

1 AN ACT relating to municipal utilities.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 42.747 is amended to read as follows:

4 (1) As used in this section, unless the context otherwise requires:

5 (a) "Blockchain technology" means shared or distributed data structures or digital
6 ledgers used in peer-to-peer networks that:

- 7 1. Store digital transactions;
- 8 2. Verify and secure transactions cryptographically; and
- 9 3. Allow automated self-execution of smart contracts;

10 (b) "Peer-to-peer networks" means computer systems that are connected to each
11 other over the Internet so that each computer system:

- 12 1. Is a client and a server simultaneously; and
- 13 2. Allows file sharing without use of a central server;

14 (c) "Smart contract" means a computerized transaction protocol that self-executes
15 the terms of a contract and that is integrated into the blockchain program
16 architecture; and

17 (d) "Contract" means an agreement of the parties in fact, as found in their
18 language or inferred from other circumstances, including course of
19 performance, course of dealing, or usage of trade, reached through offer and
20 mutual acceptance by the parties to be legally bound by the terms of the
21 agreement which includes valuable consideration for all parties.

22 (2) There is hereby established a Blockchain Technology Working Group which shall
23 be attached to the Commonwealth Office of Technology for administrative
24 purposes.

25 (3) The working group shall evaluate the feasibility and efficacy of using blockchain
26 technology to enhance the security of and increase protection for the state's critical
27 infrastructure, including but not limited to the electric utility grid, natural gas

1 pipelines, drinking water supply and delivery, wastewater, telecommunications, and
2 emergency services. The workgroup shall create a priority list of critical
3 infrastructure that could benefit from the use of blockchain technology and then
4 determine whether:

- 5 (a) Blockchain fits the distributed nature of transactions;
- 6 (b) The peer-to-peer network is robust enough to support the use of blockchain
7 technology;
- 8 (c) A cost-benefit analysis of blockchain for each case is warranted to
9 demonstrate its value, applicability, or efficiency; and
- 10 (d) If the parties involved in the blockchain would agree to its usage if deployed.

11 (4) The workgroup shall consist of nine (9) members, three (3) of which shall be ex
12 officio, as follows:

- 13 (a) The chief information officer for the Commonwealth Office of Technology or
14 his or her designee who shall serve as chair;
- 15 (b) The secretary for the Energy and Environment Cabinet or his or her designee;
- 16 (c) The chief information officer for the Finance and Administration Cabinet or
17 his or her designee;
- 18 (d) A representative designated by the executive director of the Kentucky Public
19 Service Commission, who has knowledge of the spatial characteristics of the
20 infrastructure used by public utilities;
- 21 (e) The executive director of Kentucky Department of Homeland Security or his
22 or her designee;
- 23 (f) One (1) member in academia designated by the chief information officer of
24 the Commonwealth Office of Technology, who has expertise in blockchain
25 technology and its applicability to different industry sectors;
- 26 (g) One (1) ex officio member representing municipal utilities ~~[the Kentucky~~
27 ~~Municipal Utilities Association (KMUA)]~~ designated by the Kentucky

1 League of Cities~~[executive director of KMUA]~~;

2 (h) One (1) ex officio member representing the investor-owned electric utilities
3 designated by the executive director of the Kentucky Public Service
4 Commission; and

5 (i) One (1) ex officio member representing Kentucky electric cooperatives
6 designated by the chairman of the board of the Kentucky Association of
7 Electric Cooperatives.

8 (5) The workgroup shall be staffed by the Commonwealth Office of Technology.

9 (6) The workgroup shall report to the Governor and to the Legislative Research
10 Commission by December 1 of each year. The report shall include the current
11 priority list and a discussion of whether blockchain could be deployed, and any
12 associated cost-benefit analysis.

