



North Carolina Rural Water Association, Inc[®]

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November 12, 2013

Representative Mike Hager
NC House of Representatives
300 North Salisbury Street, Room 304
Raleigh, NC 27603-5925

Senator Fletcher Hartsell
NC Senate
300 North Salisbury Street, Room 300-C
Raleigh, NC 27603-5925

Re: ERC Study of the Statutory Models of Water and Wastewater Providers

Dear Representative Hager and Senator Hartsell,

On behalf of President Neil Carpenter and the Board of Directors of the North Carolina Rural Water Association, Inc[®] (NCRWA), I would like to express our appreciation for your time in meeting with us during the past month concerning the current Environmental Review Commission (ERC) study of the statutory models of water and wastewater service providers and for your continued passion for water and wastewater issues affecting our state. As you are aware, water and wastewater are two of the most significant drivers of economic prosperity and public health in local communities, and North Carolina's position as a leading center for business and industry over the past century has been largely due to our availability and management of these water resources. We appreciate the ability to partner with you as we all seek ways to ensure that these invaluable resources and related infrastructure are best managed moving forward.

As we discussed, NCRWA is opposed to the mandatory merger or consolidation of established water or wastewater systems that are fiscally responsible and that are protecting public and environmental health. NCRWA supports the encouragement of voluntary merger, consolidation and regionalization of existing systems, where it is practical and feasible, desired by the parties, and offers public benefit.

NCRWA also supports the development of new and permissive models for the creation of water and wastewater systems. As evidence, NCRWA supported the creation of the new model for Metropolitan Water and Sewerage Districts (S.L. 2013-150 (HB 488)), which broadened and combined the existing scopes of Metropolitan Water Districts and Metropolitan Sewerage



Districts. This legislation can be expanded or used as a starting point for additional models that can accommodate other types of systems.

Additionally, we support a review of our statutes to ensure that they facilitate, and do not obstruct, voluntary consolidation. NCRWA continues to support incentives to encourage voluntary merger, consolidation and regionalization. We also understand the need to ensure that systems are financially viable and are in a position to pay for future infrastructure needs. NCRWA supported S.L. 2013-150 (SB 207), *An Act to Protect the Fiscal Health of North Carolina's Water and Sewer Systems*, which clarified authority of the Local Government Commission with respect to underperforming systems.

In order to assist you with this study and the development of possible solutions, **Appendix A** to this letter lists additional recommendations supported by NCRWA.

We ask that the ERC keep in mind that each of the various statutory models was created for specific purposes and those purposes remain valid today. If you define consolidation to include joint management agreements and interlocal agreements, we believe that a close examination of the various water and sewer systems in our state will show that many systems are already consolidated and that there are real and valid reasons why other systems have not voluntarily consolidated.

We can provide expert testimony on why systems have and have not consolidated and are developing information about existing systems that have been consolidated at this time. When available, we will share it with you and others. Finally, we suggest that the ERC subcommittee hear from the UNC School of Government Environmental Finance Center with respect to water and sewer rate information

The NCRWA was established as a 501(c)(6) non-profit trade association in 1976 with the purpose of being the “voice” of the water and wastewater industry across the state. Our membership currently consists of the following: 59 County Systems and Authorities, 343 Municipal Systems, 55 Non-Profit Water/Wastewater Systems, 19 Sanitary Districts, 83 Private Water Systems (Includes systems such as Aqua and Old North Utilities as well as small mobile home parks and campgrounds), and 200 Associate Members.

Growing rapidly over the past 36 years, NCRWA is now the recognized leader in providing managerial, financial, and technical training and on-site assistance for water and wastewater utility operators, engineers, managers, and governing bodies. Each year, NCRWA trains more than 5,000 industry professionals and works on-site with more than 1,000 systems providing assistance with services such as water audits, rate studies, strategic planning, leak detection, inflow/infiltration studies, troubleshooting operational issues, and preparation of compliance reports such as the local water supply plan. NCRWA is also the leading provider of groundwater and drinking water protection planning, which helps systems protect and plan for their water resources needs for generations to come.



In closing, I would like to offer you our assistance as well as offer it to the ERC and the General Assembly as technical experts on subject matter involving the water and wastewater industry across the state. We stand ready to assist with the development of a statewide strategy to improve our water and waste water systems. Please contact me directly at danielwilson@ncrwa.com or by phone at 919.812.0428 if we can be of assistance.

Sincerely,

A handwritten signature in blue ink that reads 'Daniel Wilson'.

Daniel Wilson, PE, CAE, UMC
Executive Director

Enclosures: Appendix A

cc: Representative Ruth Samuelson
Senator Brent Jackson
NCRWA Board of Directors
Jon Carr, Lobbyist



Appendix A

Identified Issues and Potential Solutions

- Define Regionalization of water and wastewater systems. The North Carolina Rural Water Association, Inc.[®] (NCRWA) defines regionalization of water and wastewater systems as being a combined effort of two or more entities, through physical interconnection, joint management or interlocal agreement, or shared or transferred assets, to take proactive steps to realize the joint benefits of economies of scale in order to plan for and provide a high quality, sustainable product and service to the citizens and businesses of the state.

Note: All comments are made in the context of voluntary regionalization where desired by the systems that would be party to the regionalized system.

- Significantly increase the prioritization for regional projects for all state grants and loans, and set aside some funds for regional projects. Accommodation must be made for those systems for which regionalization is not geographically feasible.
- Look at best practices of other states as it relates to consolidations and regionalization, but note that mandatory consolidation of existing systems in other states has required significant state-appropriated funds for infrastructure costs.
- Remove/reduce statutory obstacles and burdens that restrict regional efforts, including the repeal of *sub-basin* interbasin transfer laws and rules.
- Simplify and facilitate permitting processes for consolidated efforts.
- Provide a grace period for regulatory relief and financial performance for acquiring/consolidating systems so that regionalization/consolidation that involve under-performing systems does not cause the new consolidated entity to score poorly on objective scales for system performance.
- Provide financial assistance and regulatory relief for entities acquiring/merging with chronically underperforming systems.
- Provide state assistance to facilitate interconnections and expansions for regional efforts, including the use of a public office that would serve as an independent intermediary to assist systems in voluntary consolidation, to guide systems through regional negotiations, and to mediate those negotiations.
- Provide additional onsite technical assistance to bring systems into compliance.
- Create a rating/scoring system that objectively identifies when a system is considered to be under-performing in defined compliance and financial measures.



- Recognize and encourage the use of joint management agreements and interlocal agreements as forms of regionalization.
- Provide increased or renewed funding for the Regional Water Supply Planning Revolving Fund (G.S. §162A-24) and the Regional Sewage Disposal Planning Revolving Fund (G.S. §162A-29).