



Kentucky Rural Water Association

Helping water and wastewater utilities help themselves

April 8, 2015

RECEIVED
APR 13 2015
PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen, Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602-0615

Re: Case No. 2015-00049

Dear Mr. Derouen:

Kentucky Rural Water Association (KRWA) held a training session for Oldham Co. Water District on March 18, 2015. Although the location of the class was changed from the Oldham Co. Parks & Recreation Building to the Oldham Co. Water District Office in LaGrange, there were no changes in the program. On behalf of Kentucky Rural Water Association, I hereby attest that this program, herein referenced as Case No. 2015-00049, approved for six (6) credit hours by the Commission, was performed as submitted.

As required, enclosed is a list of commissioners who attended this class and earned continuing education credit for the approved course. Handouts provided by the speakers are also enclosed. KRWA was provided the approval code for this class via an e-mail from Veronica Roland, Division of Compliance Assistance, Operator Certification Section. A copy of this correspondence is included indicating approval by the assigned course code #14009.

Kentucky Rural Water Association would like to thank the Kentucky Public Service Commission and staff for their leadership and support in approving the training offered at this training session. If additional information is required please do not hesitate to contact our office.

Sincerely,

Janet Cole
Education Coordinator
j.cole@krwa.org

Enclosures

Hours Earned by Water District Commissioners
attending the Training Session
Sponsored by Kentucky Rural Water Association
at the Oldham Co. Water District Office in LaGrange, Kentucky
March 18, 2015
PSC Case #2015-00049

First Name	Last Name	Organization	PSC Hours Earned
William	Durbin	Oldham Co. Water District	6
Melvin	Milburn	Oldham Co. Water District	6
Joseph	Hall	Oldham Co. Water District	6
(Glenna Jo) Jody	Curry	Oldham Co. Water District	6

Janet Cole

From: Roland, Veronica (EEC)
Sent: Wednesday, April 01, 2015 3:55 PM
To: 'Janet Cole'
Subject: RE: March Board Meetings

Good afternoon Janet!

Drinking Water Training – Shelbyville #13986
Training for Oldham Co Water District – 14009
Training for Water Operators – Somerset 14010
Training for Water and Wastewater Operators – Somerset – 14011
Water & Wastewater Training – Somerset - 14012

From: Janet Cole [<mailto:j.cole@krwa.org>]
Sent: Tuesday, March 31, 2015 9:41 AM
To: Roland, Veronica (EEC)
Subject: March Board Meetings

Good Morning, Veronica:

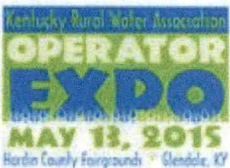
I know it is probably in the mail, but could you send me the course codes for the KRWA classes that were approved at the March Board meetings? I'm getting calls asking when hours are going to be posted. ☺

Thanks,
Janet

Janet Cole, Education Coordinator
Kentucky Rural Water Association
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Bowling Green, Kentucky 42104
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Upcoming Events:



COST OF SERVICE CONSIDERATIONS



Andy Lange
Kentucky Rural Water Association
March 18, 2015



Those were the days....

- Plenty of grants and low interest loans!
- Cheap water/wastewater!
- Few security issues!
- Customers were happy!






Today's Reality


- Security Issues
- Customer Education
- Affordability
- Regulations (SDWA/CWA)
- Infrastructure Improvements
- **Funding**

 **Why Future Infrastructure Costs are so Large?**

- Demographics - service in less dense areas is more expensive
- Denial - ignoring the problem of aging infrastructure
- Deferral - we can wait another few years
- Diversion - we need to use the money elsewhere

 **Federal Focus**

- Better management of water/wastewater infrastructure and resources
- Sustainability
- Asset Management
- **Full cost pricing**

 **Why Full Cost Pricing?**

- Under-pricing contributes to the anticipated funding gap because utilities may defer investments in infrastructure to maintain low rates.
- Under-pricing sends inappropriate signals to customers regarding the value of service.



5 Steps to Cost Based Rates

- Load forecast - billing analysis to determine customer usage patterns
- O & M and Capital Budget
- Revenue Requirement
- Cost of Service Study
- Rates



O & M Expenses

- Treatment
- Pumping
- Transmission
- Distribution/Collection
- Customer
- Administrative and General



Classification of Expenses

- Commodity
- Demand
- Customer
- Fire protection
- Wholesale



Peak Demand Considerations

- Your plant must be sized to meet peak demands.
- But you only generate revenue when plant is being used.
- Which customers cause you to have idle plant during non-peak times?
- In many cases, large usage customers may not contribute to peak day demands.




Demand Costs

- Demand costs are those associated with providing the facilities to meet the peak demands placed on the system.
 - Treatment, pumping and storage facilities
 - Collection and distribution mains
 - Salaries associated with treatment and distribution



Customer Costs


- Costs incurred to serve customers without regard to usage.
 - Meter reading
 - Billing and collections
 - Meters and service lines

 **Public Education**


Cost of Water/Wastewater
vs.
Value of Water/Wastewater

Does cheap mean the product is of little value?


Since it falls from the sky and flows in our rivers and streams why is water/wastewater not free?

 **Why is Water/Wastewater Undervalued?**


- Because it is under priced?
- It falls from the sky and should be free?
- Infrastructure is hidden?
- Customers do not know the process of getting water from source to the tap or from toilet back to the source!

 **Water Is Not Overpriced**

- The markup cost for a private utility company on water or wastewater services is around 10%.
- The markup cost on bottled water is around 600%.


 **Customer Education**

- Customers do not appreciate the value of water or wastewater services.
- Low prices reinforce the view that water and wastewater services are entitlements.


