



Kentucky Rural Water Association

Helping water and wastewater utilities help themselves

March 27, 2019

RECEIVED

APR 01 2019

PUBLIC SERVICE
COMMISSION

Ms. Gwen Pinson, Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602-0615

In the Matter of:

APPLICATION OF KENTUCKY RURAL)	
WATER ASSOCIATION FOR APPROVAL)	CASE NO.
OF COMMISSIONER TRAINING AND)	2019-00026
CONTINUING EDUCATION CREDIT)	

Kentucky Rural Water Association (KRWA) is filing the following documents in compliance with the Commission's Order of February 1, 2019:

1. A sworn statement attesting that the proposed course of instruction entitled "2019 Management Conference" was performed on February 20-21, 2019 **(Exhibit 1)**;
2. A description of any changes in the presenters or the proposed curriculum that occurred after the submission of the application for accreditation **(Exhibit 2)**;
3. The name of each attending water district commissioner, his or her water district, and the number of hours that he or she attended. **(Exhibit 3)**;
4. A copy of materials given to program attendees not included in the Application **(Exhibit 4)**.

Respectfully submitted,

Janet Cole
Education Coordinator
j.cole@krwa.org

EXHIBIT 1

AFFIDAVIT

I, Janet Cole, being duly sworn, state that:

1. I am Education Coordinator for Kentucky Rural Water Association.
2. The training program, "2019 Management Conference," herein referenced as Case No. 2019-00026 was held February 20-21, 2019, at the Sloan Convention Center in Bowling Green, Kentucky.
3. The presentations listed in the revised program agenda submitted to the Kentucky Public Service Commission were conducted for the length of time specified and by the listed presenters. A copy of the revised program agenda is attached as Exhibit 2B.
4. Commissioners were provided a flash drive of the presentations. No additional handouts were provided to attendees.



Janet Cole

Commonwealth of Kentucky)
County of Warren)

Subscribed and sworn to before me by Janet Cole on this 28th day of
March, 2019.

My Commission expires: 7/12/2022



NOTARY PUBLIC,
STATE AT LARGE # 603266



EXHIBIT 2

EXHIBIT 2A

CHANGES TO PROPOSED AGENDA

The agenda found as Exhibit 1 of the Application was revised to accommodate a scheduling conflict for Chairman Michael Schmitt's presentation, "The Impending Crisis in Rural Water. . .Causes & Solutions" and Arianna Lageman's presentations, "Tips and Tricks for Maintaining Regulatory Compliance" and "Drinking Water Enforcement." Two sessions expanded the scope of their presentations to include input from co-presenters. "KRWA Apprenticeship Program" added Shannan Walton, Apprenticeship Program Coordinator from National Rural Water Association as a contributing speaker. "Electrical Energy Reduction in Utilities" included the expertise of Greg Copley of the University of Kentucky Center for Applied Energy Research. Bios for these additions can be found as Exhibit 2C of this Notice. A revised agenda is included as Exhibit 2B. With the exception of the presentation, "The Impending Crisis in Rural Water. . .Causes & Solutions," there were no revisions made to the presentations found as Exhibit 3 of the Application. A copy of the revised presentation is found as Exhibit 4 of this Notice.

EXHIBIT 2B

CHANGES TO PROPOSED AGENDA

Session Number	Wednesday, February 20, 2019 Session Title/Speaker	Time
1	<i>Development of Utility Management Leadership Skills</i> Robert Cashion, S4 Water Sales & Service Daren Thompson, Lebanon Water Works	8:00-9:00 a.m.
2	<i>So, You Got Caught? Show Cause Enforcement Proceedings...</i> Gerald Wuetcher, Stoll Keenon Ogden	9:20-10:20 a.m.
3	<i>Customer Leak Adjustments-Problems & Solutions</i> Gerry Harstine & Allie Terrell, ServLine	10:40-11:10 a.m.
4	<i>KRWA Apprenticeship Program</i> Shannan Walton, National Rural Water Association Gary Larimore & Randall Kelley, Kentucky Rural Water Association	11:10-11:40 a.m.
5	<i>Repairs Without Shutdown</i> Tom Lewis, Lewis Municipal Sales	1:00-2:00 p.m.
6	<i>Managing Generational Differences in a Utility's Workplace</i> Roy Muncy, McWane Ductile	2:15-3:15 p.m.
7	<i>Complete Utility Locating System</i> Mike Moore, Copperhead Industries	3:30-4:30 p.m.

