

ROBERT W. NAEF, P.E.
Retired, Executive Manager/Chief Engineer – CWA
16 Morgan Road
Aston, PA 19014

April 21, 2022

Editor
Philadelphia Inquirer
801 Market Street
Philadelphia, PA 19107

RE: Privatization of Public Water and Wastewater Facilities

Dear Editor:

As a counter opinion to the OP-ED in the Philadelphia Inquirer on April 6, 2022 by Robert F. Powelson, I would offer the following for consideration.

It is important to understand a fundamental difference between a private company and a publicly owned water or wastewater system. A private company is ultimately responsible to generate a profit for their shareholders in addition to covering all other operating costs. A publicly owned system is a not-for-profit system. It is responsible to pay for all its operating costs without the burden of generating a profit for shareholders.

Privatization of public water and wastewater facilities by investor-owned corporations, like Aqua PA or PA American, through the purchase of distressed or publicly owned utilities can be a good thing sometimes.

It can also be a bad thing if the overall public good is better served by another alternative. Mr. Powelson focused on the benefits of takeovers by private companies, like Aqua PA or PA American for the overall public good. If the authority or municipal department is not in distress nor in need of assistance and does not want to be taken over by the private company, it can be a bad thing resulting in much higher long-term rates for the customers of the publicly owned utility. It can also be a bad thing if the distressed publicly owned utility could be better assisted at lower cost by a neighboring municipal authority either through

purchase by the authority or by other assistance that relieves the cause of the distress.

Equal consideration should be given to using stable, historically well-run public authorities as created under the Municipality Authorities Act of Pennsylvania, as well as private companies to assist or take over public water or wastewater utilities deemed to be in distress. There are many well run authorities across Pennsylvania that are capable of doing the same thing as private companies, but at much lower overall costs to the rate payers of the distressed utilities.

If an authority can provide the same improvements in quality of service, quality of product produced or treated, conformance with all applicable environmental regulations and provision of sustainable operation at a lower long-term cost to the rate payers of the distressed utility, why should a capable authority not be considered? The creation of Municipal Authorities was enabled in 1935 by the Pennsylvania Legislature to provide sustainable, reliable water and wastewater services for the public good because private companies were not financially capable of providing the financial investment necessary to provide these services.

Since then, well managed and capable authorities in Pennsylvania have fulfilled their mission to provide and deliver a quality product with reliable service all at a lower cost than available from private companies.

One local example of a private company attempting a hostile takeover of a non-distressed utility is Aqua PA trying to takeover Chester Water Authority (CWA).

Such a privatization is not needed and is definitely not in the long-term interest of CWA rate payers. CWA is not distressed. It does in fact provide its customers with water and service equal to or better than PA Aqua. It does reinvest, advance and maintain its infrastructure to assure reliability of operation and manage its production and distribution operations to provide quality water fully compliant with all drinking water standards. While there are instances where privatization of distressed public utilities is in the best interest in the overall public good, this is not always the case.

It seems that the current practice of letting private companies pursue increasing number of hostile takeovers poorly serves and does not protect the public interest and ratepayers.

This practice needs to be reviewed by the PA PUC and the PA Legislature and the PA Governor and corrected.

Sincerely,

Robert W Naef P.E.

Retired, Executive Manager and Chief Engineer CWA Retired