

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

REVIEW OF TRAINING REQUIRED AND)
AUTHORIZED BY KRS 74.020 FOR THE) CASE NO.
COMMISSIONERS OF WATER DISTRICTS) 2018-00085

ORDER

The Commission, on its own motion, has reviewed the training requirements for the commissioners of water districts organized pursuant to KRS 74.010, *et. seq.* This proceeding arises from the need to ensure that newly appointed commissioners receive adequate and consistent training and have adequate knowledge and experience to fulfill their duties as commissioners. The Commission finds that many water districts, particularly smaller water districts, have difficulty attracting commissioners with relevant experience, even when the commissioners may be highly experienced in other fields. Rather, many commissioners have accepted their positions based on a desire to serve their communities, despite having limited knowledge regarding the responsibilities of a water district commissioner or the proper functioning of a water district. For this reason, the Commission finds that the quality and consistency of the initial training for newly appointed water district commissioners in their first year of service is particularly important to the provision of reasonable, adequate, and safe water service to public.

Two training programs for water district commissioners are required or authorized by KRS 74.020.¹ Specifically, KRS 74.020(8) requires each newly appointed water

¹ See KRS 74.020(6), (7), and (8) (discussing the training requirements for new commissioners and returning commissioners).

district commissioner to complete 12 instructional hours of training regarding the laws governing the management and operation of water districts, and other subjects as determined appropriate by the Commission, within 12 months of the commissioner's initial appointment.² KRS 74.020 (6) and (7) encourage water district commissioners who are not serving in their first year, or returning water district commissioners, to complete six instructional hours of "water district management training approved by the Public Service Commission" in each additional year. Water district commissioners may receive increased compensation if they complete the additional training each year.

The Commission must provide, or must have a third party provide, the 12 hours of initial training required by KRS 74.020(8)(b).³ However, the Commission is not required to allow third parties to provide the initial training.⁴ Further, the Commission is only permitted to allow third parties to offer the initial training if the Commission "deems [the training] equivalent to [the Commission's] program of instruction."⁵ Conversely, the Commission may approve third party training to satisfy the requirements of KRS 74.020 (6) and (7) even if it differs from or is not equivalent to the Commission's initial training program for newly appointed water district commissioners.⁶

² KRS 74.020(8)(b) (discussing the training requirements for new water district commissioners).

³ See 74.020(8)(a) (stating that the Commission "shall provide or cause to be conducted" the training program "[a]t least once annually").

⁴ *Id.* ("The commission . . . may accredit programs of instruction that are conducted by other persons or entities and that the commission deems equivalent to its program of instruction.") (emphasis added).

⁵ *Id.* ("The commission . . . may accredit programs of instruction that are conducted by other persons or entities and that the commission deems equivalent to its program of instruction.") (emphasis added).

⁶ See 74.020(7)(b), (c) (discussing considerations for the approval of programs offered to allow commissioners to fulfill the six-hour training obligation).

To fulfill its obligation pursuant to KRS 74.020(8), the Commission developed and offers a course of instruction for newly appointed water district commissioners through which they can earn their required 12 hours of initial training. The Commission also previously allowed newly appointed water district commissioners to use certain training courses offered by third parties to satisfy the initial training requirement. However, due to recent events at a number of water districts, the Commission has urgent concerns about the level and consistency of training received by water district commissioners. Specifically, the Commission notes serious service inadequacies at several water districts and a number of instances in which water districts have failed to receive prior Commission approval, as required by KRS 278.300, before incurring indebtedness.

To ensure the adequacy and consistency of training for newly appointed water district commissioners, the Commission has determined that water district commissioners may no longer satisfy their initial training obligations by taking training courses offered by third parties. Rather, newly appointed water district commissioners must, within 12 months of their appointment, fulfill their initial training obligation by completing each and every core course the Commission offers in its training seminars, for a total of 12 instructional hours. The core courses, which are described in more detail in Appendix A hereto, are Consumer services; Cyber security; Emergency planning and management; Ethics; Facility compliance; Inspections, water loss, physical asset management; Ratemaking basics; Regulatory requirements, and Transparency: meetings, open meetings, open records. The Commission's training seminar will also include elective courses, subject to the availability of presenters, as set forth in the Appendix , but those

elective courses may not be used by newly appointed water district commissioners to fulfill the initial training required by KRS 74.020(8).