13 ➔Section 2. KRS 96.530 is amended to read as follows:

14 (1) Any city acquiring or constructing an electric light, heat, and power plant under the
15 provisions of KRS 96.520 shall, by ordinance, appoint a city utility commission
16 consisting of either three (3) commissioners or five (5) commissioners to operate,
17 manage, and control the plant. The utility commission shall have absolute control of
18 the plant in every respect, including its operation and fiscal management and the
19 regulation of rates, except that in fixing rates the commission shall be governed by
20 the provisions of KRS 96.430, as it is made applicable to those plants by KRS
21 96.520, and by any ordinance enacted under that section, except that in fixing rates
22 the commission in a city with a population equal to or greater than eight thousand
23 (8,000) based upon the most recent federal decennial census shall be governed by
24 the provisions of KRS 96.535 and any ordinance enacted according to this section.
25 The utility commission, when so appointed, shall be a public body politic and
26 corporate, with perpetual succession; and the body may contract and be contracted
27 with, sue and be sued, in and by its corporate name, and have and use a corporate

1 seal. The utility commission shall provide rules for the management of the plant,
2 and it shall fix the number, qualifications, pay, and terms of employment of all
3 employees needed to operate the plant. In cities with populations equal to or greater
4 than eight thousand (8,000) based upon the most recent federal decennial census
5 providing civil service coverage for city employees, the utility commission
6 appointed under this section may provide civil service coverage for all of its
7 employees, and it shall exercise the powers and functions with respect to their
8 employees which are vested in the city legislative body with respect to the city
9 employees by KRS 90.380. Employees who have been in the employment of the
10 utility commission for one (1) year immediately preceding the adoption of an order
11 by the utility commission placing all of its employees under civil service coverage
12 shall not be required to stand a civil service examination, and they shall be eligible
13 for all the benefits provided by civil service coverage. Out of the revenue of the
14 plant, it shall pay operating expenses, repairs, and necessary additions and provide
15 sufficient reserve fund against any emergency that may arise. The commission shall
16 from time to time pay to the city the surplus revenue derived from the operation of
17 the plant as is provided in KRS 96.430 and 96.440, as they are made applicable to
18 the plants by KRS 96.520, except that the commission in a city with a population
19 equal to or greater than eight thousand (8,000) based upon the most recent federal
20 decennial census shall pay to the city the surplus revenue derived from the
21 operation of the plant as is provided in KRS 96.535 and any ordinance adopted
22 according to this section. Notwithstanding the foregoing provisions, the utility
23 commission, for the purpose stated in KRS 96.520(1), may enter into an agreement
24 for the operation of any of its plants or other facilities.

25 (2) (a) Except as provided in KRS 61.070, no person shall be appointed a member of
26 the commission who has, within the last two (2) years before his appointment,
27 held any city, county, state, or federal office, or been a member of any

1 committee of any political party, or who is related within the third degree to
2 the mayor, or a member of a city legislative body.

3 (b) The commission shall not appoint to any subordinate office that it may create
4 any person who is related to any commissioner, to the mayor or to any
5 member of the city legislative body. No officer or employee of the city,
6 whether holding a paid or unpaid office, shall be eligible to be appointed as a
7 member of the commission or to be employed by the commission in any
8 capacity.

9 (c) The members of the commission shall be citizens, taxpayers, and legal voters
10 of the city and shall not at the time of appointment be indebted to the city or
11 be surety on the official bond of any officer of the city. However, in cities
12 with three (3) commission members, one (1) commission member may be
13 appointed who does not live within the city boundaries, and, in cities with five
14 (5) commission members, no more than two (2) commission members may be
15 appointed who do not live within the city boundaries. In both instances, the
16 appointment or appointments shall occur only if the appointing authority
17 determines that each appointee:

- 18 1. Is a resident of a county in which the utility operates;
- 19 2. Possesses qualifications and expertise that would benefit and be in the
20 best interests of the city utility; and
- 21 3. a. Is not employed by;
22 b. Is not serving in any fiduciary or agency capacity with; or
23 c. Does not possess an ownership interest in;
24 a direct supplier or direct competitor of the city utility.

25 (d) If at any time during his or her term of office any member of the commission
26 becomes a candidate for or is elected or appointed to any public office, he or
27 she shall automatically vacate his or her membership on the commission, and

1 another person shall be appointed in his or her place.

2 (3) The city shall pay the cost of securing bonds for the commissioners from a surety
3 company, and each commissioner shall execute bond to be approved by the city
4 legislative body.

