Speakers for Today’s Webinar

Gary Larimore, Executive Director, Kentucky Rural Water Association

Deborah D. Dewey, President, Indiana American Water
Submit questions here
What’s So Great About Kentucky…

Presented by
Gary Larimore, Executive Director
Kentucky Rural Water Association

National Governors Association
October 31, 2018

...Water and Wastewater Utilities?
What’s So Great About Kentucky...

...Water and Wastewater Utilities?
7 Contributing Factors

for

Kentucky’s Water & Wastewater Utilities

to rank

Among the Best in America!
7 Contributing Factors

Climate/Geography

Federal Laws

State Laws & Regs

Federal Funding

State Funding/Planning

KRWA

Natural Consolidation
Climate/Geography

- Kentucky averages nearly 50 inches of rain each year

- Kentucky has the second most stream miles in U.S.? (Alaska – 1st)

- Kentucky relies more on surface water than groundwater: The only state in the U.S.
Federal Laws

- The Safe Drinking Water Act (1974)
- The Clean Water Act (1972)
- State Primacy (SDWA - 1977, CWA - 1983)
7 Contributing Factors

State Laws & Regs

• DOW has been “out front” of most federal regulations

• Established framework for success – KRS 74,96,151,etc.

• SB 409 – 2000 Session GA – Springboard

• DOW, PSC, KIA and Utilities working together
Mergers, Consolidation & Regionalization

**KRS 74.361 (1)**
Legislative fact of finding

**KRS 74.420-520**
Water Commissions

**KRS 224A.300**
KIA Authority for Planning

**KRS 151.601**
2020 Management Councils
Federal Funding

- USDA Rural Development in Kentucky is GREAT!!
- Establishment of State Revolving Loan Funds (EPA)
- Our U. S. Congressional delegation is very supportive
- Kentucky typically receives more from Washington than we pay in taxes
7 Contributing Factors

State Funding/Planning

• Kentucky’s 20/20 Plan has led to $880 million in funding

• SB 409 led to Planning and Project Profiles

• Kentucky Infrastructure Authority (KIA) reorganized
Projects Funded Since FY 2000

$881 million

FY 2000 - 2002
$118 million appropriated
326 water projects funded by KIA

FY 2002-2004
$110 million appropriated
265 water & wastewater projects (20% Sewer)

FY 2004-2006
$206 million appropriated
580 projects (40% Sewer)

FY 2006-2008
$222 million appropriated
523 projects (40% Sewer)

FY 2008-2010
$225 million appropriated
594 projects (40% Sewer)
7 Contributing Factors

**KRWA**

- **Interim Loans** - $958 Million over 435 projects
- **Flexible Term Loans** - $430 Million
- **Trained** - 73,000
- **Assisted** - 75,000
- **425 Utility Management Professionals**
Natural Consolidation

7 Contributing Factors

• Surface water treatment is more technically challenging

• Water districts and associations have expanded dramatically

• Municipal Utilities expanded service outside city limits
## Natural Consolidation

### Kentucky

<table>
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<tr>
<th>YEAR</th>
<th>TNCWS</th>
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<th>CWS</th>
<th>PWS</th>
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<td>49</td>
<td>26</td>
<td>409</td>
<td>484</td>
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<td>2018</td>
<td>25</td>
<td>14</td>
<td>355</td>
<td>394</td>
<td>-19%</td>
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Wisconsin

Kentucky

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<td>VERY LARGE</td>
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How Much Progress Have We Made?