Session Number	Thursday, February 21, 2019 Session Title/Speaker	Time
8	<i>The Embezzlement Nightmare: How to Keep It Out of Your Office</i> Robert Mohon, The Neil Group	8:00-9:00 a.m.
9	<i>The Impending Crisis in Rural Water... Causes and Solutions</i> Chairman Michael Schmitt, Public Service Commission	9:20-10:20 a.m.
10	<i>Water Loss Reporting</i> Paul Nesbitt, Nesbitt Engineering <i>Water Loss Reporting</i>	10:40-11:40 a.m.
11	<i>Tips & Tricks for Maintaining Regulatory Compliance</i> Arianna Lageman, Kentucky Rural Water Association	1:00-1:30 p.m.
12	<i>Drinking Water Enforcement</i> Arianna Lageman, Kentucky Rural Water Association	1:30-2:00 p.m.
13	<i>Electrical Energy Reduction in Utilities</i> Jason Pennell, Kentucky Rural Water Association Greg Copley, UK Center for Applied Energy Research	2:15-3:15 p.m.
14	<i>Ethics and Responsibilities for Board Members & Operators</i> Steve Capps, Kentucky Rural Water Association	3:30-4:30 p.m.

EXHIBIT 2C

BIOGRAPHIES FOR CO-PRESENTERS

Shannan Walton, Apprenticeship Program Manager for the National Rural Water Association (NRWA), has been involved with registered apprenticeship for over twenty years. She was introduced to the registered apprenticeship training model while employed with the National Electrical Contractors Association (NECA), which administered a small electricians program. In 2005, Ms. Walton was selected as the Training Director for the Tulsa Electrical Joint Apprenticeship and Training program, working directly with the Oklahoma Office of Apprenticeship. In 2008, Shannan went to work for the National Burglar and Fire Alarm Association (which later became the Electronic Security Association) in Irving, Texas. Here she was instrumental in developing an apprenticeship program for utilization at the state association level. She collaborated with the US Department of Labor, Office of Apprenticeship in the development of National Guideline Standards of Apprenticeship for the Occupation of Protective Signal Installer (Fire/Life Safety & Electronic Security Installer). Returning to Oklahoma in 2012, Shannan accepted a position with the Western Oklahoma Joint Apprenticeship and Training program. After years of being on the “employer or program sponsor” side of registered apprenticeship, Shannan joined the administrative team of the U.S. Department of Labor, Office of Apprenticeship as the State Director of Oklahoma in September of 2015. In November of 2018, Shannan joined the National Rural Water Association.

Gregory C. Copley is the Regional Outreach and Technical Assistance Coordinator for the UK Center for Applied Energy Research (CAER). He joined CAER in August 2008 assisting organizations with energy related economic development projects. In that capacity he is working with regional universities, Area Development Districts, Small Business Development Centers, local governments and non-profits on developing new energy technologies, performing feasibility studies, validating and monitoring demonstration projects and providing a technical resource for grant and loan applications. Current projects include managing biomass to energy test plots in Pike and Breathitt Counties, potential wind power generation, new ethanol production technologies, utilizing shut in natural gas wells and waste coals. He also is involved in a joint MSU CAER project collecting data from emissions created from underground coal fires. Currently he is working with the Department of Local Government assisting local agencies in evaluating potential energy saving opportunities through performance contracting. Prior to CAER Greg provided hundreds of small businesses with air quality regulatory compliance assistance as director of the Kentucky Business Environmental Assistance Program. He holds a B.S. in Biology from Centre College and a M.B.A. from Morehead State.