Returning water district commissioners may fulfill their six hours of annual training by taking courses offered at the Commission's seminars, whether core courses or electives; by taking courses offered by third parties and approved by the Commission; or some combination thereof. However, consistent with 807 KAR 5:070, Section 1, third parties applying for approval of a proposed water district commissioner training program shall file the following documents and information, in electronic form consistent with 807 KAR 5:001, Section 8, or paper form, with the Commission 30 days prior to the first date on which the course will be offered:

- (1) The name and address of the applicant;
- (2) The name and sponsor of the program and the subject matter covered by the program;
- (3) A summary of the content of the program in detail sufficient to describe how the program will enhance the management, operation, and maintenance of water treatment and distribution systems;
- (4) The number of credit hours requested for the program;
- (5) The name and relevant qualifications and credentials of each instructor presenting the program.
- (6) A copy of written materials given to be given to water district commissioners attending the program; and
- (7) If the program has been certified by an organization that provides training to persons associated with the water industry, the name of the certifying organization and a statement that the certification remains valid.

The course may be approved at the discretion of the Commission upon submission by the applicant of that information and those training materials and documents. No water district commissioner training program will be approved by the Commission unless course materials are prepared for and distributed to those attending the training. Water district commissioners will not receive credit for courses which are not approved by the

Commission. Consistent with 807 KAR 5:070, Section 3, the Commission's approval of a course shall be valid for the calendar year in which the course was approved. This will allow a third party to offer the course multiple times within the calendar year after obtaining initial approval without the need to obtain approval for subsequent offerings of the course. However, if material changes occur after the Commission has approved a course, the third party shall notify the Commission of the changes prior to the course being offered and shall provide copies of any new or revised materials.

IT IS THEREFORE ORDERED that:

1. To satisfy his or her training obligations set forth in KRS 74.020(8), every newly appointed water district commissioner must complete, within the first 12 months following the water district commissioner's appointment, each and every core course described in the Appendix attached hereto, each of which will be offered at each of the Commission's seminars.

2. Returning water district commissioners may fulfill their six hours of annual training, pursuant to KRS 74.020(6) and (7), by completing six hours of courses offered at the Commission's seminars, whether core courses or electives, by taking courses offered by third parties and approved by the Commission, or through some combination thereof.

3. Third parties applying for approval of a proposed water district commissioner training program shall provide, in electronic or paper form, the documents and information described above and set forth in 807 KAR 5:070, Section 1, 30 days prior to the first date on which the course is scheduled to take place, except as otherwise stated herein.

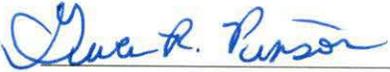
4. Water district commissioners will not receive credit for courses that are not approved by the Commission.

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By the Commission

ENTERED
MAR 15 2018
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00085 DATED **MAR 15 2018**

WATER COMMISSIONER TRAINING CURRICULUM

Core courses:

NAME	Credit hours (minimum)
Consumer services	1
Cybersecurity	1
Emergency planning and management	1.5
Ethics	1
Facility compliance (DOW)	1.5
Inspections, water loss, physical asset management	1.5
Ratemaking basics	1.5
Regulatory requirements	1.5
Transparency: meetings, open meetings, open records	1.5
TOTAL CORE HOURS	12

Electives:

NAME	Credit hours (minimum)
Audits and internal financial controls	1
Avoiding litigation	1
Introduction to the PSC	1
Managing energy consumption	1
Managing key contaminants	1
Media and public relations	1
Preventative maintenance	1
Risk management	1
Succession planning/continuity	1
Water treatment basics	1

Course descriptions – core courses:

Consumer services – 1 credit hour

- Customer Bill of Rights – customer and utility rights and obligations
- PSC informal and formal complaint processes
- PSC complaint tracking and statistics
- Common issues and subjects of complaints
- Tariffs – importance in delineating utility and customer rights and responsibilities; use in determining outcome of informal and formal complaints

Cybersecurity – 1 credit hour

- What's at risk: system operations, customer data
- The nature of the threat – hackers, criminals, state actors
- Common intrusion techniques – spearfishing, spoofing, phishing, ransomware
- Vulnerabilities – customer service portals, e-mail
- Preventing intrusions – employee awareness, firewalls and other system defenses

Emergency planning and management – 1.5 credit hours

- Basics of emergency planning – contents of an emergency plan, crisis communications, state agency involvement and availability of state resources
- Protection of public health – emergency assistance and mitigation measures
- Kentucky WARN mutual aid network – what it is and how it works

Ethics – 1 credit hour

- Overview of legal requirements for water district commissioners: residency, training, etc
- Standards of conduct – general ethics requirements for public officials
- Avoiding conflicts of interest – contracting, procurement

