

W e s t v i r g i n i a

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**WEST VIRGINIA'S LIQUID ASSETS
OUT OF SIGHT BUT NO LONGER OUT OF MIND**



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On the cover

Water infrastructure plays a critical role in protecting public health, promoting economic prosperity and ensuring quality of life throughout the United States. Though largely out of sight and out of mind, many of the complex water, sewer and stormwater systems are aging and in need of immediate national and local attention. For more on the state of West Virginia's liquid assets, see page 6.

The Contractors Association of West Virginia is a nonprofit trade organization representing the building, highway, heavy and utility contracting industries in West Virginia. Its services include establishment of a close working liaison with state and federal agencies; worthwhile educational and informational programs; the regular dissemination of pertinent information to its members; strong legislative and media relations; as well as all other activities deemed necessary and proper to promote the general welfare of the construction industry. The CAWV is a certified chapter of the Associated General Contractors of America and the American Road and Transportation Builders Association.

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MICHAEL L. CLOWSER
 EDITOR



WEST VIRGINIA'S LIQUID ASSETS

OUT OF SIGHT BUT NO LONGER OUT OF MIND

Clean, clear, sparkling water does not just appear in homes and businesses through magic. There is a vast underground labyrinth of pipes and mains which carry the water to and from complex treatment plants. These intricate systems are considered one of the greatest engineering and construction marvels of the twentieth century.

Water infrastructure plays a critical role in protecting public health, promoting economic prosperity, and ensuring quality of life across the United States. Though largely out of sight and out of mind, many of these complex systems are aging and in need of immediate national and local attention.

Stories about inadequate water and sewer service are, unfortunately, common in the Mountain State. Almost every day the state's newspapers cover a water main break or announce a boil water advisory. Even with media coverage, unless water comes from the tap in a thick brown ooze or the toilet won't flush, most West Virginians have no concept of the aging and deteriorating water infrastructure – some over 100 years old – below our feet.

"We have good health in this country, in part, because we have clean water," Sharon Roy with the Center for Disease Control says in the national documentary, *Liquid Assets: The Story of Our Water Infrastructure*.

Liquid Assets tells the story of essential infrastructure systems: Drinking water, wastewater and stormwater. These complex and aging systems are critical for basic sanitation, public safety, economic development, and a host of other necessities of life. The documentary highlights challenges facing communities across the United States, providing an understanding of hidden water infrastructure assets, demonstrating watershed protection approaches, and illustrating twenty-first century solutions.

West Virginia's and the nation's daunting water infrastructure needs are well documented. The U.S. Environmental Protection Agency, the Government Accountability Office and the Water Infrastructure Network have all projected shortfalls in clean water infrastructure funding approaching \$500 billion over the next twenty years, with annual shortfall estimated at approximately \$23 billion. The West

Virginia Department of Environmental Protection puts the state's water and sewer needs at nearly \$3 billion.

"The goal of *Liquid Assets* is to raise awareness of water infrastructure investment needs," said David Alvarez, senior vice president of the Contractors Association of West Virginia and president of Clarksburg-based MEC Construction. "*Liquid Assets* is a tool to inform lawmakers, the public and industry professionals of the water infrastructure needs at both the state and local levels. This documentary helps people understand what issues we are facing in bringing clean water to all of West Virginia," the utility contractor said.

Liquid Assets is a production of Penn State Public Broadcasting, WPSU. This ninety-minute documentary highlights the current state of our Nation's essential water infrastructure. Exploring the history, engineering challenges, and political and economic realities in urban and rural locations, the documentary provides an understanding of the hidden assets that support our way of life. Locations featured in the documentary include Atlanta, Boston, Herminie

(Pennsylvania), Las Vegas, Los Angeles, Milwaukee, New York City, Philadelphia, Pittsburgh, and Washington, D.C. Major funding for the documentary was provided by the Associated General Contractors (AGC) of America. Support for the broadcast in West Virginia was provided by the Contractors Association of West Virginia, Clarksburg Water Board and West Virginia American Water.

West Virginia Public Broadcasting Stations aired the documentary in December and January statewide, followed by an overview of West Virginia's specific water, wastewater and stormwater issues and needs.

