



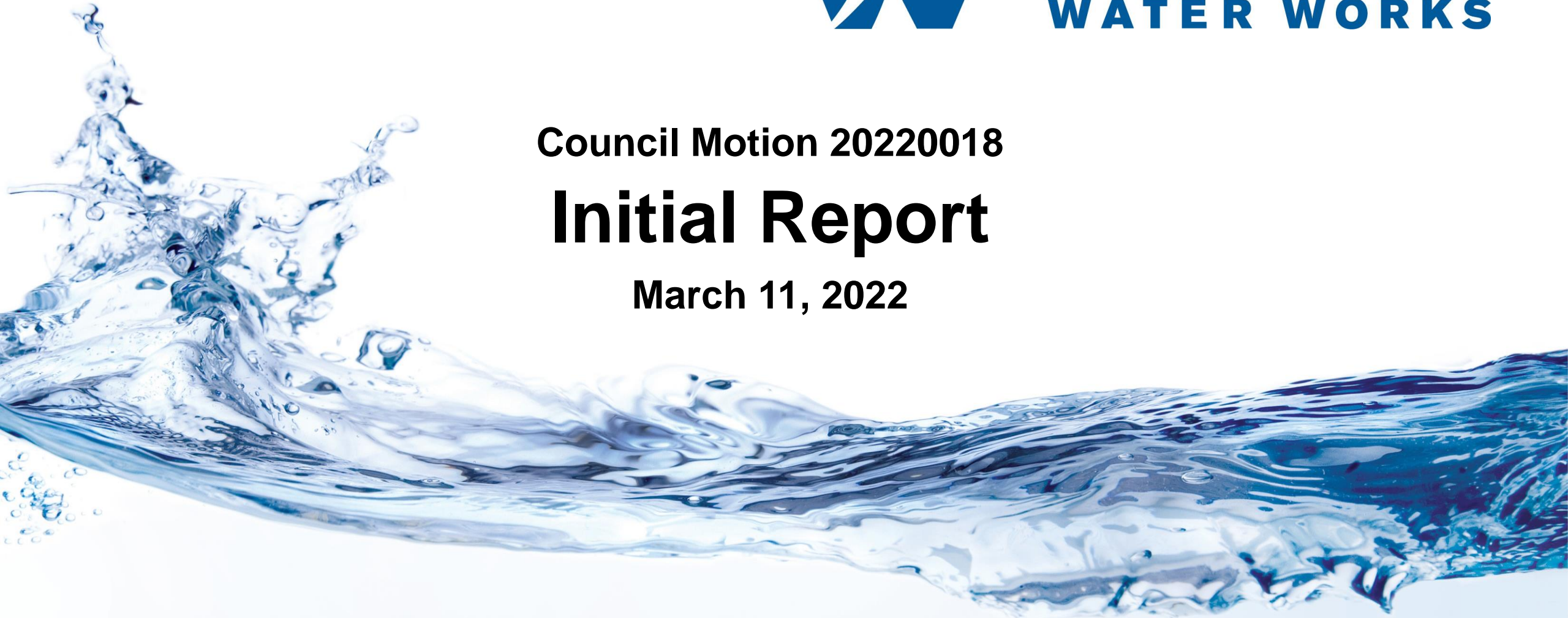
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G R E A T E R C I N C I N N A T I
W A T E R W O R K S

Council Motion 20220018

Initial Report

March 11, 2022





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Council Motion 202200118

Motion, item number 202200118, submitted by Councilmembers Jeffreys and Owens, WE MOVE that, the Administration provide an initial report within sixty (60) days outlining the specific expenses associated the GCWW rate increase pursuant to ordinance number 248-2021 authorized by Council on June 23, 2021; WE FURTHER MOVE that, in that initial report it outline the plan to apply for applicable federal dollars associated with lead pipe replacement including but not limited to federal dollars that may be available through the Bipartisan Infrastructure Law passed by Congress on November 15, 2021; WE FURTHER MOVE that, in that initial report the Administration include information on the feasibility and legality of reducing the corresponding rate increase as well as providing rate payers with a credit for any fees that have already been paid based on the potential receipt of those federal dollars received; WE FURTHER MOVE that, the Administration report back within sixty (60) days of the federal funds being secured to Council with specific plans for giving rate payers a credit for the fees already paid associated with lead pipe reduction and a plan for adjusting their future rate based on the receipt of these federal funds.