5 (4) The city legislative body shall fix the salary to be paid each member of the
6 commission at a sum not to exceed four thousand eight hundred dollars
7 (\$4,800)~~two thousand four hundred dollars (\$2,400)~~ per annum. The Department
8 for Local Government shall compute by the second Friday in February of every
9 year the annual increase or decrease in the Consumer Price Index of the preceding
10 year by using 1998 as the base year, and the salary of the commissioners may be
11 adjusted at a rate no greater than that stipulated by the Department for Local
12 Government.

13 (5) The first commissioners appointed under this section shall be appointed one (1) for
14 the term of one (1) year, one (1) for the term of two (2) years, and one (1) for the
15 term of three (3) years. Upon the expiration of the first terms, successors shall be
16 appointed for a term of three (3) years. On a commission with five (5) members, not
17 more than two (2) members shall hold concurrent terms of office.

18 (6) All commission members appointed subsequent to the initial members shall be
19 appointed by the mayor or chief executive of the municipality, with the approval of
20 the governing body of the municipality.

21 ➔Section 3. KRS 96.750 is amended to read as follows:

22 (1) The salary of each member of a board of public utilities may be fixed by the board
23 at not exceeding four thousand eight hundred dollars (\$4,800)~~two thousand four~~
24 ~~hundred dollars (\$2,400)~~ per annum.

25 (2) Such salaries, as well as the salary of the secretary-treasurer, shall constitute a cost
26 of operation and maintenance of the electric plant.

27 (3) The governing body of the municipality may, by resolution or ordinance, provide

1 that the municipality shall not be liable for the payment of any salary or
2 compensation of any of the members of said board, or for the payment of the salary
3 or compensation or expenses of any person employed by said board, and that such
4 salaries, compensation and expenses and any and all liabilities, of whatever kind or
5 character incurred by the board or any officer or employee thereof, shall be payable
6 solely and only out of revenues obtained by said board under the provisions of KRS
7 96.560 to 96.900, and said liabilities shall then be so limited.

8 ➔Section 4. KRS 96.780 is amended to read as follows:

9 (1) After a board has been appointed and qualified, it shall have charge of the general
10 supervision and control of the acquisition, improvement, operation and maintenance
11 of the electric plant of the municipality. The board shall employ an electric plant
12 superintendent (herein called "superintendent"), who shall be qualified by training
13 and experience for the general superintendence of the acquisition, improvement and
14 operation of the electric plant. His salary shall be fixed by the board. The
15 superintendent shall be removable by the board for inefficiency, neglect of duty,
16 misfeasance, or malfeasance in office. He shall be required to execute a bond, in a
17 sum to be determined and approved by the board, conditioned upon the faithful
18 performance of his official duties. The cost of the bond may be charged as an
19 expense of the operation of the electric plant.

20 (2) Within the limits of the funds available therefor, all powers of a municipality to
21 acquire, improve, operate and maintain, and to furnish electric service, and all
22 powers necessary or convenient thereto, conferred by KRS 96.550 to 96.900, shall
23 be exercised on behalf of the municipality by the board and the superintendent,
24 respectively. Subject to the provisions of applicable bonds or contracts, the board
25 shall determine programs and make all plans for the acquisition of the electric plant,
26 shall make all determinations as to improvements, rates and financial practices, may
27 establish such rules and regulations as it deems necessary or appropriate to govern

1 the furnishing of electric service, and may disburse all moneys available in the
2 electric plant fund hereinafter established for the acquisition, improvement,
3 operation and maintenance of the electric plant and the furnishing of electric
4 service.

5 (3) A copy of the schedule of the current rates and charges in effect from time to time
6 and a copy of all rules and regulations of the board relating to electric service shall
7 be kept on public file at the main and all branch offices of the electric plant and also
8 in the office of the municipal clerk or recorder. The superintendent shall have
9 charge of all actual construction, the immediate management and operation of the
10 electric plant and the enforcement and execution of all rules, regulations, programs,
11 plans and decisions made or adopted by the board.