EXHIBIT 3


**WATER DISTRICT COMMISSIONERS ATTENDING
2019 MANAGEMENT CONFERENCE**

First Name	Last Name	Water District	Number of Hours
Ron	Toler	East Clark Co. Water District	9.0
Bobby	Anders	East Laurel Water District	9.0
Dennis	Minton	East Laurel Water District	8.0
Doug	Day	East Laurel Water District	6.0
Jimmy	Mills	Edmonson Co. Water District	6.0
Barry	Rich	Edmonson Co. Water District	8.0
Jack	Stickney	Estill Co. Water District #1	6.0
Vic	Satchwell	Gallatin Co. Water District	9.0
Jimmy	Wilson	Gallatin Co. Water District	9.0
Mickey	Kipper	Grayson Co. Water District	9.0
Kirby	Johnson	Grayson Co. Water District	12.0
Nancy	Cain	Grayson Co. Water District	9.0
John	Tomes	Grayson Co. Water District	12.0
David	Moore	Laurel Co. Water District #2	8.0
Ronnie	Ball	Laurel Co. Water District #2	7.0
Lisa	Baker	Laurel Co. Water District #2	7.0
Barbara	May	Marion Co. Water District	10.0
Christina	O'Bryan	Southeast Daviess Co. Water District	11.0
Glen	Johnson	Warren Co. Water District	8.0
Tad	Donnelly	Warren Co. Water District	6.0
Charles	Buchanan	Webster Co. Water District	3.0
Joe	Taylor	Warren Co. Water District	12.0
Jerry	Fields	Western Mason Co. Water District	12.0
Larry	Redden	Western Mason Co. Water District	12.0

EXHIBIT 4

REVISED POWERPOINT PRESENTATION

“The Impending Crisis in Rural Water. . .Causes and Solutions”


 KENTUCKY PUBLIC SERVICE COMMISSION

**The Impending Crisis in Rural Water
Causes and Solutions**

Michael J. Schmitt
Chairman

Kentucky Rural Water Association Management Conference
Bowling Green, KY
February 21, 2019

1

 KENTUCKY PUBLIC SERVICE COMMISSION

Mission

The mission of the Kentucky Public Service Commission is to foster the provision of safe and reliable service at a reasonable price to the customers of jurisdictional utilities while providing for the financial stability of those utilities by setting fair and just rates, and supporting their operational competence by overseeing regulated activities.

Kentucky's Water Infrastructure

445 Public Water Systems
2 Investor Owned Water Systems
138 Surface Water Systems with 177 Surface Water Intakes
113 Groundwater Systems: 16 mines and springs and 220 wells
194 Systems do not produce water but purchase water from other systems

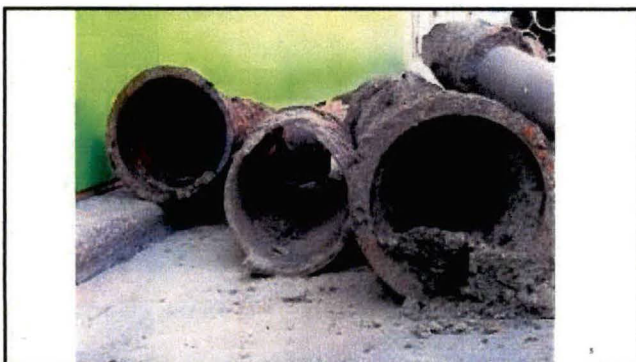
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Kentucky's Water Infrastructure

213 Drinking Water Treatment Plants
1842 Storage Tanks
58,783 miles of Water Lines

The American Society of Civil Engineers estimates that **\$8.2 billion dollars will be needed over the next 20 years for water infrastructure improvements.**

4



Kentucky's Wastewater Upgrades

Wastewater Upgrades are expected to total **\$6.2 billion dollars**

6

Infrastructure Problem

Caused in part by lack of management resources at the local level resulting from:

- Lack of training
- Lack of information
- Lack of dedication
- Lack of communication
- Lack of regionalization; and
- Too much politicalization.

7

Infrastructure Problem

A result of failure in part to:

1. develop and implement a capital improvement program prior to end of design life
2. lack of available funding for infrastructure replacement
3. plan and allocate resources based on anticipated need
4. maintain rates at levels necessary to fund replacement of assets

8

Infrastructure Problem

A result of failure in part to:

5. nonuse of pipeline replacement surcharge
6. lack of information and training
7. lack of understanding of duties
8. insufficient regionalization; and
9. too much politicalization

9

Lack of Training

A. The general manager of a water district or a municipal utility should have at least

- a bachelor's degree in accounting or business administration
- a minimum of 5 years experience in the water utility industry.

B. Management training for water district commissioners and general managers has been both inconsistent and inadequate.

10

New Commissioner Training

The PSC sponsors 3 educational programs consisting of 12 hours which train newly appointed water district commissioners in the management and operation of water utilities.

KRS 74.020(8)(a)

11

Water District Management Training

The Public Service Commission is responsible for the regulation of all water district management training programs.

Training shall consist of high quality water district management programs which enhance a water district commissioner's understanding of his or her responsibilities and duties.