Pike County
Pike County Public Water Systems - 1974

Non-Transient NCWS

Bevins Elementary
Blackberry Elementary
Brushy Elementary
Canada Coal
Canada Coal #4
Canada Coal Office
Chisholm Coal
Dorton Kindergarten
Dorton School
Doug Charles MHP
Druthers Restaurant
Feds Creek HS
Freeburn Elementary
Grapevine Elementary
Greasy Creek School
Jackson Rowe Elementary
Johns Creek Elementary
Johns Creek HS
Kimper Elementary
Lodestar Energy
Majestic School
Mine 29
Phelps Elementary
Phelps HS
Roadfork Development
Roadfork/Calloway
Sun Glow Coal
Sun Glow/Sycamore
Sun Glow Coal #2
Sycamore Elementary
Tuscaloosa Energy
Upper Levisa Health Clinic

Transient NCWS

Alberta King’s Pizza
Baker's Truck Stop
Belfry HS
Beth Elk horn Mine
Bonnie's Rest
Brass Kettle
Brushy Creek Baptist Church
Canada Coal/Hurricane Creek
Canada Coal/Layne's Branch
Caney Branch Coal
CB's Pizza
Coleman's Restaurant
Cornerstone Freewill Baptist
COE/Fishtrap Marina
COE/Grapevine
COE/Waterboy
Country Cafe
Dairy Hut
Dale McNeeley MHP
Dean's Pizza
Breaks Interstate Park
Dorrie's Cafe
El Producto Mining
Falcon Motel
Family Fun Bowling
Flannery's Custard Stand
Ford's Restaurant
Gene Bentley Pizza
George Johnson Elementary
Giovanni's Pizza
Hager Grocery
Hall-Adkins Coal
Heliker Elementary
Herford Campbell MHP
Hornet's Restaurant
IGA Foodline
Island Creek Coal #1
Island Creek Coal #2
J's Drive Inn
Jan's Restaurant
Johns Creek Elk horn Coal
Johnson MHP
Judy's Kooky Kitchen
Kentucky Carbon #1
Kimper & L&M Market
Kingdom Hall
Kinney MHP
Knox Creek Snack Bar
Kentucky Carbon/Roadfork
Kentucky Power
L & L Coal Mart
Lin-Corb MHP
Little Queenie Drive Inn
Loder House Inn
Lodestar Energy
Loftis Coal
Long Fork Freewill Baptist
Lookout Grade School
M & D Apartments
Mayo Trail Restaurant
MC Mining
Millard HS
Mullins Trailer Park
O K Lunch
Papa Jack's Restaurant
Patricia's Restaurant
Paul's Restaurant
Phelps BP Mart
Phelps MHP
Polyanna Drive In Theater
Praetor MHP
R/R MHP
Ratliff MHP #1
Ratliff MHP #2
Rita Coal
Rita Coal/KA 5
Robinson Creek Elementary
Runyon Elementary
Shebiana Elementary
Shelby Valley Truck Stop
Sidney Coal
Silver Spoons Family Restaurant
Slater Brothers Mining
Snack Shack
South Side Mall
Sovereign Coal
Spotlight Drive In
Stella's Rest
Sue's Cake & Pizza
Suzann's Drive In
Sycamore Convenient
T & T Golf & Restaurant
Thacker Building
Turkey Creek Elementary
Vanney Elementary
Viking Grill
Virgie Dairy Bar
Virgie Drive In
Virgie Happy Mart
Virgie HS
Wanda's Restaurant/Pizza
Warren Dotson Trailer Park
Webb Grocery
Willa's Restaurant
Y Drive In

Community Water Systems

Adkins Trailer Park
Afflex Water System
Allen Properties
Brahem MHP
C & O Railway
Coolidge Johnson MHP
Donald Ray MHP
Eastern Coal
Elkhorn City
Elkins MHP
Green Mountain MHP
Griffey Trailer Park
Indian Reservation MHP
J & R Snack Bar
Jack Deskins Trailer Park
Jerry's MHP
Keene's Village
Kentucky Carbon Trailer Park
M & M Trailer Park
Majestic MHP
Marrowbone Creek
Martin MHP
Mayo Village
Mother Nature
Mother Nature Spring Water
Mountain View Trailer Park
Mountain Water District
Mountain Water District #2
Mountain Water District #3
Phelps Coal & Land
Phelps Medical Center
Phelps MHP
Pikeville Water Department
Pond Creek Water District
Pond Creek (1)
Pond Creek (2)
Pond Creek (3)
Pond Creek (4)
Pond Creek (5)
Ponderosa MHP
Potter's Trailer Park
Potter's Water System
Rawl Sales Tall Timber
Roadfork Development
Scott's MHP
Shaeven's MHP
Shelby Valley Water District
Silvers MHP
Stonecoal MHP #1
Stonecoal MHP #2
Stratton MHP
White Acres MHP
# Pike County Public Water Systems - 2018