 **Water/Waste a Bargain**

Cable Television	\$50.00
Cellular Phone	50.00
Broadband	45.00
Water Service	30.00
Wastewater Service	30.00

Willingness to Pay vs. Willingness to Charge


 **Customer Education**

- Customers need to be educated about the important role water and wastewater utilities play in...
 - >maintaining health and well being.
 - >providing a basis for economic growth.




Summary

- Water and wastewater services are in the public interest.
- Utilities must be run like a business - the people's business.
- Good customer relations skills must be utilized.



97.5% of the world's water is salty or undrinkable.



2.5% of water is potable.

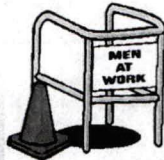
Less than 1% of all potable water is used for cooking and drinking.

Introduction Asset Management



What is Asset Management?

- Planning and budgeting to minimize the total cost of infrastructure ownership



Why Do We Care?

- Proper system management
- Customers expect and deserve proper planning to prevent rate spikes
- Makes good business sense
- Provides better defensive position during enforcement action
- May become a regulatory requirement

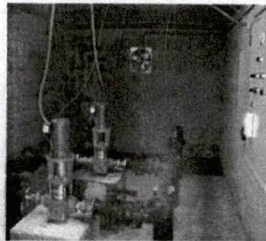
What Asset Management Means To A Utility

- Back up budget talks with solid facts
- Boost utility efficiency
- Save staff time
- Understand that a utility is running a customer service business
- Improve customer service

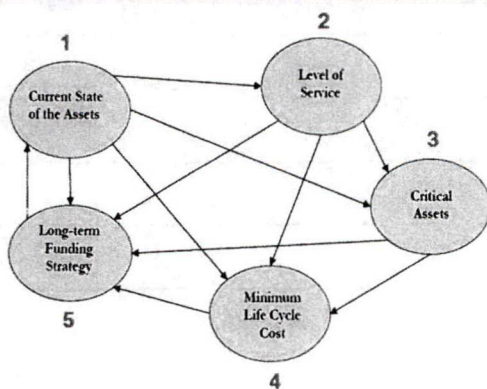


Why Care About Managing Assets?

- They are large, expensive, long-lived, and often buried
- Well maintained assets are essential to protect public health and customer service
- Economic development depends on reliable water and wastewater services



Flow Chart: The Five Core Questions of Asset Management Framework



Level Of Service

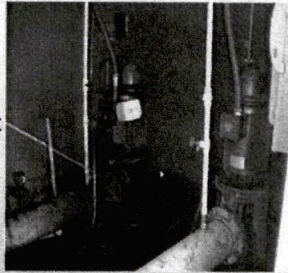
- Think about service history of the assets
- Think about the future of the asset
- Record-keeping responsibilities
- Don't forget customer service!



3

Which Assets Are Critical To Sustained Performance?

- How can assets fail?
- How do assets fail?
- What is the probability and consequence of asset failure?
- What does it cost to repair the asset?
- What are other costs that are associated with asset failure?



Determine Your Estimated Cost

- Ask contractors for estimated costs
- Contact equipment manufacturers
- Talk to neighboring utilities about the cost of their rehabilitations or replacements
- Consult your engineer

How Do I Plan For The Future

- Determine how much it will cost to rehabilitate and replace them as they deteriorate.
- Allocate your resources in the most efficient way.
- Determine how much money you need to put in reserve each year to fund your highest priority activities
- Reserve should be protected from other use
- Implement a preventive maintenance program to maximize the useful live of your assets

How Do I Carry Out The Plan

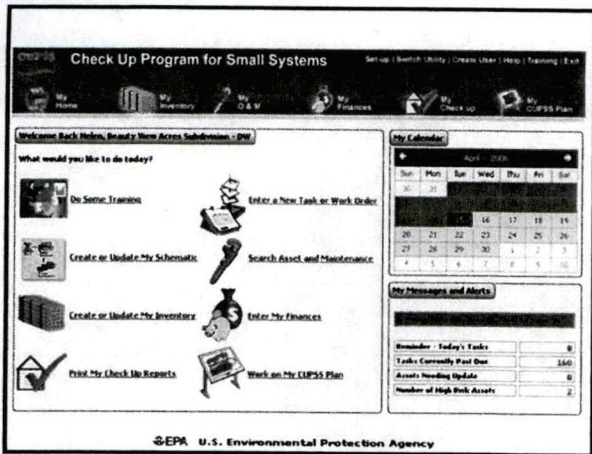
- **Create reserve accounts:** Reserve all or some of the money you will need for capital improvement and emergencies
- **Form partnerships:** Working with other water systems may allow you to lower costs, simplify management, and continue to provide service to your customers.
- **Cost Based rates:** Make sure that you know your cost to provide service and develop the rate structure accordingly. A surcharge may be warranted for critical CIP's
- **Apply for financial assistance:** Although you will pay interest on loans and over the long term, increase your costs. Loans allow you to address needed system improvements without dramatically increasing rates



Reviewing and Revising Your Asset Management Plan

Your asset management plan should be used to help you shape your operations.

It is a flexible document that should evolve as you gain more information and as priorities shift.



EPA STEP Guide To Asset Management
www.epa.gov/ogwdw/smallsys/pdfs/guide_smallsystems_asset_mgmnt.pdf

Asset Management Primer
https://courses.worldcampus.psu.edu/public/buried_assets/master.html

The End Result

- Ultimately, implementing an asset management plan will help:
 - Identify the full costs of operating the utility
 - Set the stage for sustainable level of service discussions
 - Address high-priority asset needs critical to a utility's performance