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Council Motion 202200118 request

1. Initial Report – Due March 13, 2022

- Expenses associated with GCWW 2022-2026 rate increases
- Federal funding application plans for lead pipe replacement
- Feasibility of reducing rates and providing ratepayer credit on receipt of federal funding

2. Report – Due in 60 days if City secures federal funding

- Plan for crediting ratepayers for lead replacement fees
- Plan for adjusting future rate based on federal funding





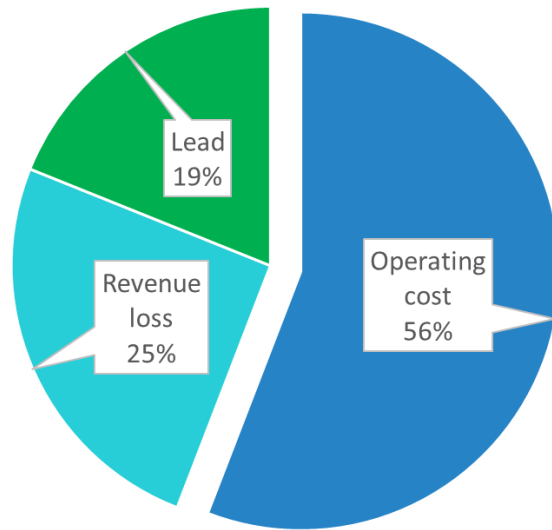
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Executive Summary

Rate Increase Expenses

Rate increase components



Federal Funding/Rate Adjustment for Lead Program

- Estimated annual grant funding level: ~\$1M to \$2M
- Lead Program need: ~\$5M/yr to replace 3% of LSLs
- Rate adjustment allows GCWW to move from 800/yr to 1200/yr

Recommendation:

- Keep program funding as is
- Use additional funds to speed up replacement rate
- Works to advance health equity



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Motion response: Initial Report

1. Rate Increases

2. Lead Pipe Replacement:

Federal mandates/GCWW Program

3. Federal/State Funding





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Rate Increases 2022-2026





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GCWW Rates: Background

2008-2016

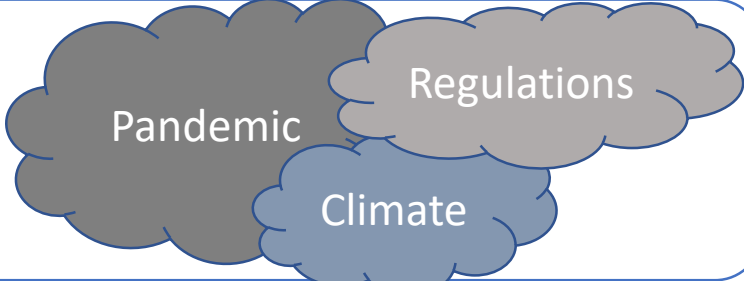
- FLUCTUATING INCREASES AS HIGH AS 8.5%

2016

- NO MORE 7% INCREASES
- Separated water utility “Deep Dive” into Budget

2017-2021

- 5 YEARS OF STABLE 3.75% INCREASES
- AAA bond rating
- “Right-Sized” budget
- Critical capital upgrades
- Lead Program I



2021

- New 5-year Rate Study

2022-2026

- Approved rate increases

Year	Rate
2008	6.00%
2009	5.90%
2010	3.00%
2011	0%
2012	8.50%
2013	7.25%
2014	5.50%
2015	4.00%
2016	5.00%
2017	3.75%
2018	3.75%
2019	3.75%
2020	3.75%
2021	3.75%
2022	3.75%
2023	5.55%
2024	5.55%
2025	5.55%
2026	5.55%



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Cost of Service / Rate Study

Study to develop a 5-year financial forecast and plan

Black & Veatch conducted GCWW rate study for 2022-2026

Projects customers and consumption

Forecasts expenditures – operation & maintenance, capital

Determines revenue needs to meet O&M, capital, debt and financial performance criteria

Calculates rates to recover revenue required

Substantial challenges highlighted in study



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GCWW Rates 2022-2026: Drivers of Increase

1. Operation Costs

- Personnel, contract services, power, chemicals cost increases
- Fund Deferred System projects (due to \$20 M emergency landslide projects 2017-18)
- Aging/Failing Infrastructure Replacement
- Improve Fire Flow/hydrant maintenance