<table>
<thead>
<tr>
<th>Non-Community</th>
<th>Community</th>
</tr>
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<tbody>
<tr>
<td><strong>CLOSED</strong></td>
<td></td>
</tr>
<tr>
<td>49 Restaurants/Motels</td>
<td>Elkhorn City</td>
</tr>
<tr>
<td>40 Mobile Home Parks</td>
<td>Mountain Water District</td>
</tr>
<tr>
<td>35 Coal Mines</td>
<td>Pikeville Water &amp; Sewer</td>
</tr>
<tr>
<td>28 Schools</td>
<td></td>
</tr>
<tr>
<td>5 State/Federal Properties</td>
<td></td>
</tr>
<tr>
<td>4 Churches</td>
<td></td>
</tr>
</tbody>
</table>

3 **Active** Public Water Systems
**Percentage Served in Kentucky**

- **Average Population Served**: 95.4%
- **103 out of 120 Counties**: > 90% Serviceable
- **Only 5 Counties**: < 75% Serviceable

**Least Served Counties**

<table>
<thead>
<tr>
<th>County</th>
<th>Percentage</th>
<th>Households</th>
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</thead>
<tbody>
<tr>
<td>Hickman</td>
<td>38.6%</td>
<td>905 out of 2,342 households</td>
</tr>
<tr>
<td>Carlisle</td>
<td>39.6%</td>
<td>966 out of 2,441 households</td>
</tr>
<tr>
<td>Ballard</td>
<td>48.1%</td>
<td>1,867 out of 3,885 households</td>
</tr>
<tr>
<td>Calloway</td>
<td>67.5%</td>
<td>12,198 out of 18,065 households</td>
</tr>
<tr>
<td>Graves</td>
<td>68.7%</td>
<td>11,525 out of 16,777 households</td>
</tr>
</tbody>
</table>

All five counties are in the Purchase Region where groundwater is abundant.
Water Resource Information System

Public Water Lines 2016

Legend

--- Water Lines
What Can Governors Do?

- Follow the Kentucky Planning Model!
- Encourage Regionalization – No Mandate!
  - Provide Incentives: Financial and Regulatory
  - Allow Flexibility: no two situations are the same
- Invest in water and wastewater Infrastructure
  - Sustainable and resilient water utilities are essential to economically viable communities
- Develop a Water Resource Infrastructure System (WRIS)
  - Water needs forecasting, digitized maps of all PWS, Database of PWS assets, asset management tool, emergency response, etc
What’s So Great About Kentucky...

Questions?

Contact Information
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(270) 843-2291

...Water and Wastewater Utilities?
Water System Consolidation

Deborah Dewey
President, Indiana and Michigan American Water
We are the largest and most geographically diverse publicly traded water and wastewater service provider in the United States.

- We serve a broad national footprint and a strong local presence.
- We provide services to approximately 14 million people in 45 states and Ontario, Canada.
- We employ 7,100 dedicated and active employees and support ongoing community support and corporate responsibility.
- We treat and deliver more than one billion gallons of water daily.
Challenges

- Aging and Expired Infrastructure
- Emerging Contaminants
- Resiliency Concerns
- Sustainability
- Job Creation and Retiring Workforce
- Affordability
The Most Capital Intensive Utility

Net Plant per Dollar of Revenue
Comparison of Water, Gas, and Electric Companies
(per AUS December 2014 Data)
A Challenging Situation

What Can Help Us Do More....