WV American Water CEO Wayne Morgan, Water Development Authority Executive Director Chris Jarrett, WV Department of Environmental Protection Water and Waste Management Division Director Mike Johnson, Steptoe and Johnson Attorney John Stump and Beckley Water Company President and CEO Matt Stanley joined WV PBS Director

of News and Public Affairs Scott Finn to present a picture of the issues facing safe, clean water in West Virginia.

"By bringing everyone together, we are reminding the state's citizens and leaders that water is one of our most important assets," Alvarez noted. "Without adequate water services there is no industry, no jobs and no economic growth in an area."

The group, with the exception of Stanley and Finn, joined again on March 12 at the Charleston Embassy Suites to present the issues to the state's legislators. Nearly 100 lawmakers, association members and state and federal officials joined Governor Joe Manchin III and the panelists to discuss the need for water and sewer investment in West Virginia.

The governor has long been an outspoken proponent of the need for investing in the state's infrastructure. At the beginning of his first term, Governor Manchin pledged his commitment to expanding water and sewer services.

"It is unconscionable to me that in the year 2005, approximately 25 percent of West Virginia homes still have no access to a formal, clean water system and 45 percent of our population is not connected to a centralized public wastewater treatment system," Governor Manchin said in his 2005 State of the State Address. "How can we expect to be taken seriously as a potential business location if we aren't even taking care of the basic needs of our current citizens? This must change and it must change as quickly as possible."

Governor Manchin has carried his theme of expanding water and sewer services throughout his time at the state's helm.

"We've committed over \$300 million since 2004 to installing and upgrading water and sewage systems throughout West Virginia, with at least \$77 million worth of additional projects set to begin this year, bringing clean drinking water and safe sewage systems to many West Virginians who have never



Liquid Assets: The Story of Our Water Infrastructure aired on West Virginia Public Broadcasting Stations statewide in December 2008 and January 2009 followed by a special edition of Outlook titled *WV Assets: Infrastructure in the Mountain State*. Joining PBS Director of News and Public Affairs Scott Finn (center) are (clockwise from center) Beckley Water Company President and CEO Matt Stanley, WV Water Development Authority Executive Director Chris Jarrett, WV Department of Environmental Protection Water and Waste Management Division Director Mike Johnson, WV American Water CEO Wayne Morgan and Steptoe and Johnson Attorney John Stump.



Governor Joe Manchin III joined the CAWW and West Virginia American Water Company to tout the need for water and sewer services in the state to nearly 100 legislators, state and federal officials who attended a reception held on March 12.

had them,” the governor told legislators in his 2008 State of the State Address.

The governor was pleased to address CAWW members and legislators at the reception.

“We’ve got a lot of work to do and we’re getting ready to do it,” he said. “We’ve got almost \$300 million in water and sewer projects that are backlogged. If these jobs are ready, we will put them out to bid. I want your contractors to go to work building these projects, which are vital to West Virginia’s quality of life and future economic development.”

Most of the state’s and nation’s initial water and sewer infrastructure was built through the use of grants. These grants made it possible for a community to bring safe clean water to its residents, clean up streams and

remove sewage without a large financial burden on residents.

“We made major investments in the 1950s, 1960s and 1970s,” said Steve Albee, U.S. Environmental Protection Agency project director and primary author of The Clean Water and Drinking Water Infrastructure Gap Analysis. “For the first forty years of the life of the pipe, there may not have been many maintenance requirements. We are past that now,” he says in the documentary. “For all practical purposes, people are going to have to pay about twice as much as they currently do for water service because a lot of the pipe that went in, and a lot of the plants that went in, went in with very sizable portions of federal grant money – mechanisms that are no longer in place.”

In the United States, roughly 90 percent of utility systems are

publicly owned and managed. West Virginia American Water is the largest water utility in the Mountain State. With approximately 3,500 miles of pipe, President Wayne Morgan has dealt first-hand with the effects of an aging system.

“WV American Water has recently completed a water loss study,” Morgan said. “The study revealed that we should replace 1 percent of our infrastructure annually based upon a 100 year life of the water system. We are proactively addressing this replacement program through a \$4 million small diameter main replacement program. One of the major drivers for the company’s proposed rate increase is essentially the rate base – the mains, the meters, the hydrants, the valves – that have been replaced.”