Facility compliance – 1.5 credit hours

- State and federal regulations – basic requirements for water utilities under Clean Water Act, state statutes, DOW regulations, PSC regulations
- Operator responsibilities – recordkeeping, operations, training, certification
- Consequences of non-compliance – DOW and PSC enforcement mechanisms
- KRWA compliance check program – prevention of compliance issues

Inspections, water loss, physical asset management – 1.5 credit hours

- PSC inspection process and requirements – frequency of inspections, what an inspection entails
- Preparing for an inspection – documentation requirements, physical inspection
- Water loss: why it matters – operational and financial consequences – relationship of water loss to ratemaking
- Water loss: a PSC point of emphasis – current PSC policy
- Best practices in facility management and maintenance - intersection of infrastructure planning and financial planning
- Planning for infrastructure replacement – operational and financial preparation
- Funding sources for infrastructure projects

Ratemaking basics – 1.5 credit hours

- Revenue requirement – definition and calculation
- Rate design – cost of service and rate allocation
- Depreciation – standards and calculation
- Matching rates to operational and capital needs – forecasting and adequacy of revenue
- The Alternative Rate Filing Process – process, forms and filing requirements
- Purchased Water Adjustments – process, forms, filing requirements, relationship to excessive water loss
- Common issues with rate filings – filing errors, incomplete data, depreciation issues, employee benefits
- 9-1-1 fees – assessment on water bills

Regulatory requirements – 1.5 credit hours

- Commissioner appointment and replacement – eligibility, notification of PSC
- Filling of vacancies – time limits on vacancies, PSC authority to fill vacancies
- Commissioner responsibilities – general duties, fiduciary duties
- Training requirements – commissioner compensation
- Annual reporting requirements – required information, filing deadlines
- Legal requirements for filings – representation by counsel, formatting, electronic filing system, confidential information, redaction of personal data
- Deviation requests – when to ask, PSC policies
- Advance approval of construction projects – ordinary course of business exemption
- Advance approval of financing or indebtedness – penalties for non-compliance

Transparency: meetings, open meetings, open records – 1.5 credit hours

- Planning for and conducting board meetings
- The role of board members and managers at board meetings – who's in charge
- Common issues at board meetings – public participation, closed sessions
- Public notice requirements – regular vs. special meeting
- Kentucky Open Meetings Act requirements and exemptions
- Kentucky Open Records Act requirements and exemptions

Course elements – elective courses:

Audits and internal financial controls

- Need for, and purpose of, internal controls
- Common controls for water districts
- Auditor of Public Accounts' recommendations
- State requirements for special districts
- Preparing for an audit
- Management conduct during the audit
- Interpreting and acting upon an audit's results.

Avoiding litigation

- Common causes of litigation and how to prevent them
- Eminent domain
- Whistleblowers
- Personnel issues
- Infrastructure failure
- Liability
- Immunity

Introduction to the PSC

- Overview of utility regulation
- Historical, economic, and statutory basis of regulatory compact
- History of water utility rate regulation in Kentucky
- PSC organization
- Transparency and openness in the PSC's approach to regulation
- Public outreach and involvement
- PSC website and social media.

Managing energy consumption

- Energy costs in water utility operation
- Tracking energy usage and costs
- Identifying opportunities
- Improving energy efficiency
- Reducing energy waste
- Reducing water loss to reduce energy consumption
- Producing your own power

Managing key contaminants

- Recent changes to Safe Drinking Water Act standards
- Complying with new requirements to address key contaminants
- Common challenges in SDWA compliance
- Emerging issues

Media and public relations

- Identifying your audiences and the most effective ways to reach them
- Basic principles of public communication and media relations
- Social media pros and cons
- Websites
- Communications plans
- Crisis communications

Preventative maintenance

- Consistency and cost-effectiveness in preventative maintenance
- Budget requirements and financial tools for asset rehabilitation
- Reduction of water loss
- Prioritizing maintenance needs
- Ensuring reliable and sufficient funding

Risk management

- Identifying and preventing situations that create operational or financial risks
- Threats to critical infrastructure
- Workplace safety
- Personnel issues and sexual harassment
- Governance and management

Succession planning/continuity

- Anticipating and preparing for key staff departures
- Retaining institutional knowledge
- Insuring adequate staffing
- Maintaining a board quorum

Water treatment basics

- Overview of treatment and distribution
- Major treatment processes
- Treatment processes and public health and safety
- Industry terminology