- Support for Consolidation with Regional Approach
- Regulatory Support and Constructive Regulation
The Other Utilities - Consolidation

U.S. Natural Gas Utilities

U.S. Electric Utilities
Water Utilities – Fragmentation

90% serve < 10,000 people (3,000 homes)
Legislative/Regulatory Policy Supporting Consolidation

- Fair Market Value
- Accountability Standards
- Consolidated Tariffs
- Streamline Distressed Processes
- Regional Investment Criteria
- Infrastructure Mechanisms
- Revenue Stabilization Mechanisms
- Cost of Service
- Fixed Charge Increases
Evolution of System Consolidation Legislation in AW States

- **1997**
  - CA: Fair Market Value
- **2010**
  - MO: Fair Market Value
  - PA: Water & Waste Water Revenue Requirement Consolidation
- **2012**
  - IL: Fair Market Value & Post Acquisition Deferral
- **2013**
  - NJ: Fair Market Value
- **2015**
  - PA: Fair Market Value & Post Acquisition Deferral
- **2016**
  - NJ: Accountability Leveling Legislation
  - CO: Fair Market Value
- **2017**
  - IN: Accountability Leveling Legislation
  - IA: Fair Market Value Expansion

- **97% of AW 2016 Acquisition Activity was in these States**

- CA: Fair Market Value
- MO: Fair Market Value
- PA: Water & Waste Water Revenue Requirement Consolidation
- IL: Fair Market Value & Post Acquisition Deferral
- NJ: Fair Market Value
- PA: Fair Market Value & Post Acquisition Deferral
- NJ: Accountability Leveling Legislation
- CO: Fair Market Value
- IN: Accountability Leveling Legislation
- IA: Fair Market Value Expansion
- MD: Fair Market Value Expansion
New Jersey

Water Quality Accountability Act

• To ensure safety and reliability of the state’s drinking water
  • Early detection of water quality issues
  • Transparent reporting
  • Making needed infrastructure investments

Key requirements:
• Field testing of valves and hydrants
• Cybersecurity program
• Action plans for Notices of Violation (NOVs)
• Asset management plan; minimum 150-year replacement cycle
• Written certification from Corporate Officer, Executive Director or Mayor
Indiana

• Situation
  • Property tax caps
  • Increased attention for local balanced budgets

• Justification
  • Indiana Finance Authority (IFA) Studies

• Policy
  • Distressed Utility Legislation
  • Indiana’s Water Commitment

• Impact
  • Encourages regionalization
  • Monetizes full asset value
  • Streamlines process for approval
  • Gives clarity and transparency to public review
  • Establishes standards for new permits and funding
Regional Approach - Meeting Needs

- Community #1 – Water and Wastewater Systems (1,250 customers each)
  - Need investment of > $5M; forecasting 105% rate increase
  - Consolidation with INAW; 30% rate increase
  - $6M fund for other projects/grant matching after debt retired

- Community #2 – Water System (1,300 customers)
  - Needs investment of > $2.5M
  - Consolidation with INAW; 8% rate decrease
  - $10M fund for other projects after debt retired

- Community #3 – Water System (3,300 customers)
  - Needs investment of > $1.3M
  - Consolidation with INAW; 46% rate decrease
  - $6M fund for other projects after debt retired

- Community #4 – Water System (170 customers)
  - Needs investment of > $1M; EPA Consent Decree for Radium; 10 yrs. of bottled water
  - Consolidation with ILAW; $8/month rate decrease

- Community #5 – Water System (150 customers)
  - $1.2M loan; average residential water $90/month
  - Consolidation with ILAW; 50% rate decrease; debt retired
What can Governors do?

- **Champion policy that:**
  - Removes hurdles for selling a water utility.
  - Makes it possible to get a fair market price for value of the system being sold.
  - Sets minimum expectations for all water systems that are enforced and hold responsible parties accountable.
  - Provides rate-making mechanisms that attract investment.
  - Allows consolidation of tariffs to spread cost and minimize individual bill impact.
  - Provides equal access to government funding benefits for all taxpayers.
  - Requires evaluation of regional alternatives before large system investments.
Submit questions here