Water Development Authority Executive Director Chris Jarrett likened the maintenance needs of a water or sewer system to that of a vehicle.

“If you never change the oil in your car, you can’t expect it to last,” Jarrett explained. “The same is true for our water and sewer systems. Once it has been neglected for so long, you can’t fix it anymore and it has to be replaced. The American Water Works Association has prescribed a very detailed maintenance program for these systems. Because it costs money and because it is out of sight, the maintenance needs have been ignored and now the systems need replaced.”

Jarrett stated that the average life span of a treatment plant is 100 years.

“Most of these systems were built from the 1960s to the early 1980s,” he explained. “We should expect them to last for at least another fifty years, but because they have never had any maintenance they are now failing and need to be replaced. For example, we are seeing water storage tanks that are rusting because they have never been inspected or painted, and pumps that have never been oiled. These things cost money.

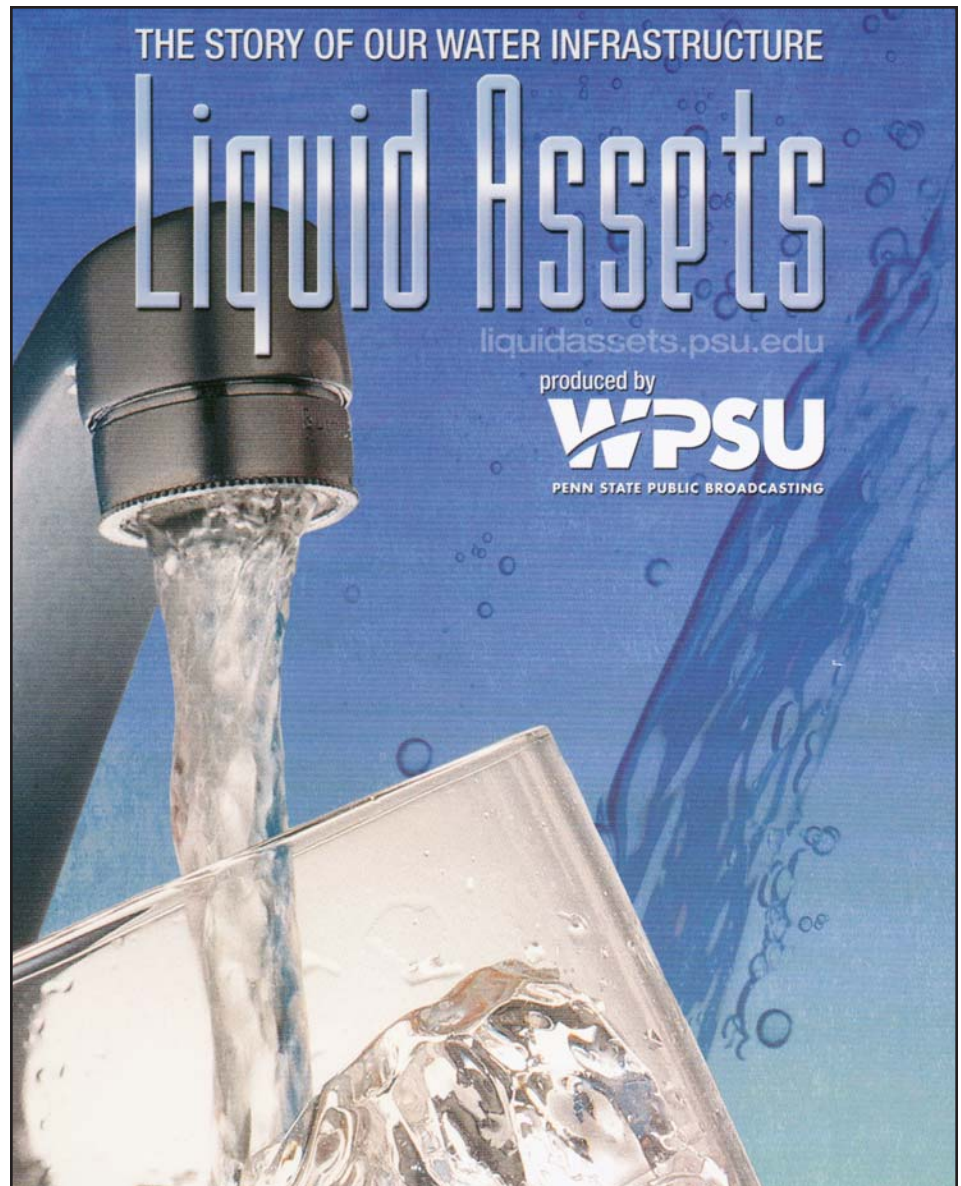
"You continually invest in your vehicle because you want it to last. The same applies to our water and sewer systems. When they were constructed with grants and low-interest loans, rates were based on the cost of providing water, but there was no program put in place to maintain the facilities," Jarrett said. "To do that now requires an increase in rates."