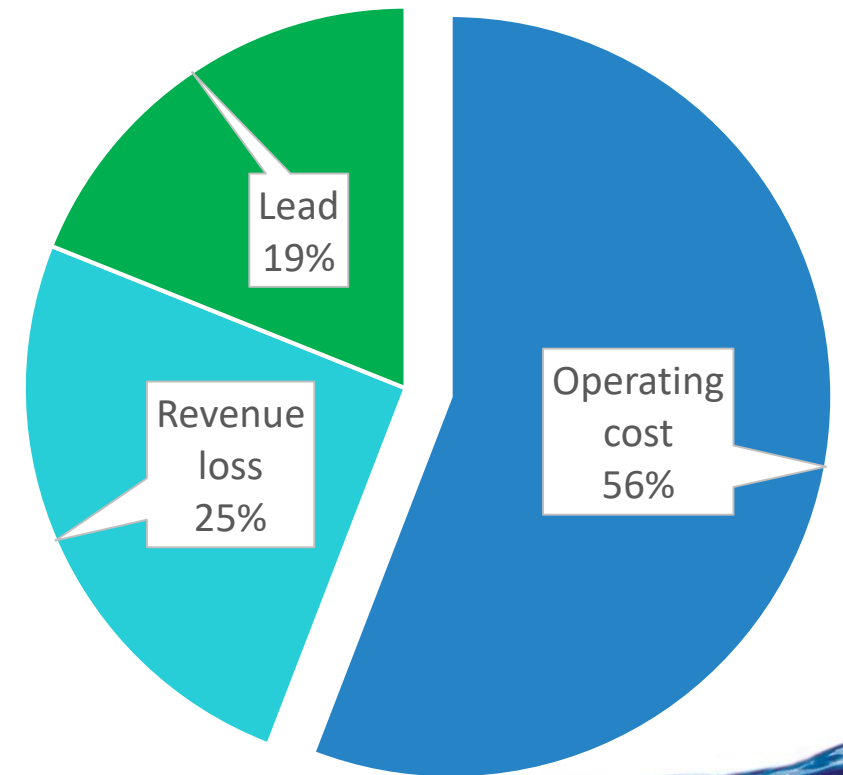
2. Offset \$10 Million Revenue Loss

- Loss of Warren county wholesale customers; unpaid bills

3. Lead Service Line Replacement

- New USEPA replacement mandates
- Affordability and health equity issues

Rate increase components





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GCWW Rates 2022-2026: Constraints

1. Financial Constraints

- Infrastructure Bond Covenants
- AAA Bond Rating standards
- Debt Service Coverage/Days Cash on Hand

2. Regulatory Requirements

- New Federal Lead and Copper Rule mandates
- Water quality requirements

3. City Policies

- Smale Commission 1% annual infrastructure replacement
- New City fire flow requirements





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GCWW Rates 2022-2026 : Impact

The annual rate increase of 5.55% is lower than the current inflation rate of 7.5%

For a four-person household with 6230 gal/month usage:

	rate increase	monthly cost	increase over prior year
2021	3.75%	\$ 32.18	
2022	3.75%	\$ 33.39	\$ 1.21
2023	5.55%	\$ 35.24	\$ 1.85
2024	5.55%	\$ 37.20	\$ 1.96
2025	5.55%	\$ 39.26	\$ 2.06
2026	5.55%	\$ 41.44	\$ 2.18



16 oz glass of water

2021 \$0.00065

2026 \$0.00083



30 gallon bath

2021 \$0.15

2022 \$0.16

2023 \$0.17

2024 \$0.18

2025 \$0.19

2026 \$0.20



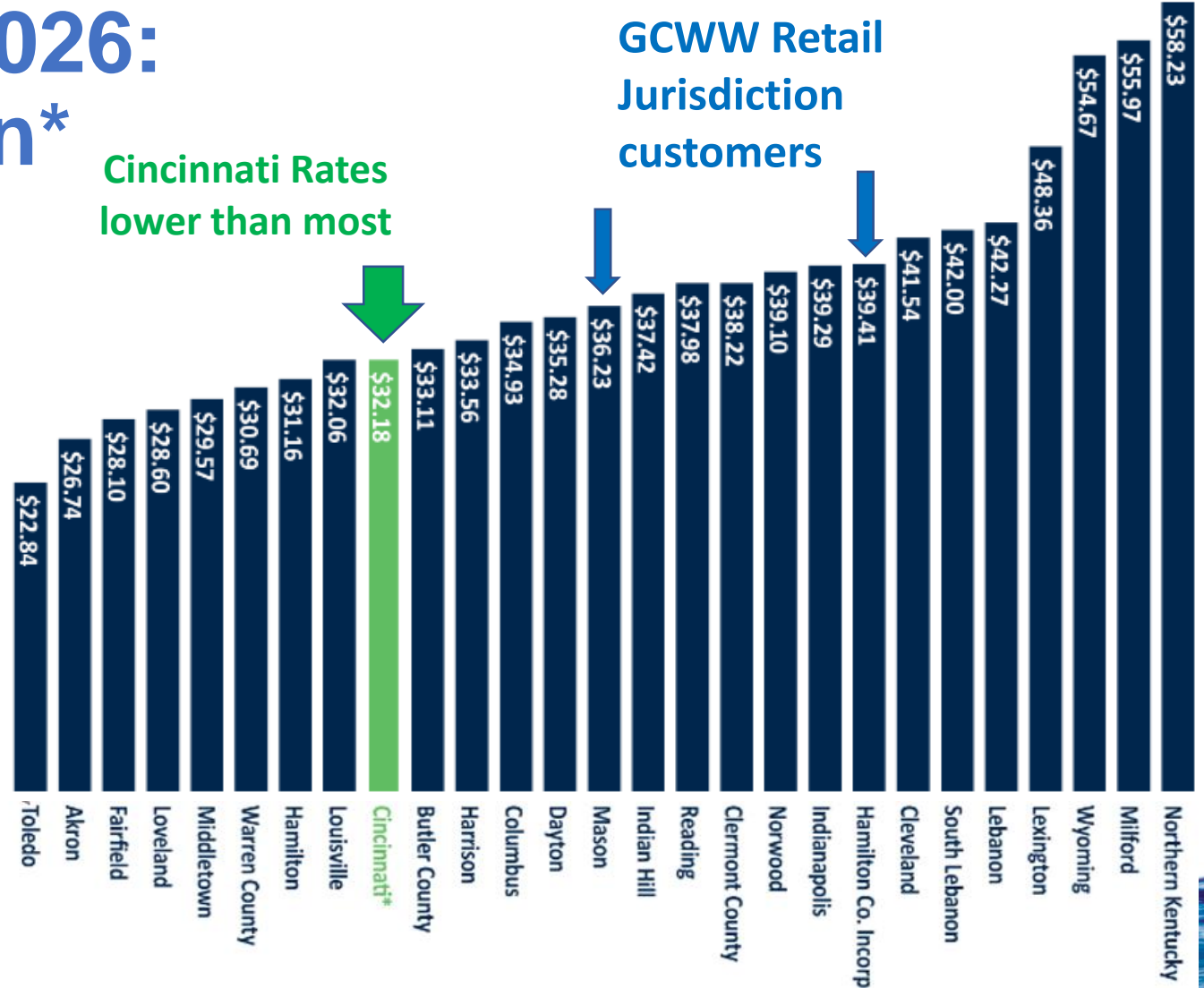
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GCWW Rates 2022-2026: Regional Comparison*

