol Annex. Representative Jim Gooch Jr., Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Phillip Wheeler, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senators Brandon Smith and Robin L. Webb; Representatives Derek Lewis and Dean Schamore; Linda Bridwell, and Paul Miller.

Guests: Gary Larimore, Executive Director, Kentucky Rural Water Association (KRWA); Mike Gardner, Deputy General Manager, Water/Sewer Systems Manager, Bowling Green Municipal Utilities (BGMU); and Greg Heitzman, President, Bluewater Kentucky.

LRC Staff: Stefan Kasacavage, Janine Coy, Tanya Monsanto, and Susan Spoonamore, Committee Assistant.

The August 10, 2020, minutes were approved, by voice vote without objection, upon motion made by Senator Wheeler and seconded by Representative Lewis.

Discussion of Legislative Recommendations Relating to Public Water and Wastewater Systems

Gary Larimore, Executive Director, KRWA, stated that KRWA was founded in 1979 to help utilities help themselves by providing training, technical assistance, and advocacy. The association has 350 utility members and 200 associate members. Mr. Larimore outlined the following recommendations for the committee to consider: extend the work of the task force or create a stakeholder group to provide recommendations to the General Assembly; evaluate and hold all water and wastewater utilities to the same standards; allow and encourage rate indexing for utilities regulated by the Public Service Commission (PSC); establish standards for non-revenue water cost as a percentage of total operating cost; require annual reports, including financial audits for all utilities; and establish a uniform evaluation process to identify public water and wastewater utilities that

lack technical, managerial, or financial capacity. Other recommendations included identifying needs of marginal utilities; providing resources for implementation of action plans; establishing a loan fund; enhancing and continuing to support the Water Resource Information System (WRIS); encouraging training for all board members, commissioners, decision-makers, including county and city appointing officials; and allowing the PSC to provide for reasonable extensions of time to complete training requirements for water district commissioners.

In response to Senator Wheeler, Mr. Larimore stated that there are customers who are served outside of the city limits of municipal utilities and for some, their water bills have increased.

In response to Representative Gooch, Mr. Larimore stated that fire departments are supposed to work with water utilities to track the amount of water flushed through fire hydrants.

In response to Senator Wheeler, Mr. Larimore stated that he thought the Martin County Water District was headed in the right direction by hiring a management company. There is a small stakeholders group that has been focusing on Martin County on a monthly basis. Senator Wheeler noted that Martin County has some of the highest water bills in the state. Mr. Larimore said that future water prices would not get cheaper. He said that KRWA performed a rate study for Martin County Water District and the results showed that it needed to increase rates by 50 percent just to stabilize the expenses.

Representative Gooch stated that consumers needed to be educated on how to use less water and therefore decrease their bills.

In response to Representative Lewis, Mr. Larimore said the top three issues that most stakeholders would agree on is the continuation of the stakeholder group, formulating a plan to focus on marginalized water systems, and providing more funding resources to help with short-term loans, grants, or operational support.

Mike Gardner, Deputy General Manager, Water/Sewer Systems Manager, BGMU, stated that the Kentucky Municipal Utilities Association (KMUA) is composed of 40 city utilities who provide water, wastewater, electric power, gas, and telecommunications to 130,000 customers. KMUA has 72 associate members who represent consulting engineers, technical services, and equipment suppliers to bring expertise and cutting-edge solutions to the customers. Mr. Gardner said that KMUA recommends the following: utilities be required to keep revenues within the utility by prohibiting the transfer, co-mingling, or use of rate revenues for functions other than the operation, maintenance, debt service or planning for the utility; best management practices be implemented that include asset management/capital budget plans and non-revenue water programs based on financially cost effective measures per the American Water Works Association; best financial

management practices be implemented, including requiring rates to be cost-based and to be adjusted annually; utilities be required to be financial self-sufficient and to establish reserve accounts for replacement of infrastructure. Mr. Gardner stated that establishing financial accountability is a priority. Annual independent financial audits are important but sometimes costly, therefore, there is a need to develop simplified affordable audits to allow the Auditor of Public Accounts and/or KIA to identify utilities who are operating in a financial deficit, and to refer those utilities to the Kentucky Division of Water and/or the Public Service Commission for training assistance to the commissioners or board members of a distressed utility.

In response to Representative Gooch, Mr. Gardner stated that he was not suggesting any certain agency to identify financially deficient utilities, but there is a need for someone to identify and refer distressed utilities for assistance.

Mr. Gardner stated that KMUA's top recommendations would be to require financial accountability, require annual audits of utilities, require the establishment of a non-revenue water program, and to authorize the Division of Water to declare a utility distressed and offer assistance.

In response to Representative Gooch, Mr. Gardner stated that there is conflicting information regarding testing standards from the United States Environmental Protection Agency and the standards from the Environmental Working Group.

Mr. Greg Heitzman, President, Bluewater Kentucky, stated that overall, the performance assessment of Kentucky's water systems showed that Kentucky was using good practices in regional planning and consolidation of public water services. He mentioned several issues that were challenges for Kentucky Water systems, such as: compliance with regulations; aging infrastructure and infrastructure funding; the decrease in water consumption and different rate approval methods; water loss; workforce limitations; planning and best practices; and the COVID-19 impact on Kentucky's water systems. Mr. Heitzman stated that Bluewater Kentucky's recommendations included the following: continued water system planning and collaboration; establishing a Kentucky Water Infrastructure Fund; developing uniform performance criteria and a rating system for water utilities; creating financial incentives with possible principal forgiveness for achieving performance levels in areas of technical performance, adopting full cost pricing of water using industry standards; adopting industry standards for water audits and loss control programs; utilizing university "Centers for Excellence in Water" through partnerships with utilities, water industry associations, and academic institutions; conducting state-wide performance studies on water loss, lead service, system interconnections for reliability and drought relief, and affordability of water and wastewater for low or fixed-income households; requiring water systems to prepare capital improvement plans for asset management and infrastructure renewal; and revising administrative regulations.

In response to Representative Gooch, Mr. Heitzman explained that the recommendation regarding the establishment of the Kentucky Water Infrastructure Fund would require an annual appropriation of \$25 million to a fund administered by the Kentucky Infrastructure Authority (KIA), and those moneys could be used for matching federal dollars that would not otherwise be available.

In response to Representative Lewis, Mr. Heitzman said that universities rely on multiple sources for grants and funding. He said that some of the proposed \$25 million funding to KIA could be used to fund the universities' Centers for Excellence in Water.

Meeting adjourned.