12 (4) The superintendent shall appoint all employees and fix their duties and
13 compensation subject to and with the approval of the board. Subject to the
14 limitations and provisions of KRS 96.550 to 96.900, the superintendent, with the
15 approval of the board, may acquire and dispose of all property, real and personal,
16 necessary to effectuate the purposes of KRS 96.550 to 96.900. The title to all
17 property purchased or acquired shall be taken in the corporate name of the board.

18 (5) The superintendent shall let all contracts, subject to the approval of the board, but
19 may, without such approval, obligate the electric plant on purchase orders up to an
20 amount to be fixed by the board, not to exceed forty thousand dollars
21 (\$40,000)~~[twenty thousand dollars (\$20,000)]~~. All contracts shall be in the
22 corporate name of the board and shall be signed by the superintendent and attested
23 by the secretary-treasurer or chairman of the board. The superintendent shall make
24 and keep or cause to be made and kept full and proper books and records, subject to
25 the supervision and direction of the board, and the provisions of applicable
26 contracts.

27 ➔Section 5. KRS 224A.030 is amended to read as follows:

1 (1) There is hereby created the Kentucky Infrastructure Authority, which authority
2 shall be a body corporate and politic, constituting a public corporation and a
3 governmental agency and instrumentality of the state. The affairs of the authority
4 shall be managed and carried out by a board consisting of eleven (11) members.
5 The secretaries of the Economic Development, Finance and Administration, and
6 Energy and Environment Cabinets; the executive director of the Public Service
7 Commission; and the commissioner of the Department for Local Government shall
8 serve as ex officio members of the authority. The secretaries, the executive director,
9 and the commissioner may designate alternates. The Governor shall additionally
10 appoint six (6) at-large members. One (1) member shall be selected from a list of
11 three (3) nominees submitted by the Kentucky Association of Counties, **two (2)**
12 **members**~~[one (1) member]~~ selected from a list of **six (6)**~~[three (3)]~~ nominees
13 submitted by the Kentucky League of Cities, **one (1) of whom shall represent a**
14 **municipal utility that provides water and wastewater service**, one (1) member
15 selected from a list of three (3) nominees submitted by the Kentucky Rural Water
16 Association, one (1) member representing for-profit private water companies, **and**
17 one (1) member selected from a list of three (3) nominees submitted by the
18 Kentucky section of the American Water Works Association~~[, and one (1) member~~
19 ~~selected from a list of three (3) nominees submitted by the Kentucky Municipal~~
20 ~~Utilities Association]~~. As the terms of the at-large members expire, the Governor
21 shall appoint successors for terms of four (4) years and until their successors are
22 appointed. The members shall constitute the Kentucky Infrastructure Authority,
23 with power in that name to contract and be contracted with, sue and be sued, have
24 and use a corporate seal, and exercise, in addition to the powers and functions
25 specifically stated in this chapter, all of the usual powers of private corporations to
26 the extent that the powers are not inconsistent with specifically enumerated powers
27 of the authority. In the carrying out of its purposes and the exercise by it of the

1 powers conferred by this chapter, the authority is deemed and declared to be
2 performing essential governmental functions and public purposes of the state.

3 (2) The members of the authority shall receive no compensation for their services in
4 their official capacity but shall be entitled to reimbursement for all reasonable
5 expenses necessarily incurred in connection with performance of their duties and
6 functions as authority members.

7 (3) Six (6) members of the authority shall constitute a quorum for the transaction of
8 business, and in the absence of a quorum, one (1) or more members may adjourn
9 from time to time until a quorum is convened. The members of the authority shall
10 choose from their ranks a chair and a vice chair. The authority shall elect a secretary
11 and a treasurer who shall not be members of the authority, each of whom shall serve
12 at the pleasure of the authority and shall receive compensation as may be
13 determined by the authority.

14 (4) (a) The authority shall, for administrative purposes, be attached to the
15 Department for Local Government, which shall provide any office space
16 required by the authority.

17 (b) The secretary of the authority shall at all times maintain therein complete
18 records of all of the authority's actions and proceedings which shall constitute
19 public records open to inspection at all reasonable times.