Cincinnati Rates
lower than most

GCWW Retail
Jurisdiction
customers



*Avg monthly water bill
4-person household with
6230 gal/month usage



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GCWW's Nationally Recognized Lead Service Line Replacement Program





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2014-2015 Flint Lead Crisis



GCWW Response

In 2015, GCWW took a close look at the presence of over 44,000 lead service lines in the GCWW Service Area.

- ~90% in the City of Cincinnati
- 78% of LSLs in neighborhoods with poverty rates higher than Ohio's rate
- Nearly 40% of LSLs in **predominantly black neighborhoods**

Although in compliance with federal/state lead regulations, GCWW proactively implemented a groundbreaking lead program to address lead in our community.



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GCWW Lead Pipe Replacement Program



EPIISODE SPONSORED BY:  120WaterAudit

**EPIISODE 054:
REAL TALK ABOUT
LEADING ON THE LEAD
ISSUE WITH THE FIRST
LADY OF WATER
CATHY BAILEY
EXECUTIVE DIRECTOR
GREATER CINCINNATI WATER WORKS**




Cathy Bailey is the Executive Director of the Greater Cincinnati Water Works Department (GCWW). In over 200 years, Cathy is the first woman and first African American to lead Cincinnati's major, independent, municipal water utility. Cathy leads a team that ensures safe drinking water for a regional population of more than 1.1 million citizens; supervises a team of 600 full-time employees; and oversees a \$110 million operating budget and a \$450 million capital budget over the next five years. Cathy is a strong champion and key visionary behind Greater Cincinnati Water Works award-winning Lead Service Line Replacement Program.





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 An official website of the United States government.



Environmental Topics

Laws & Regulations

About EPA



GCWW Lead Pipe Replacement Program

News Releases from Headquarters > Water (OW) Administrator Pruitt Discusses Water Quality and Lead Eradication in Ohio

04/16/2018

Contact Information:

EPA Press Office (press@epa.gov)

Cincinnati, Ohio – Today, U.S. Environmental Protection Agency (EPA) Administrator Scott Pruitt visited Cincinnati, Ohio to meet with local water utilities and tour two local lead service line replacement construction sites as well as EPA's Cincinnati Office of Research and Development (ORD) lab.

“EPA is working closely with state and local partners to eradicate lead in drinking water,” **said EPA Administrator Scott Pruitt.** “This visit highlights Cincinnati’s proactive approach to upgrading the city’s infrastructure and removing lead service lines. This is a great example of a local community taking the initiative to protect their residents’ health and the environment.”

PHOTOS



Administrator Pruitt meeting with leaders of Greater Cincinnati Water Works (GCWW).



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[Home](#) › [Blogs](#) › [EDF Health](#) › In latest act of leadership, Cincinnati votes to c...

In latest act of leadership, Cincinnati votes to cover the cost of replacing lead pipes for all residents

By Tom Neltner / Published: January 12, 2022

Tom Neltner, Chemicals Policy Director

The Cincinnati City Council has [voted unanimously](#) to authorize Greater Cincinnati Water Works (GCWW) to pay 100% of the cost of replacing private lead service lines (LSLs) that bring drinking water to customers' homes and other buildings. The Council's December vote supports its larger [strategy](#) to "provide quality healthy housing for all income levels." More broadly, the action is the latest act of leadership from the city as it works to address the environmental justice issues in its communities.

