

# RATE COMPARISONS – WHAT’S TRUE AND WHAT’S SPIN?

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**M**unicipal Authorities will always charge lower rates to their customers for water and sewer services because they are non-profit. Customers of private, for-profit water and sewer utilities will always pay more. This difference in costs charged to the customers is well documented with actual data comparisons in numerous cases in Pennsylvania and across the nation.

The big private utility companies, like Aqua, certainly know that they are the higher cost alternative, so they don’t even try to argue the point. Instead, they put their own misleading spin on this by claiming that publicly owned systems have rates that are “artificially low” because they are falling apart and not investing in the necessary improvements to their system infrastructure. They claim that the lower rates put the public at risk of receiving poor water quality and unreliable service, and that only the privatization of those public systems will provide the necessary capital funding for infrastructure improvements. However, it is important to note that this is a false narrative and nobody should be fooled by such misinformation. It’s fake news, and it can easily be proven as such.

It all comes down to the track record of operational performance. All water and sewer systems – both public and private – must meet the same very strict standards and regulations set by the state and federal governments. These standards relate to water quality, chlorine residuals, pressure requirements, discharge limits, environmental protections, and depend-

able service, among other criteria. If these strict standards are not met every day, the system would receive violation notifications or would have to mobilize emergency repairs or issue boil water alerts or tell their customers to not drink the water. How often, and how widespread, these problems occur is a tangible measure of the health and well-being of the water or sewer system. The occurrence of these operational problems – and the number of customers impacted – is a matter of public record. If a publicly-owned system has numerous and frequent problems and system disruptions, then perhaps its operations are so distressed that privatization could help resolve those issues.

However, the recent aggressive efforts for privatization have instead targeted municipal systems that are not distressed. They are going after the large, well-managed, and financially stable municipal systems, which have a track record of excellent, high-quality reliable service. So, in these cases a private company would provide no better service than the customers are currently receiving. Top management at those private utilities spin a narrative in their public statements that their operational performance is so much better than the publicly-owned systems. But this posture is not supported by the evidence.

There are plenty of examples of situations in which privately owned systems have numerous and widespread service disruptions and boil water advisories related to water main

breaks, power failures, equipment breakdowns, and treatment plant interruptions. The private utilities are not as “bullet-proof” as they claim to be, and the municipal systems are not poorly operated as they assert. A side-by-side comparison of actual operational performance records is a welcome way to validate whether the customers are being served better by private or public systems.

In actuality, the reason that the private companies charge so much higher rates than municipal systems is three-fold: first, it’s because costs are spread over a very wide customer base, so customers living in one geographic region have to contribute to paying for infrastructure improvements in other distant areas in which they receive no benefit; second, it’s because the for-profit business model requires that the company pay a dividend to their shareholders; and, third, they pay exorbitantly high salaries, bonuses, and stock options to their upper management, when compared to the more modest financial compensation received by employees of publicly owned systems.

When municipal authorities operate better, cheaper, and more reliably, they provide a far superior value to their customers and there is no benefit to privatizing. This is all a matter of public record that is easily documented. Let the facts speak for themselves, instead of the spin we hear far too often. Bottom line – the truth is that when the top management at Aqua and other private utilities take aggressive steps to privatize a municipal system, the end result is that those individuals promoting the takeover will be personally enriched financially by the transaction, while the customers are left holding the bag, forced to pay much higher costs forever into the future. This is not in the best long-term interests of the customers, and therefore should be strenuously opposed.