

Statement of Cynthia F. Leitzell, Chair of the Board of Directors
of the Chester Water Authority
Pennsylvania House Consumers Affairs Committee
Tuesday, September 15, 2020

INTRODUCTION

Good morning Mr. Chairman and members of the Committee. Thank you for allowing me to appear today to speak about Representative John Lawrence's proposed bill, House Bill 2597, which would require a ratepayer referendum prior to the sale of a Public Utility. The 200,000 people who drink Chester Water Authority water every day need the protection of this bill and I encourage you all to support its passage.

My name is Cynthia F. Leitzell, and I am the Chair of the Board of Directors of the Chester Water Authority. The Board of the Chester Water Authority consists of nine members, three members appointed by the Delaware County Council, three members appointed by the Chester County Commissioners and three members appointed by the Chester City Council. As between these three appointing entities, ratepayers within the City of Chester comprise twenty-one percent (21%) of the Authority's total customers; western Delaware County sixty-two percent (62%) and southern Chester County, seventeen percent (17%). The Authority exists separate and apart from the City, Chester County and Delaware

County. The Authority Board members view their role as Trustees whose duty it is to serve the best interests of our ratepayers and all Pennsylvanians.

BACKGROUND

The Chester Water Authority, is a governmental entity of the Commonwealth and a municipality authority, incorporated and existing under, the provisions of the Pennsylvania Municipality Authorities Act. The Authority has administrative offices in the City of Chester, Distribution/Operation offices in the City of Chester and Aston Township and a Treatment Plant located on the Lancaster County/Chester County border.

Today, the Authority effectively serves more than 43,000 customers which equates to 200,000 residents and businesses throughout southern Chester County, western Delaware County and the City of Chester. The Authority is a regional water authority.

As I mentioned earlier the Authority exists separate and apart from the City, Chester County and Delaware County. It does **not**, and has **not**, since its formation in 1939, received funds from the City, Chester County or Delaware County to support its operations. Rather, the Authority has grown and funded its investments and operations through its ratepayers who, in turn, stand as the direct beneficiaries of the Authority's mission and operations.

OPERATIONS

The Authority continuously invests in and improves its water treatment and distribution infrastructure, Authority water consistently meets or exceeds the criteria established by the Pennsylvania Department of Environmental Protection (PA DEP), the United States Environmental Protection Agency (US EPA), and the American Water Works Association (AWWA). For example, in 2018 the Authority was one of only two Pennsylvania water producers to be awarded the prestigious Phase IV - 5 Year Excellence in Water Treatment Award from the national Partnership for Safe Water. This award signifies fully optimized plant performance that produces water quality surpassing required federal standards.

The Authority is a financially healthy, functioning utility that holds significant assets. It has two major sources of water supply, the Susquehanna River, at a point approximately 50 miles west of the City, and the Octoraro Creek.

The Authority has constructed a treatment plant and pumping station in the Octoraro Creek. The filters at the treatment plant can treat up to approximately 60 million gallons per day and from there the water flows by gravity approximately 30 miles to the primary demand center in Delaware County.

AFFORDABLE RATES

Chester Water Authority's sole purpose is to provide excellent-quality water every day to over 200,000 people, businesses, and industry. As a municipal authority, the Authority does not have stockholders who require dividends. That means Authority rates are – and can remain – lower than those of private for-profit utility companies. As a municipal authority it does not pay federal or state income taxes.

The Authority provides safe, quality water at some of the lowest rates in our region. For example, in 2020, a residential customer using an average of 18,000 gallons of water a quarter pays \$119.28 in the Authority's Eastern Region and \$142.86 in the Western region. Since 1998 the Authority has only raised rates nine (9) times, the last raise occurring before I came to the Board in 2012. In 2017 Aqua made an uninvited offer to buy the Authority but the Authority board unanimously rejected the offer. By not becoming Aqua customers in May of 2017, Authority ratepayers, as of today, have saved in excess of \$137 million dollars by paying the Authority's rates for their water rather than AQUA's rates.

Rep. Lawrence's bill is needed because a state agency and the recently appointed Act 47 Receiver for Chester City are trying to force a sale of the Authority's customers and assets to a for-profit water company and give the sales proceeds to the Chester City government. The Authority has obtained rate impact

analysis reports and publicly reported on the consequences to Authority customers. If the Authority is sold to a private for-profit water company, residential Authority ratepayers could see an increase in rates of more than 120% over present Authority rates; commercial customers in the City could see an increase of more than 116%; and industrial customers in the City could see an increase of more than 207%. Although posted on the Authority website, I would be happy to separately provide the Committee with these calculations and also the calculations that show the effect of these rate increases on Authority industry customers along the Delaware River and in Marcus Hook and Trainer Boroughs. The calculations are based on approved rates currently in force as well as projected increases.

Affordability is a significant issue in the Authority Service Area and especially within the City, where there is high unemployment and limited economic growth. According to the US Census Bureau, the median household income in the City (2010-2016) is \$27,217.00, and 36.9% of the population is in poverty.¹

¹ <https://www.census.gov/quickfacts/fact/table/chestercitypennsylvania,PA/PST045217>

WHY HOUSE BILL 2597 is NEEDED

Please allow me to tell you why HB 2597 is crucial to our ratepayers and Rep Lawrence's constituents.

The City of Chester, after twenty five years in the PA Department of Community and Economic Development's ("DCED") Act 47 program now has a Court appointed Receiver who is working to terminate the Authority's existence and sell the customers and assets of the Authority to a for-profit water Company. Authority customers are happy with the Authority's water, its prices charged for the water and the Authority's performance and they consistently tell us that they do not want the Authority to be sold.

The City's current need for funds is real. There are many reasons for this need including a real estate tax base recently unable to fully support the City's budget. But, seventy-nine (79%) percent of the Authority's customers do not live in the City. It is these ratepayers, and City residents – present and future – who would be funding the purchase of the Authority by their having to pay extraordinarily inflated rate increases, permanently.

Since the Pandemic struck this past spring, in an extraordinary showing of bipartisan support, every State Representative and State Senator who has Authority ratepayers as constituents has gone on the public record, in writing to the DCED, opposing a forced sale of the Authority customers and assets to a for-profit water

company. The DCED has ignored all of these requests and is aggressively pursuing a forced sale of the Authority.

Why are the Authority's customers, both City residents and the 79% of the customers who live outside of the City being asked to remedy the City's needs by paying higher fees for their water for generations?

Shouldn't the decision about the future of the Authority be made by the people who paid to build the Authority --the Authority Ratepayers?

And shouldn't the Authority continue to be responsible to and answer to the ratepayers rather than shareholders who have as their primary goal the maximization of their shareholder income?

Without this bill the Authority will continue to fight for its ratepayers in the **sixteen (16) related court actions** in Delaware County Common Pleas Court, Commonwealth Court and tomorrow in the Pennsylvania Supreme Court over the Authority's efforts to continue serving its customers the highest quality water at the lowest possible rates.

Rep Lawrence's bill, House Bill 2597, will give the ratepayers the right to retain control over their water, Authority governance and the Authority's future.