About this blog



EDF's science, health, and business experts discuss the chemical and air pollution issues of the day. It's time to forge a healthier path.



GCWW Lead Pipe Replacement Program



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GCWW Lead Pipe Replacement Program Phase 1: 2016-2021- Accomplishments

Forged ahead of regulatory requirements

- Outreach/free testing/website/meetings
- On-line searchable lead map
- 2400 private lines replaced
- Over 11,000 free lead tests analyzed for customers
- Over 14,000 lead tests performed for schools/childcares
- Private lead line replacement
- \$750,000 H2Ohio Grant for free child-care replacements
- 11 contractor/plumbing removal partners

Most water systems:

- Do not know location or number of lead lines
- Do not provide testing
- Do not help residents with private replacement





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GCWW Lead Pipe Replacement Program

Phase 1: 2016-2021- USEPA national model

For decades, GCWW has been removing public lead lines. But *owners were not removing private lead lines* (average cost \$3000-5000)

Cost/Affordability are a major obstacle to private replacement

2017:

GCWW initiated a private lead service line replacement program

- City managed the work
- 40% credit off City cost (max \$1500)
- 0% financing of balance

Additional “HELP” for low-income owners

- 30% additional cost reduction
- Funded through donations; non-rate revenue (\$200,000/yr)





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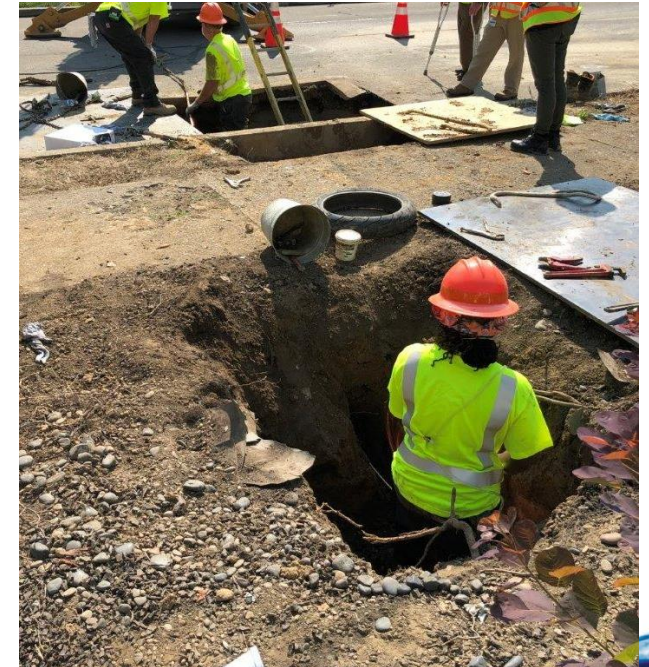
GCWW Lead Pipe Replacement Program: Next phase: USEPA Lead & Copper rule update

Starting 2024:

- GCWW will be **required** to replace 3% or 1200/year
- Requirement includes **Private** lead service lines
- Non-compliance penalties

Current private replacement rate 800/year will NOT comply with updated Lead & Copper Rule Requirements

- **PRIVATE REPLACEMENT IS A COMPLIANCE ISSUE**
- **Utility cost share increased from 40% to 100% to eliminate cost/affordability as an issue**





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GCWW Lead Pipe Replacement Program: Next Phase: Remaining challenges

Lead is a Neurotoxin that can cause developmental problems for children

- 39,222 Lead service lines remain in GCWW Service Area
- 35,000 Lead service lines in City of Cincinnati
- \$120 million to replace all lead service lines

USEPA mandate 1200/year, it will take 30 years—an entire generation—to eliminate lead service lines from the GCWW service area





