

State Level Policies to Promote Water Utility Consolidation

Water Policy Learning Network Center for Best Practices

October 31, 2018

Speakers for Today's Webinar

Gary Larimore, Executive Director, Kentucky Rural Water Association



Deborah D. Dewey, President, Indiana American Water





Submit questions here

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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?

for

Kentucky's Water & Wastewater Utilities

to rank

Among the Best in America!

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)

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

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 appropriated265 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)

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

- Surface water treatment is more technically challenging
- Water districts and associations have expanded dramatically
- Municipal Utilities expanded service outside city limits

Natural Consolidation

YEAR	TNCWS	NTNCWS	<u>CWS</u>	PWS	CHANGE
1974	1058	252	868	2178	
1979	805	252	755	1812	-17 %
1989	400	215	639	1254	-31 %
1999	199	85	497	781	-38 %
2009	49	26	409	484	-38 %
2018	25	14	355	394	-19 %



PWS	<u>CWS</u>	
10,711	562	VERY SMALL
525	305	SMALL
109	101	MEDIUM
77	77	LARGE
4	4	VERY LARGE

Kentucku
394 355

PWS	<u>CWS</u>	
46	14	VERY SMALL
121	114	SMALL
129	129	MEDIUM
95	95	LARGE
3	3	VERY LARGE

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 #1 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 Elkhorn Mine Bonnies 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 Café Dairy Hut Dale McNeeley MHP Deano's Pizza **Breaks Interstate Park** Donna's Café El Producto Mining Falcon Motel Family Fun Bowling Flannary's Custard Stand Ford's Restaurant Gene Bentley Pizza George Johnson Elementary Giovanni's Pizza Hager Grocerv Hall-Adkins Coal Hellier 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 Elkhorn Coal Johnson MHP

Judy's Kozy Kitchen

Kentucky Carbon #1

Kimper L&M Market

Kingdom Hall Kinnev 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 Pollyanna Drive In Theater Prater MHP R/R MHP Ratliff MHP #1 Ratliff MHP #2 Rita Coal Rita Coal/LA 5 Robinson Creek Elementary **Runyon Elementary** Shelbiana Elementary Shelby Valley Truck Stop Sidney Coal Silver Spoons Family Restaurant Slater Brothers Mining Snack Shack South Side Mall

Sovereign Coal Spotlite Drive In Stella's Rest Sue's Cake & Pizza Suzann's Drive In Sycamore Convenient T & T Gulf & Restaurant Thacker Building **Turkey Creek Elementary** Varney Elementary Viking Grill Virgie Dairy Bar Virgie Drive In Virgie Happy Mart Virgie HS Wanda's Restaurant/Pizza Warren Dotson Trailer Park Webb Grocerv Willa's Restaurant Y Drive In

Community Water Systems

Adkins Trailer Park Aflex Water System Allen Properties Branham MHP C & O Railway Coolidge Johnson MHP Donald Rav MHP Eastern Coal Elkhorn City Elkens 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 Shaheen's MHP Shelby Valley Water District Slaters MHP

Stonecoal MHP #2 Stratton MHP White Acres MHP

Stonecoal MHP #1

189 Public Water Systems

Pike County Public Water Systems - 2018

Non-Community

<u>CLOSED</u>

49 Restaurants/Motels

40 Mobile Home Parks

35 Coal Mines

28 Schools

5 State/Federal Properties 4 Churches **Community**

Elkhorn City Mountain Water District Pikeville Water & Sewer

3 <u>Active</u> Public Water Systems

Percentage Served in Kentucky

- Average Population Served
- 103 out of 120 Counties
- Only 5 Counties

95.4%

> 90% Serviceable

< 75% Serviceable

Least Served Counties

Hickman	38.6 %	905 out of 2,342 households
Carlisle	39.6%	966 out of 2,441 households
Ballard	48.1%	1,867 out of 3,885 households
Calloway	67.5 %	12,198 out of 18,065 households
Graves	68.7%	11,525 out of 16,777 households

All five counties are in the Purchase Region where groundwater is abundant.

Water Resource Information System



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, Data base of PWS assets, asset management tool, emergency response, etc

What's So Great About Kentucky...

Questions?

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...Water and Wastewater Utilities?

Water System Consolidation

Deborah Dewey President, Indiana and Michigan American Water



WHO WE ARE

We are the largest and most geographically diverse publicly traded water and wastewater service provider in the Unites 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



A Challenging Situation



What Can Help Us Do More....

Support for Consolidation with Regional Approach



Regulatory Support and Constructive Regulation

The Other Utilities - Consolidation



Water Utilities – Fragmentation



90% serve < 10,000 people (3,000 homes)

Legislative/Regulatory Policy Supporting Consolidation



Evolution of System Consolidation Legislation in AW States



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.



WE KEEP LIFE FLOWING[™]

Submit questions here







NGA CENTER FOR BEST PRACTICES WATER POLICY LEARNING NETWORK

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