

**SUSTAINABLE WATER INFRASTRUCTURE TASK FORCE
WEDNESDAY, MAY 28, 2008 HEARING
TESTIMONY OF KEVIN CONRAD, CAMPAIGN COORDINATOR
ON BEHALF OF
RENEW LEHIGH VALLEY**

Good afternoon, Representative Freeman and members of the Governor's Sustainable Water Infrastructure Task Force. Thank you for the opportunity to testify here today on a topic of great importance to the environmental and economic health of the Commonwealth.

My name is Kevin Conrad and I am the Campaign Coordinator for Renew Lehigh Valley. RenewLV is a broad-based coalition of business leaders, public officials, non-profit and advocacy organizations committed to promoting smart growth and efficient local government. Promoting sustainable investment in public infrastructure is fundamental to RenewLV's mission.

Perhaps the most effective way for me to address the questions posed by the Task Force is by sharing some of RenewLV's experiences in exploring the feasibility of regionalizing the publicly owned water and wastewater systems in the Lehigh Valley.

RenewLV and the American Water Works Association's Research Foundation (AWWARF) co-sponsored a study to evaluate the potential benefits of

regionalization. The report has been through AWWARF's national peer-review process and is in the final stage of preparation for publication. (We will share the final report with the Task Force as soon as it becomes available.)

The bottom line of the study is this – by regionalizing the nearly 40 publicly owned water and wastewater utilities in the Lehigh Valley, local residents could save 56 MILLION DOLLARS PER YEAR; HALF A BILLION DOLLARS over 10 years.

24 public water and wastewater utilities participated in the study through interviews, providing data, and feedback meetings. For me, the most telling moment of the whole process occurred during the final feedback meeting, when the draft results were presented to the participants. Wrapping up the discussion, the moderator asked for a show of hands. “How many of you were surprised by the results presented here today?” Not a single hand went up.

AWWARF's rationale for co-sponsoring this particular study should be noted here. The research foundation wanted to explore a new way of looking at regionalization. Rather than initially fixating on the political and logistical difficulties associated with a regional consolidation, AWWARF wanted first to establish and quantify the potential benefits of such a consolidation. This seems like a very reasonable approach. Regionalization is not a simple process, and the challenges to

implementation are real, but we have 56 million very good reasons (per year) to find a way to deal with those challenges.

Some of the Lehigh Valley's largest water and wastewater systems have struggled unsuccessfully for more than a year to reach cooperative service arrangements. Each system is pursuing what it perceives as its best interest, yet the failure to reach an agreement will result in the creation of redundant infrastructure for some and the loss of much needed revenue for others – an outcome that serves neither the Lehigh Valley, nor the Commonwealth as a whole.

A local borough system is facing nearly 500,000 dollars in unanticipated expenditures, a cost borne more easily by a larger customer base. Another is faced with the mandate of public sewer service after the failure of a large percentage of on-lot septic systems.

A regional authority - or several sub-regional authorities - would be better positioned to deal with these challenges and costs as well as others that will inevitably face our region in coming years - rising material costs, new regulatory requirements, infrastructure replacement, maintenance and planning, and skilled workforce replacement as the baby-boomers retire. These are all foreseeable challenges and we have the responsibility to plan and prepare to meet them.

To speak directly to the questions posed by the Task Force, the active encouragement of regional consolidation or - at the very least - increased collaboration by municipal water and wastewater systems offers a direct way of promoting innovative planning measures and improving long-term financial sustainability. Regionalization is itself a tool for reducing the cost of providing infrastructure improvements and should be encouraged as such. There is simply too much to be done with too few resources to waste money on redundant infrastructure. The funding and regulatory processes should be used to encourage regional consolidations and increased cooperation among systems.

The task force should also consider incentives for municipal governments to get out of the water and wastewater business. Municipal authorities provide an alternative and an improvement to municipal government management. Municipal authorities retain the benefits of public control but reduce the likelihood of deferred maintenance water revenue is employed as a subsidy for other municipal programs or artificially depressed water and sewer rates. Prudent infrastructure investments are more likely to be made when the full cost of those decisions must be realized and when those investments are the sole focus of the entity making them.

Much of this discussion - appropriately so - is concerned with funding mechanisms, incentives and regulatory requirements. The results of RenewLV's own feasibility study are in terms of dollars and cents and, yes, regionalization saves resident's money; however, it does more than that. Ultimately, regionalization puts our water and wastewater utilities on stable and sustainable financial footing and improves their ability to meet public health and environmental requirements. This is about more than dollars and cents.

As members of the Task Force, you are faced with tremendous challenge – a 22+ billion dollar challenge. You also have a tremendous opportunity. You have the opportunity to demonstrate - to exemplify - the bold, innovative, long-term thinking and the dogged leadership that are absolutely necessary if the Commonwealth is to address its myriad infrastructure challenges.

Thank you for your time and consideration.