Beckley Water Company President and CEO Matt Stanley added that there is a large gap between what people pay for water and the cost associated with the service.

"There is a disconnect between what customers are willing to pay and the actual cost of providing water service," Stanley said. "People are paying less than a penny per gallon for safe, clean water in their homes, yet they freely pay significantly more per gallon for water when they go to the convenience store. Often times the quality of municipally treated water exceeds that of bottled water, but we still flush the commodes with it, take showers with it and provide water protection with it. So there is a definite detachment between what it costs and the benefit it provides."

John Stump, an attorney with Steptoe and Johnson who concentrates his practice in the areas of project finance, economic development, utility regulation and corporate law, stated that rate increases are never popular but are necessary to maintain service.

"I think that a large portion of the funding problem directly relates to an inherent reluctance to raise rates," Stump said. "A city council member or a member of a public service district board is not particularly interested in raising rates on their neighbors. It is never a popular thing to do. Also, for a smaller utility, they do not have the internal infrastructure to move forward with a rate case. In order to take rates to the Public Service Commission (PSC), you have to expend funds. You have to hire an attorney, an accountant and go out and actually petition the PSC for a rate increase. That all requires money and assets," Stump noted.



Liquid Assets: The Story of Our Water Infrastructure is a ninety-minute documentary which highlights the current state of our nation's water, wastewater and stormwater infrastructure. Major funding for the documentary was provided by the Associated General Contractors (AGC) of America. Support for the broadcast in West Virginia was provided by the CAWW, Clarksburg Water Board and WV American Water.

In West Virginia there are over 500 independent water systems and in excess of 100 sewer systems. The burden to finance repairs, upgrades and replacements rests mainly on these municipalities, local communities and state and federal governments.

"Educating the public about the condition and requirements of our water and sewer systems is important," said Mike Johnson, director of the Water and Waste Management Division for the WV Department of Environmental Protection. "People need to realize the value of their water and sewer systems, and the cost associated with them.

"For the most part, West Virginia is an entire state of small communities. In the thirty year period between 1970 and 2000, we invested over \$1 billion in constructing waste water treatment facilities," Johnson said. "Fortunately, we captured the major pollution problems with that grant money and now we are left with the smaller communities trying to build the same waste water facilities with loan money and it is a challenge. Sometimes it isn't affordable, so we utilize all the resources we can to bring those facilities to our smaller communities."

Agencies such as the WV Department of Environmental Protection, USDA



Stump, Jarrett, Morgan and Johnson joined moderator George Manahan to describe the challenges facing supply of modern water and sewer services at a legislative reception held March 12 at the Charleston Embassy Suites. Participants discussed the unique requirements of supplying water and sewer service throughout West Virginia including the history, engineering challenges, cost, political and economic realities.

Rural Utilities Service, Bureau for Public Health, the governor's office and regional development authorities readily work together in West Virginia to make projects affordable for small communities.

"Over the past 15 years, the state of West Virginia has done an excellent job of allocating loans and grants through the creation of the West Virginia Infrastructure and Jobs Development Council, a funding clearinghouse,"

Stump said. "But we still run into very difficult situations.

"Recently, we closed a loan for a sewer project in a town of 112 people. The rates were going to be about \$50, and that is after the project received 50 to 60 percent of its funding through grant dollars," Stump said. "You just don't see a project that has that level of grant funding anymore. The federal money to do that isn't available, and frankly, while we may see more subsidized loans, it is going to be challenging for any government to subsidize water and wastewater."

