

Good afternoon. Thank you for allowing me to testify before this August committee.

My name is Karen Versuk. I am the Director of Operations of Penn Township, Chester County. I have served in this capacity for 6 years on January 1, 2021. I am also a professor of public policy and administration at several universities, I have an MBA and a PhD.

I am here today to respectfully voice support for HB 2597 proposed by Representative Lawrence. This is an important bill because in a year when our citizens have had a lot of change, and little control, providing them with control of their water by way of their sacred right to vote is critical. I base this appeal to this on four factors: our citizens deserve a voice, bigger is not always better, referendums are sound business practice, and referendums are sound public policy.

As I considered why a referendum might be so important to my community and the Commonwealth, I began to realize how truly important this is in this year of pandemic, a year which defines for all of us the ultimate loss of control. As such, allow me to introduce you to my township.

Penn Township is a medium-sized, second class township in southern Chester County, Pennsylvania. We are nestled between two high quality waterways, to the south is the Chesapeake Bay watershed, to the north, the Christina Basin. From the inception of Penn Township in 1819, and well before that, water meant life.

Our 2010 census placed our population at 5,364 people. Of those, 3,302 people or 62% of Penn's population are customers of AQUA, and as such Chester Water Authority, because with public water goes public sewer. Roughly, 2,675 (81%) of those customers are seniors. Of that 81%, 5% are HUD qualified low- income seniors. The remainder are families and businesses such as the Jennersville Hospital, several schools, and the YMCA. Because of our zoning, 95% of Penn's commercial customers are on public water and sewer.

As of 2018, Penn Township ratepayers constituted 46% of AQUA America's wastewater customers in Chester County according to the Delaware County Daily Times. There is a reason for this, and it was a sound business one at the time. In 2014, Aqua America purchased Penn Township's wastewater treatment plant for \$3,668,000.00 with the caveat that there would be no rate modification (in essence, a rate freeze was enacted as part of the purchase agreement) until after March 31, 2017.

In the written purchase agreement, Penn Township required that Aqua America commit to capital improvements not less than \$2.1 million over five years. Penn Township acknowledged in the agreement with Aqua America, that capital improvements are costly and passed on to the end user. As a result, the Township further required that Aqua make prudent and cost-effective capital improvements to both maintain the plant's compliance and capacity, while maintaining sensitivity to the community's business and residential rates. This thinking was tantamount to the Walmartizing of the wastewater service in Penn. In order to avoid what might be onerous future rate hikes, selling the wastewater plant to a company with many plants, it stood to reason, should keep rates low, and supply and quality high.

At the time of the sale, Aqua's chief wastewater engineer (formerly Penn Township's plant operator), asserted that "innovative" improvements could be made with a minimum of capital expenditures ultimately resulting in a minimal rate modification to the community upon the expiration of the rate freeze.

In 2018, two Penn Township Supervisors and I testified in a PUC hearing regarding a proposed rate increase which would have lowered the base rate from 0-5000 gallons to 0-3400 gallons and proposed a corresponding rate increase that would have constituted an 84% increase for Penn Township residents. At the time, minimal effort had been put forth to making any improvements to our wastewater infrastructure. Rather, excessive efforts had been made in other parts of Chester County to fix water systems. In the end, this proposed rate hike dramatically raised the awareness of our citizens, especially those who are rate payers. During our two PUC hearings, over 600 citizens packed the YMCA theater.

If you come to Penn Township today, there are more "Save CWA" signs on lawns than political signs. It has been like that for two years. It is a rare thing to see a community embrace a water authority to the degree ours has. You, as a committee, have the power to empower the consumer, the rate payer, the customer by giving them the power of the referendum.

I work daily with wonderful engineers from AQUA America. Nevertheless, the AQUA system seems quite overwhelmed by the volume of work associated with the acquisition of so many plants. Connecting new developments or new customers takes months. Getting bills for new customers take even longer. My office staff regularly intervenes to assist in something as routine as getting a bill because the Customer Service line at AQUA still is not aware that Penn's sewer plant has been owned by AQUA for 6 years.

Bigger is not always better.

A monopoly is defined by the Economic Times as “a market structure characterized by a single seller, selling a unique product in the market. In a monopoly market, the seller faces no competition, as is the sole seller of goods with no close substitute.”

When an entity such as an authority, nonprofit or other governmental organization provides that service, there are checks and balances. The entity must answer to the taxpayers and the rate payers. In a publicly traded entity, such as AQUA America, that company has a stranglehold on the ratepayers and owes its responsibility, its allegiance, to its shareholders. The organization is going to live and die by the profit margins not the measure of the customers who have no choice but to remain customers. Right now, the customers are served by a non-profit, governmental authority. In an era of Flint, Mi., in the eyes of the customers, Chester Water Authority provides safe, reasonable, and reliable service. While there may not be the choice of water companies, there is a comfort level and a history.

As such, offering the communities affected by this sale the power of choice, a referendum, giving the voters a mandate that they can accept, and is not thrust upon them, makes good business sense. The transparency provided by a referendum would be worth its weight in gold to AQUA America, should they ultimately purchase Chester Water Authority, and to this committee, General Assembly and Administration. Untoward appearances of political fixes are always bad business.

Examining the referendum as a matter of good, solid public policy, it measures up as well.

While public policy making can be an intensely personal and passionate undertaking, the goal of public policy is to understand the problem and to craft the policy to elicit behaviors that serve the common good and communicate that policy so that it is followed.

Does HB 2597 stand the test of effective public policy? Is it measurable? Efficient? Economical? Equitable? Feasible? Sustainable? I see no downside on offering a referendum as a solution to the issues surrounding Chester Water Authority. Referendums are effective, they are measurable, efficient, far more economical than endless and confusing court battles. Referendums are equitable, feasible and sustainable. We can all agree to respect the outcome of a fairly conducted referendum.

I, and the citizens of Penn Township, Chester County, fully understand that the city of Chester is in dire straits. Perhaps help is needed? But in 25 years, as home to a stadium, casino, major medical center and a university, there should have been a more concerted community and economic development effort by the public administrators both state and

local. As a professor, I find it quite astonishing that that has not happened with the enormity of and quality of community assets present.

The citizens of Delaware and Chester County should not have to sacrifice to bail out Chester, because THAT what is on the table. A sale to bail out Chester is pure and simple a shift of the burden to the citizens and rate payers of Chester and Delaware counties, and quite frankly, beyond, if a sale to a publicly traded company is forced.

At the end of the day, this is Pennsylvania, the home of liberty, the Declaration of Independence, and the Constitution. Giving voice to our citizens is our history and our legacy. Giving voice in this matter, with HB 2597, honors that tradition and will no doubt go a long way to planning ahead, because this will likely not be the last time Pennsylvania encounters this type of challenge. For our citizens, make our future history by forwarding this bill.

Give them their voice and let Chester do what it should have done 25 years ago.