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**City of Milwaukee Testimony on AB 78
Senate Committee on Natural Resources and Energy
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My name is Jennifer Gonda and I am the City of Milwaukee's Superintendent of Water Works. The City of Milwaukee supports AB 78, relating to lead service line replacements. I want to thank Representative Thiesfeldt and Senator Cowles for authoring the bill and Chairman Kuglitsch for holding this public hearing today. I also want to thank those committee members who coauthored this important legislation. I appreciate the opportunity to share the City of Milwaukee's perspective on this issue.

As you know, lead service lines (LSLs) have been an issue for any community in the State that has pre-1951 housing. According to the PSC, there are approximately 170,000 LSLs throughout the State of Wisconsin. Milwaukee has about 70,000 of them, or about 40% of the statewide total. Having said that, it's important to state that lead is not found in Milwaukee's treated source water and that drinking water provided by the Milwaukee Water Works meets all federal standards for safety and quality.

AB 78 would provide greater flexibility to water utilities in financing LSL replacement by allowing the use of water utility ratepayer revenues to provide financial assistance to private property owners for replacement costs. It would require the PSC to include in the determination of water rates the cost of providing that financial assistance.

We need this legislation because the PSC determined in a 2000 Madison Water Utility rate case that the use of ratepayer funds for private lead service line replacements would be an unreasonable and discriminatory rate practice. Under that ruling, municipal water utilities are currently prohibited from using funds generated from ratepayers to pay for lead service replacement costs on the private side.

Additionally, in a 2014 rate case, the PSC ruled that the Milwaukee Water Works must increase its water main replacement cycle to 15 miles of mains annually, increasing to 20 miles per year by the year 2020. After this ruling, the Milwaukee Water Works, in early 2015, began proactively testing water samples related to main replacement work where there was a connection to lead services. Concerning levels of lead were found in some of the samples, so we placed a voluntary moratorium on replacing water mains connected to LSLs until we could determine a course of action that protected the health of our water customers.

We informed the PSC, DHS, and the DNR of our decision, as we had a competing order from the PSC to complete the main replacements. We felt we could not put the public at risk due to the temporary elevated lead levels found in water samples caused by the disruption of the partial replacement. In the meantime, we completed only those 2015 scheduled projects where copper was present. Furthermore, in 2016 we made an adjustment to our program and relayed 15 miles of water mains that are connected to copper services, which is consistent with the PSC ruling.

Concurrently, an EPA advisory and studies conducted nationally were indicating that partial LSL replacements were no longer advisable. In order to address the need for full LSL replacement, the City of Milwaukee passed an ordinance effective January 1, 2017 that mandates full LSL replacement when leaks or failures are discovered as well as when Milwaukee Water Works replaces the utility-owned portion of the LSL for any reason. Upon passage of the ordinance, Milwaukee Water Works resumed replacement of its water mains as required by the PSC. We are limiting the 2017 program to water mains connected to copper service lines, with only one exception affecting 12 property owners. The 2018 program will be a combination of water mains with both copper and lead services.

Since the beginning of 2017, 113 leaks have occurred and 84 have been replaced to date— we estimate up to 350 will occur this year. An additional 12 LSLs were replaced last week due to a main replacement project. We are in the process of bidding out 300 daycare LSL replacements. We are learning a lot about the costs and replacement methodology, as well as the difficulty of breaking down the costs that are a utility responsibility vs. private responsibility.

Recent bids indicate the cost for the next 100 LSL replacements will be around \$11,000. About 55% is public cost and 45% is private cost. In order to encourage our residents to comply with replacing the private side of their LSL, the City's ordinance provides a subsidy or "financial assistance" to the property owner. It requires the property owner to pay for 1/3 of the replacement cost, or \$1,600, whichever is less, and can be assessed as payable over ten years. The remaining private cost (currently about \$3,400) is being subsidized with federal funds we were awarded by the DNR through the Drinking Water State Revolving Loan Fund.

There is a practical implication of this bill that I think it is important to note. We are finding it is nearly impossible to equitably break down the proportion of cost between the public and private portion of the full LSL replacement. Recent bids for the work indicate different contractors have different approaches to each line item of cost in the bid, making it difficult to account for each section as a separate project.

I should also note that we are currently assessing promising new technologies that would allow for the lining or coating of the interior of the LSL, rather than a full replacement. Recent research indicates there may be options on the horizon that may reduce cost without increasing risks to public health. It would be helpful for the language in this bill to accommodate that by including the word "rehabilitation" in addition to "replacement." There are some scenarios where a rehabilitation may be a more practical or economical option.

In addition to AB 78, it would also be helpful to have a continued commitment from the State of Wisconsin to help fund LSL replacements. We would like to see a continued dedication of 30% of the EPA's capitalization grant to the Safe Drinking Water Loan Program to LSL replacement, as was done in 2017, until all LSLs in Wisconsin have been replaced. We have been advocating for that commitment with members of the Joint Committee on Finance. We have also communicated with our Congressional delegation, the White House and the EPA regarding our need for further funding.

Obviously, there has been a greater discussion and focus on LSLs stemming from the Flint water crisis, new scientific research, and updated guidelines from the EPA. It is going to take a federal, state, and local commitment to address the replacement of this critical infrastructure. Currently, we estimate the total cost to replace both the public and private side will near \$800 million and our current ordinance requires the homeowners to pay \$112 million of that cost.

While this year we plan to replace about 650 LSLs, we are scaling up to a plan that will replace 1,400 LSLs per year. Over 50 years, this will enable us to replace all 70,000 residential LSLs, requiring at least \$12.5 million in annual investments.

At full scale and at current cost, a decision by the Milwaukee Water Works to implement this bill would add nearly \$5 million in cost to our retail rate structure, which currently generates about \$63 million per year. A combination of modest rate increase in the next couple years, additional borrowing and revisiting the structure and priorities of our capital improvement plan will be necessary to achieve this. We intend to spread the cost out and reprioritize in a way that will not cause rate shock to our customers.

Homeowners and businesses can be assured that the PSC will maintain their authority and will assure fair rates amongst retail customer classes to address the problem fairly and equitably. We intend to strike a responsible balance to deal with the issue over time and continue to provide a quality affordable product for our residents and businesses. Therefore, we will continue to focus on reducing the average replacement cost and finding external sources of funding to resolve this pressing challenge.

Thank you for your time and attention. The City of Milwaukee supports AB 78 and we respectfully ask you to support its passage.

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