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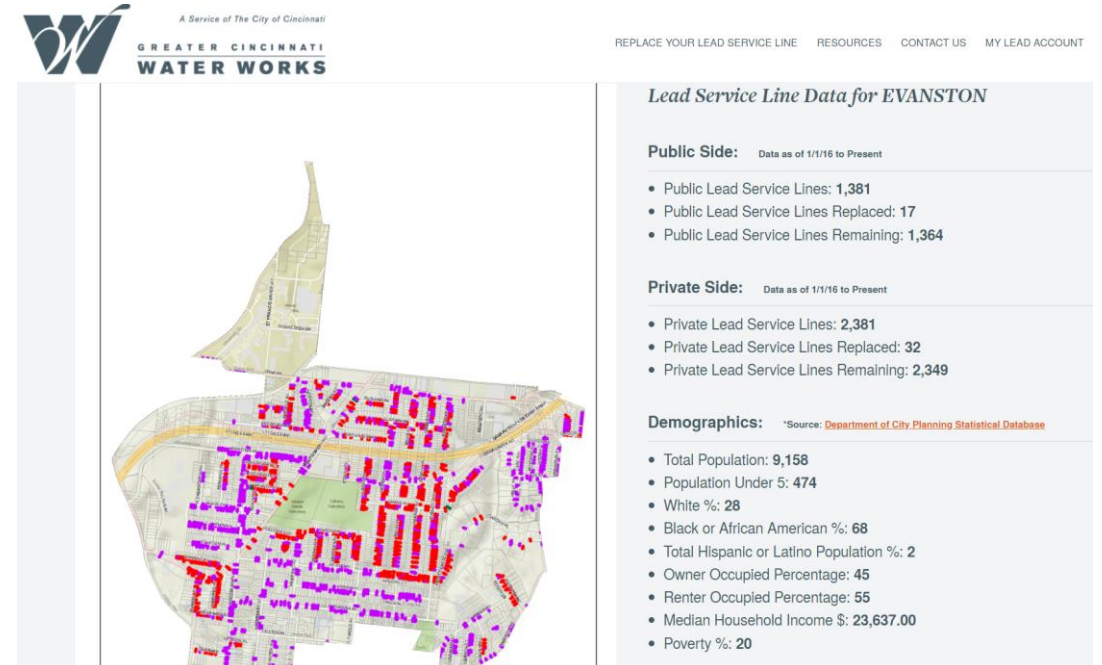


GCWW Lead Pipe Replacement Program: Remaining challenges

Lead service lines are concentrated in:

- Older neighborhoods
- Predominantly black neighborhoods
- Neighborhoods with significant low-income population

Removal of lead service lines is an equity and healthy housing issue





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Federal/State Funding





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Federal/State Funding

- GCWW Grant/Loan activity
- Federal and state funding opportunities
- GCWW Grant funding strategy
- Funding criteria and challenges
- Feasibility of reducing rates and providing ratepayer credit on receipt of federal funding





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Federal/State Funding: GCWW 2020-2022 successes

- **\$2.05 million in grants for lead pipe replacement**

PROGRAM	AGENCY	FUNDING SOUGHT	STATUS
H2Ohio	Ohio EPA	<i>Childcare lead service line replacement</i>	AWARDED/RECEIVED \$750,000 GRANT (2020)
Drinking Water Revolving Fund (DWSRF)	Ohio EPA	Water main replacement (including public lead pipes) and other projects	AWARDED ~\$10 million in low interest loans/year
		<i>Low-income lead service line replacement</i>	AWARDED/IN PROGRESS \$1.3 MILLION GRANT (2022)
American Rescue Plan Act (ARPA 2021)	Ohio Dept of Development	28 water system projects - \$25M value	Not awarded despite County Engineer prioritization of 2 projects
Water Infrastructure Improvements for the Nation (WIIN)	USEPA	Monitoring Grants	????



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Federal/State Funding

GCWW discussions/webinars for funding information:

- Ohio EPA Division of Environmental and Financial Assistance (DEFA)
- US Environmental Protection Agency
- Utility Industry association: American Water Works Association, Association of Ohio Drinking Water Utilities, Water Alliance





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Bipartisan Infrastructure Law Funding by State



Bipartisan Infrastructure Law: Environmental Protection Agency 2022 State Revolving Fund (SRF) Estimated Allotments to States, Tribes, and Territories by Program

	Total	DWSRF	DWSRF Lead Service Line Replacement	DWSRF Emerging Contaminants	CWSRF	CWSRF Emerging Contaminants
New Hampshire	\$72,644,000	\$17,955,000	\$28,275,000	\$7,540,000	\$17,933,000	\$941,000
New Jersey	\$168,949,000	\$30,644,000	\$48,257,000	\$12,869,000	\$73,330,000	\$3,849,000
New Mexico	\$63,041,000	\$17,955,000	\$28,275,000	\$7,540,000	\$8,809,000	\$462,000
New York	\$428,072,000	\$73,327,000	\$115,475,000	\$30,793,000	\$198,074,000	\$10,403,000
North Carolina	\$199,211,000	\$55,139,000	\$86,831,000	\$23,155,000	\$32,386,000	\$1,700,000
North Dakota	\$63,041,000	\$17,955,000	\$28,275,000	\$7,540,000	\$8,809,000	\$462,000
Ohio	\$241,554,000	\$45,156,000	\$71,111,000	\$18,963,000	\$101,021,000	\$5,303,000
Oklahoma	\$91,488,000	\$25,455,000	\$40,085,000	\$10,689,000	\$14,498,000	\$761,000
Oregon	\$92,079,000	\$23,623,000	\$37,201,000	\$9,920,000	\$20,271,000	\$1,064,000
Pennsylvania	\$240,381,000	\$55,287,000	\$87,065,000	\$23,217,000	\$71,081,000	\$3,731,000
Puerto Rico	\$78,404,000	\$17,955,000	\$28,275,000	\$7,540,000	\$23,405,000	\$1,229,000
Rhode Island	\$66,451,000	\$17,955,000	\$28,275,000	\$7,540,000	\$12,049,000	\$632,000
South Carolina	\$88,984,000	\$23,253,000	\$36,618,000	\$9,765,000	\$18,383,000	\$965,000
South Dakota	\$63,041,000	\$17,955,000	\$28,275,000	\$7,540,000	\$8,809,000	\$462,000