KRS 74.020(7)(b)&(c)

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Lack of Information

Many water utilities lack essential information about their systems infrastructure including:

- A. Location of pipes and valves
- B. Age of pipes
- C. Type of pipe materials

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Lack of Dedication

- A. Failure or refusal to attend *continuing education opportunities*
- B. Failure to devote *sufficient time and energy to learning about the system and its needs*
- C. Unwillingness or inability to exercise *oversight of the general manager and his staff*
- D. Refusal to increase rates to replace aging infrastructure.

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Lack of Communication

Failure to keep local officials and the general public informed about the management and operational status of the utility.

15

Lack of Regionalization

- A. Resistance to expansion of utility operations beyond present political boundaries
- B. Losing the advantage of socialization of costs and the opportunity to achieve economies of scale.

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Public Policy

The General Assembly has established that public policy favors the merger of water districts wherever feasible.

KRS 374.361

Mergers and acquisitions tend to eliminate wasteful duplication of costs and efforts, and result in a sounder, more businesslike degree in management which ultimately results in greater economies, less cost and higher degree of service to the general public.

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Too Much Politicalization

Political influence on decision making as well as selection and retention of Water District Commissioners based on political considerations instead of merit.

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In the final analysis the solution to providing a continuous supply of clean water at a reasonable price must come from local leadership.

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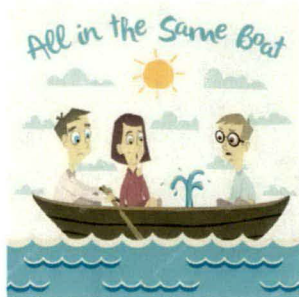
Good Leadership Requires Sound Corporate Governance

Each of us is different but we are all in the same boat.

We all come from different places in life.

Got here under different circumstances but we are all in the same place now.

20



21

How Did We Get Here?

- We were close friends with Judge Executive
- We supported him in his election
- We were out of work and needed a position
- Shared a common interest – we disliked manager of utility; Rates too high etc.
- Needed to fill a vacancy on water board and just happened to think of you.

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We Are All in It Now

Who we are:

- a) one is a school teacher
- b) one is an engineer
- c) one is retired business man
- d) one is a plumber
- e) one is a disabled coal miner

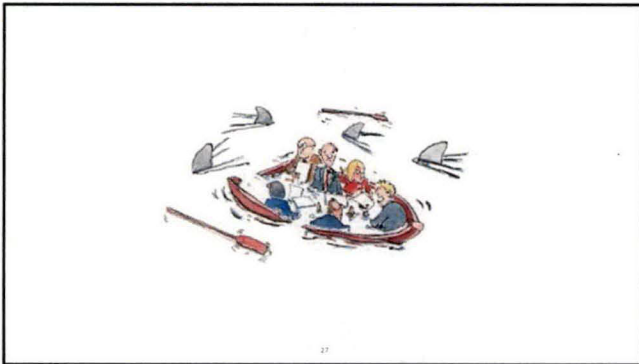
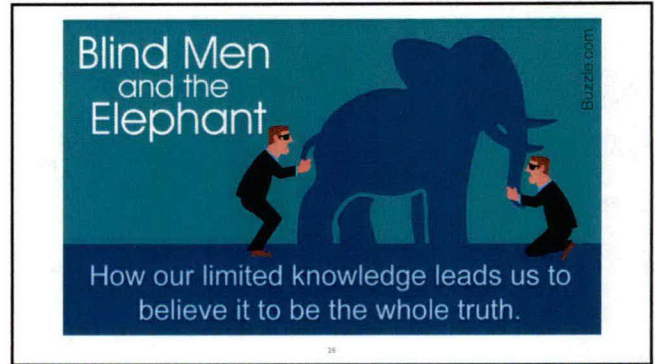
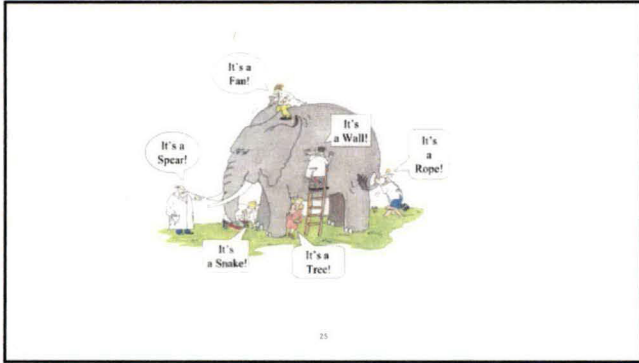
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Now That Each Of Us Is Here –

What are we supposed to do?

