

1 INTERIM STUDY PROPOSAL 2011-218

2
3 REQUESTING THAT THE ARKANSAS LEGISLATIVE COUNCIL REFER TO THE
4 INTERIM HOUSE COMMITTEE ON AGRICULTURE, FORESTRY AND ECONOMIC
5 DEVELOPMENT A STUDY CONCERNING THE PRACTICES OF CONSOLIDATED
6 WATERWORKS SYSTEMS IN EXTENDING SERVICES BEYOND THE TERRITORIES
7 OF THE INITIAL CONSOLIDATING WATERWORKS SYSTEMS AND THE POTENTIAL
8 NEED FOR ADDITIONAL LEGISLATION.
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10 WHEREAS, the quality of life for all Arkansans depends upon the
11 availability of a good and reliable supply of safe drinking water at a
12 reasonable price; and
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14 WHEREAS, municipalities, improvement districts, and water distribution
15 districts are authorized by state law to provide water to their residents,
16 are governed by boards that are representative of the customers, and are
17 exempt from rate regulation by the Arkansas Public Service Commission; and
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19 WHEREAS, in 2001 the General Assembly enacted Act 982 of 2001, which
20 authorized two or more public agencies to enter into an interlocal agreement
21 for the purpose of constructing, owning, managing, operating, financing,
22 improving, extending, acquiring, reconstructing, equipping, selling, leasing,
23 contracting concerning, dealing in, disposing of, and maintaining the
24 consolidated waterworks system; and
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26 WHEREAS, consolidated waterworks systems have the authority to use
27 assets initially contributed by the initial waterworks systems to expand
28 services outside the service territory of the initial contributing waterworks
29 systems under terms and conditions not necessarily contemplated when the
30 consolidated waterworks system was initially established; and
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32 WHEREAS, consolidated waterworks systems have the authority to acquire
33 additional waterworks systems after the initial consolidation, thereby
34 expanding the service territory beyond that contemplated when the initial
35 consolidation was undertaken such that the fundamentals contemplated when the
36 initial interlocal agreement was negotiated may have materially changed; and

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WHEREAS, the representation of the waterworks systems that initially combined to form the consolidated waterworks on the board of the consolidated waterworks and the manner in which board members are selected and replaced may no longer be appropriate; and

WHEREAS, Act 982 of 2001 fails to provide a procedure whereby waterworks systems that merge into or are otherwise acquired by a consolidated waterworks system after its initial formation are provided representation on the board of the consolidated waterworks; and

WHEREAS, the lack of representation of all wholesale and retail customers of a consolidated waterworks system and the lack of public service commission oversight present a potential for inequitable utilization and allocation of assets, discrimination among classes of customers, and unfair rate design by consolidated waterworks systems; and

WHEREAS, after ten years of operating under Act 982 of 2001, an evaluation of the law is appropriate,

NOW THEREFORE,
BE IT PROPOSED BY THE ARKANSAS LEGISLATIVE COUNCIL OF THE EIGHTY-EIGHTH GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

THAT the Arkansas Legislative Council refer to the Interim House Committee on Agriculture, Forestry and Economic Development a study of the practices of consolidated waterworks systems in:

- (a) Acting in the best interest of those waterworks systems that contributed assets to the consolidated waterworks systems;
- (b) Extending services beyond the territories of the initial consolidating waterworks systems;
- (c) Providing appropriate representation on the consolidated waterworks system's board of directors; and
- (d) Establishing fair and equitable rate design.

BE IT FURTHER PROPOSED that the Interim House Committee on Agriculture,

1 Forestry and Economic Development make recommendations to the General
2 Assembly regarding any additional legislation that may be necessary and
3 appropriate with respect to consolidated waterworks systems.
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6 Respectfully submitted,
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10 Representative David J. Sanders

11 District 31
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16 By: JLL/JLL
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