

Utility fights \$60M plan between city and Chester Water Authority, which it wants in hostile takeover.

By Andrew Maykuth STAFF WRITER, April 5, 2109

Aqua Pennsylvania on Thursday sued to block a proposed \$60 million bailout of the city of Chester by the Chester Water Authority, which would thwart Aqua's bid to buy the strategically positioned water utility that serves 42,000 customers in Southeastern Pennsylvania.

The private Bryn Mawr-based water utility filed the lawsuit in Delaware County Common Pleas Court as one of the Chester Water Authority's customers who will face a 10 percent rate increase to pay off a proposed \$60.2 million settlement with the City of Chester. That settlement is designed to free Chester of debt and to block Aqua's hostile \$320 million takeover bid of the water authority.

Aqua Pennsylvania, which has 450,000 customers, has been leading the pack in a flurry of water utility mergers and acquisitions that was set off by a 2016 state law that encourages the consolidation of smaller water and wastewater systems under private ownership. The new law allows investor-owned utilities to charge ratepayers for the appraised fair-market value of an acquired system, rather than its lower depreciated cost.

The Chester Water Authority, which now primarily serves suburban customers, agreed in January to pay off the impoverished city's debt in exchange for a 40-year agreement by the city to drop efforts to sell the water authority to Aqua. The CWA said the

10 percent rate increase imposed on all its water customers would cost less than if the authority was absorbed into the investor-owned Aqua's network, which has substantially higher rates.

Proposed bailout is designed to free city of Chester from debt.

Aqua did not sue CWA as a potential buyer, but as one of its larger customers that it says would be harmed by the settlement. Aqua now pays CWA about \$750,000 a year to buy bulk water to serve Aqua's customers in neighboring systems. Aqua said its customers would pay \$75,000 more a year for no benefit to water quality, reliability, or infrastructure upgrades.

"As a customer of CWA, Aqua is alarmed that a rate increase would be allowed for the sole purpose of paying off the city's debt, with absolutely no benefit for customers of the system," Marc Lucca, president of Aqua Pennsylvania, said in a statement.

In its lawsuit, Aqua called the city and CWA an "unholy alliance" and called the settlement terms "commercially unreasonable and patently absurd." As an authority, the CWA can raise rates without regulatory approval.

Francis J. Catania, the CWA's solicitor, called Aqua's legal action "premature and retaliatory" and said it was aimed at intimidating the city of Chester

into not signing the settlement with CWA. The authority has scheduled an April 24 public hearing on the proposed settlement.

CWA's assets are especially attractive to Aqua because the 656-mile distribution system serves 43 communities in Delaware, Chester, and Lancaster Counties, bordering existing Aqua territory, and includes the one-square-mile Octoraro Reservoir on the Lancaster-Chester County border.

Aqua presented its unsolicited offer as a bankruptcy rescue for Chester city, which created the authority nearly 80 years ago. But the authority, now controlled by suburban interests that represent nearly three-quarters of the system's customers, rejected the offer because it says customer costs would soar, in perpetuity, after a 10-year rate freeze expired.

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