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Federal/State Funding: Bipartisan Infrastructure Law (BIL) aka Infrastructure Investment & Jobs Act (IIJA)

Rough Estimates of Ohio's Portion of IIJA Funds for the SRF Programs

Year	Ohio's CWSRF Portion for Base Program	New! Ohio's CWSRF Portion for Emerging Contaminants	Ohio's DWSRF Portion for Base Program	New! Ohio's DWSRF Portion for Emerging Contaminants	New! Ohio's DWSRF Portion for Lead	Estimated Total
2022	\$102 M	\$5 M	\$45 M	\$18 M	\$71 M	\$241 M
2023	\$118 M	\$11 M	\$52 M	\$18 M	\$71 M	\$270 M
2024	\$128 M	\$11 M	\$57 M	\$18 M	\$71 M	\$285 M
2025	\$138 M	\$11 M	\$62 M	\$18 M	\$71 M	\$300 M
2026	\$138 M	\$11 M	\$62 M	\$18 M	\$71 M	\$300 M
Total	\$624 M	\$49 M	\$278 M	\$90 M	\$355 M	\$1.396 B

* All figures are estimates based on annual appropriations indicated in the Infrastructure Bill multiplied by the standard SRF allotment formulas.



WEBINAR

- Ohio EPA to receive \$71 million/yr for lead

2022-2026

- \$174 million grants
- \$181 million loans
- \$355 million total
- Funds allocated through Revolving Loan Fund



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How much funding is still needed to replace lead lines?

Started with approximately 44,000 lines

- Now, 39,222 left
- **Total to remove remaining lines = \$120,000,000**

*cost has declined; started at avg cost of \$5500

-now, due to pandemic, expect the cost to go back up some

-In a few years, hoping it will decline again

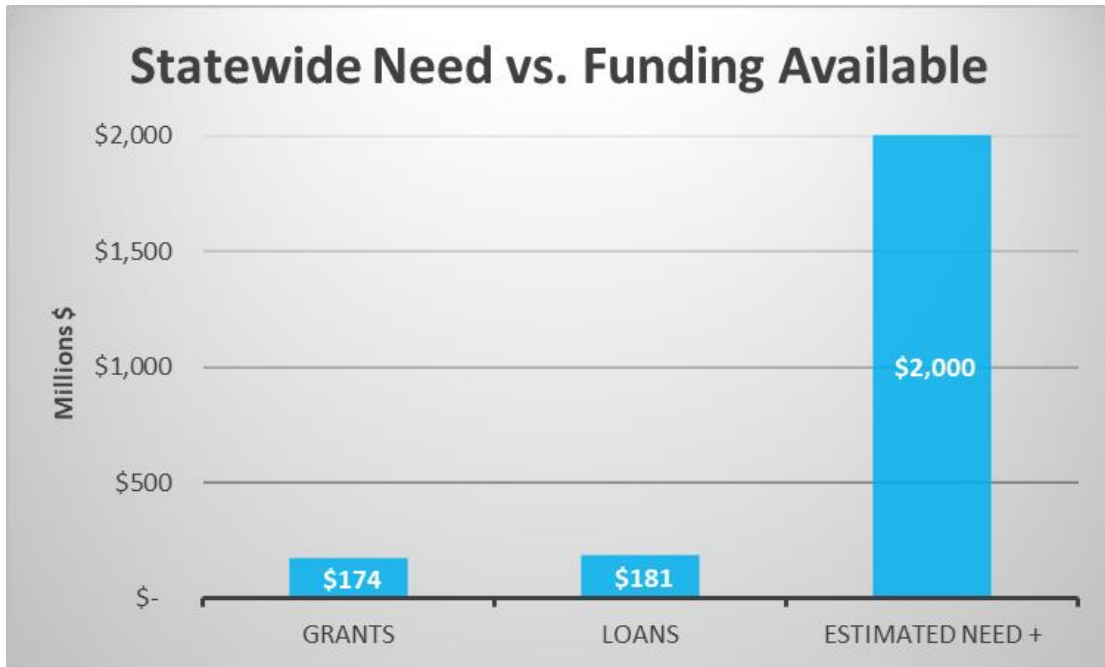




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Federal/State Funding: BIL Lead Replacement Grants



\$174 million in grants statewide is just a drop as to \$2 billion need.