Johnson reported that there is hope that federal money for building wastewater systems in West Virginia will increase.

Even with such a high price tag to extend services to rural West Virginia, WV American Water has been very involved in increasing access to municipally treated water.

"Working together in a partnership, we find ways to make these projects cost effective for the residents," WV American Water Company President



Secretary of State Natalie Tennant discusses the various funding systems in place that provide for construction and maintenance of water and sewer infrastructure throughout West Virginia with Virginia King, Kanawha Stone Company, Nitro.



Wayne Morgan said. “We are very proud of our record of getting water to rural areas of the state. We work with many public partners to get these projects going forward. We provide some funding, the county commission and governor will come up with money and we seek out state and federal low interest loans. In all 19 counties we work with, we join with a regional development authority who accepts the public dollars, and we operate it just like it is a part of WV American Water,” Morgan said.

“It is treated like a contribution and owned by the public partner,” Morgan explained. “Everyone has to participate in order to make it happen.”

With such a large price tag for maintenance, repair and replacement of existing systems in the state, everyone is working to stretch what dollars there are to help as many communities as possible.

In some areas of the state, residents are clambering for safe, clean water. Other communities are searching for the funds to separate combined sewer and stormwater systems.

In a combined system, heavy rain fall overwhelms the waste water treatment

plant and causes an overflow of raw sewage into local waterways.

“Most towns and cities in the country that have combined sewer systems are in the Northeast and Midwest,” said WVDEP Water and Waste Management Division Director Mike Johnson.

“These are older systems that were put in before 1972,” Johnson said. “They were designed to carry both domestic waste water and stormwater in the same system of pipes. Due to population increases and heavy rains, we have combined sewer overflows,” Johnson explained. “With the passage of the Clean Water Act in 1972, we can



WV Water Development Authority Executive Director Chris Jarrett and WV Department of Environmental Protection Secretary Randy Huffman talk about the hope that federal money for building wastewater systems in West Virginia will increase as Mike Clowser (background) talks with the media.

no longer allow these discharges to exist. Under the Combined Sewer Overflow policy, the DEP is working with these communities to come into compliance with the federal act," Johnson said.

About 85 percent of the city of Huntington's sewer system consists of combined lines. The combined lines often overflow during heavy rain, which prevents the Huntington Sanitary Board's waste water treatment plant from treating the water. Instead, millions of gallons of untreated water flow into streams, rivers and basements and flood city streets.

There are 772 communities nationwide and about 57 in West Virginia that have combined sewer systems. The City of Huntington's Sanitary Board is working on a long-term control plan. The initial phase of the separation plan would cost \$54.5 million. The city would have to issue bonds and pay off the debt over a prolonged period with revenue from an anticipated 70 percent sewer

rate increase. According to the Sanitary Board, the total cost to fix all of Huntington's sewer problems and come under full compliance of the EPA's mandate is \$657 million.

"West Virginia needs \$1 billion to solve these types of problems throughout the state," said Johnson. "The DEP is working to get communities into compliance with a long-term control plan. In some of the bigger communities, it is going to take 10 to 15 years."

Stump added that many municipalities have started improvements and have long-term plans in place.


"We are talking tens of millions or dollars – and in some cases hundreds of millions of dollars – of work that needs to be done because the construction is in existing areas around existing streets and pipes," Stump said. "It is very expensive and the cost will be passed to the rate payer unless there is grant money."

Congress has authorized a grant program for separating combined sewer systems, but they have not appropriated funds.

"We are hopeful there may be some funds appropriated for these systems in the next few years," Johnson said.

Correcting combined sewer systems, bringing clean water to West Virginia's residents and safely treating sewage is a very expensive proposition.

"Constructing a waterline or sewer line makes a dramatic impact on a community," Alvarez said. "When you go back ten years later, there are more businesses and homes in the area. Infrastructure is the lifeblood of economic development."

For additional information on *Liquid Assets*, go to the Associated General Contractors (AGC) of America's website at www.agc.org/liquidassets. 

By Lindsay Stephens



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