

Community would benefit in working with a private water company

Having read Clean Water for North Carolina's letter to the editor, I am compelled to correct the rampant misinformation the group raised about working with a private water provider.

First of all, city council members are wise for considering alternative solutions when determining the best path forward not only for Petersburg's water infrastructure needs, but also for the city's financial solvency. Working with a professional water management company to make improvements to water systems is not a new idea. For over 200 years, water companies have served communities across the United States. Every day, our industry provides essential water and wastewater services to nearly 73 million Americans – almost one quarter of our nation's population.

Petersburg is not alone in facing water infrastructure challenges. Communities all across the country are confronting urgent water system needs – and, like Petersburg, many of these communities must find a way to pay for these necessary investments.

There is widespread agreement that private capital is imperative to meeting local infrastructure needs. The U.S. Conference of Mayors, the Brookings Institute and the U.S. Environmental Protection Agency are among a large community that recognizes the significant benefits afforded by the public and private sector working together. In addition to accessing private capital for infrastructure repairs and upgrades, these benefits include a stronger record of compliance with federal water quality and environmental standards and the transfer of technological and operational risk from the local government to the regulated utility.

One of the favorite tactics of activist

groups like Clean Water for North Carolina is making claims based on faulty rate comparisons that experts warn against, time and time again.

These groups try to compare systems – usually a government-run utility to a regulated utility – to claim the latter is more expensive and can raise rates at will.

These claims simply don't tell the full story. Here are the facts. First, under all models of private operation, water rates are set and approved by the municipality, a state public utility commission or another public authority. For regulated water utilities, the rate case process ensures that customers pay a reasonable and fair rate for water service.

Second, regulated water rates are based on the full cost of running a water system. Factors that affect costs include investment needs, water source, service area density, service area elevation and water treatment needs. No matter the governance model – public or regulated – the main driver of costs is infrastructure investment.

Addressing major challenges in a water system takes investment, which, yes, may cause rates to increase. But in many cases during periods of investment, under a regulated utility, rate increases are more incremental than under public operation, avoiding rate shock.

At its core, this is one of the driving factors in Petersburg. While the water and wastewater systems need close to \$100 million in investment, rates have not kept up to ensure that such investment can be made. As has been pointed out, Petersburg has some of the lowest water rates in Virginia, yet it is short-sighted to applaud low rates when the consequence is that the water system may fail. The bottom line is that Petersburg's water systems are in desperate need of investment and Clean Water for North Carolina's wish for a magical pot of public funding is

exactly that – a wish not grounded in reality.

Further, the activist group's claim that working with a private water partner somehow inhibits transparency is also far from reality. As I've laid out, rates for regulated utilities are set by a public authority through a process called a rate case, which is comprehensive, transparent and public. The public has numerous opportunities to weigh in and impact the process. So, in reality, the level of oversight and required transparency is actually much higher for a regulated utility than a government-run utility.

Finally, it is absurd to claim that regulated water utilities try to cut costs by not complying with federal and state regulations. This couldn't be further from the truth. In fact, an analysis of EPA data by academics at Georgetown University and Texas A&M found that government-owned utilities are 24 percent more likely to have violations of the Safe Drinking Water Act (SDWA) compared to regulated utilities. Further, a 2011 analysis of EPA data on serious violators of the federal SDWA showed that regulated utilities have a near perfect record of compliance with the SDWA.

When it comes to making decisions for the financial future of Petersburg, city council members and residents should become well educated on and give full consideration to the proven solutions regulated water utilities can provide. While a robust and thorough conversation is always prudent when making important policy decisions, it is not helpful to the process to have groups like Clean Water for North Carolina try to sway decision-makers and residents with such blatant scare tactics and misinformation.

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