	Cincinnati	Ohio
Lead lines	39,000	650,000
Replacement Need	\$120,000,000	\$2,000,000,000

**Statewide funding will be competitive--
GCWW alone needs \$120 million.**



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Federal/State Funding: Challenges

**GCWW has a recognized lead program that is “shovel ready”
BUT...**

- Grant funds are targeted towards “*Disadvantaged Communities*”
- Other Ohio water utilities need funds to
 - Locate/map lead lines
 - Develop organizational capacity for private lead removal
 - Comply with Lead & Copper rule 2024 mandates

Ohio EPA will likely spread grant funding across the state





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Federal/State Funding: Grants focus on “Disadvantaged Communities”

Program Name	Fund Source	Administering Agency	Drinking Water Focus	Eligibility	Grant	Loan
H2Ohio	State	Ohio EPA	Water quality issues	Disadvantaged Community and High-Risk Areas	X	
DWSRF	Federal/ State	Ohio EPA	Infrastructure improvements	All		X
				Disadvantaged Community	X	
WIIN	Federal	US EPA	Infrastructure improvements	All		X
				Disadvantaged Community	X	
ARPA	Federal	Ohio DoD	Infrastructure improvements	All, prioritized on disadvantaged community status and other criteria	X	
BIL	Federal	US EPA Ohio EPA	Infrastructure improvements	All		X
				Disadvantaged Community	X	



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Federal/State Funding

Grant funding focuses on “Disadvantaged Communities”

- Ohio EPA does not consider GCWW to be eligible for grants for “Disadvantaged Communities” when viewed from system-wide basis
- Ohio EPA looks at
 1. Documented human health-related factors
 2. Community public water system with service area less than 10,000 persons
 3. Average water and sewer rates combined comprise more than 2.4% of Median HH income
 4. MHI estimate < statewide average OR poverty rate estimate > statewide average
- GCWW has asked Ohio EPA to review interpretation of “portion of service area” per Ohio RC 6109.01(H)/OAC 3745-88(E)



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Federal/State Funding GCWW Grant application plan:

- Nominate 16 watermain replacement projects in 2022 (WSRLF loan)
 - Include projects with concentration of lead service lines
- Apply for mix of Lead Service Line loan/grant funding
 - Include project specific census tract demographic information
 - Continue conversations with Ohio EPA to be eligible for disadvantaged community grant dollars for lead line replacement





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Federal/State Funding: Feasibility/legality of reduced rates/credits to ratepayers if grant funds received

A rate reduction could create issues with:

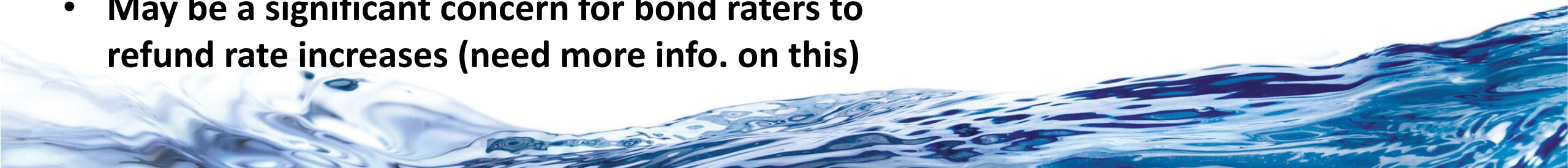
- Infrastructure bond and Ohio EPA loans – the City certifies its rates to support its borrowing on the bond market and from the Ohio EPA WSLRA loans

A ratepayer credit would be:

- Difficult/expensive to implement software revision
- Be very minimal to ratepayer – the actual monthly reduction would be less than a dollar per month.
- **Use of grant funds to refund cost of replacements completed before the grant award is impermissible**
- **May be a significant concern for bond raters to refund rate increases (need more info. on this)**

For a household of 4 people using 6230 gal/mo

	rate increase	monthly cost	increase over prior year	refund of 19% of rate increase (lead related)
2021	3.75%	\$32.18		
2022	3.75%	\$33.39	\$1.21	\$0.23
2023	5.55%	\$35.24	\$1.85	\$0.35
2024	5.55%	\$37.20	\$1.96	\$0.37
2025	5.55%	\$39.26	\$2.06	\$0.39
2026	5.55%	\$41.44	\$2.18	\$0.41





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Federal/State Funding:

GCWW recommends that any grant funding received be used to:

- **Accelerate replacement rate**
 - Eliminate lead lines in less than 30 years
 - Protect public health/make housing healthy
 - Reduce risk of childhood exposure
 - Ensure regulatory compliance
- **Prioritize underserved areas** for lead service line replacement to promote equity





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Thank you for allowing GCWW to respond to this motion. If you have additional questions, please contact:

Leslie.Moening@gcww.Cincinnati-oh.gov Lead Program Manager

Verna.Arnette@gcww.Cincinnati-oh.gov Deputy Director of Operations

Cathy.bailey@gcww.Cincinnati-oh.gov Executive Director