1. The *other* members know what to do – *just blend in.*
2. The General Manager and employees are experienced – *leave them alone.*
3. There have not been major problems for years – *everything must be fine.*
4. Rates are high enough; people can't pay any more – *raise only when desperate.*
5. My relatives/friends need jobs; why not here – *anybody can do this work.*

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Now That Each Of Us Is Here –

What about the organization to which you were appointed -- and which you took an oath faithfully to serve?

- A. What is the purpose of your Water District
 - Why was it created and what is it designed to do?
- B. What is your role as a Commissioner?-
 - To whom do you owe a duty
 - To Consider First and Foremost.
- C. The best interests of the Public and The Water District are not antagonistic but compatible.

Now That Each Of Us Is Here –

In whose interests are you acting?

1. The Politician who appointed you?
2. The Customer?
3. Your own?
4. Family and Friends?
5. The District as a business entity?

Basic Responsibilities of the Commission

1. Understand the organization's mission and purpose
2. Select the general manager
3. Provide proper financial oversight
4. Ensure adequate resources
5. Ensure legal and ethical integrity
6. Maintain accountability
7. Ensure effective organizational planning

Basic Responsibilities of the Commission

Good Management is the effective means of operating your district.

Your goals should be to:

- Increase efficiency
- Increase productivity
- And by so doing keep costs low as prudently possible.

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Basic Responsibilities of the Commission

Poor Management will result in

1. Poor productivity
2. Increased costs
3. Poor record keeping
4. Poor communication
5. Poor planning and organization
6. Bad decision making
7. System collapse

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Basic Responsibilities of the Commission

Exercise Reasonable Business Judgment

You may have to make decisions for the benefit of the financial and organizational health of the District that are unpleasant

--and unpopular.

33



**A LITTLE WORK NOW
CAN SAVE
A LOT OF WORK LATER!**

What
do you
think?

34



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Common Law Fiduciary Duty

- The fiduciary duties of a water district commissioner are to act bona fide in the interest of the District.
- Acting bona fide in the interest of the District is to act with good faith for the benefit of the District.
- A commissioner is under a duty to ensure that any act he undertakes is with a view to enhancing the interest of the district either by enhancing revenue, reducing costs or even positive publicity of the district.

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Fiduciary Duties of Board of Directors

- Duty of due care
- Duty of loyalty
- Duty of good faith
- Duty to promote success
- Duty to exercise diligence, independent judgment, and skill
- Duty to avoid conflict of interest

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The Business Judgment Rule

Duty of due diligence says that when acting on behalf of the corporation, a manager must act:

1. in good faith,
2. using the same level of care that an ordinarily prudent individual would use in a comparable situation
3. in the reasonable belief that the best interests of the company are being met.

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"Now let's talk about money. Do we have any? How much would we like? Does anyone know where we can get some?"

<https://goo.gl/images/psLNH5>

39

A Funding Source

The Public Service Commission Infrastructure Surcharge

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Small Community Public Drinking Water System Failure Prevention Task Force

Proposed legislation directs the Legislative Research Commission to convene a working group to

1. Create an evaluation process that can identify community public drinking water systems...that lack technical, managerial and financial capacity and that may be at risk of failure.
2. Identify and assess current regulatory and enforcement authority of oversight agencies.

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Small Community Public Drinking Water System Failure Prevention Task Force

3. Identify statutes that would need to be amended to implement policy options and legal impediments to implementing specific policy options.
4. Develop recommendations regarding the authority, procedures, and resources necessary to intervene and prevent technical, managerial or financial failure of community water and wastewater systems; and
5. Identify options for generating state and local funds that may be used to directly water infrastructure projects and leverage other public and private funds.

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Future Funding Sources


2. Identify how these funds will be managed by the cabinet; and
3. Identify a methodology to distribute funds to communities.

--Report to Legislative Research Commission by December 1, 2019

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**Do what you can, with what
you have, where you are.**

Theodore Roosevelt

 Brains Quote

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KENTUCKY PUBLIC
SERVICE COMMISSION

Thank you.

psc.ky.gov
(502) 564-3940
Hotline: 1-800-772-4636

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