

Stop Predatory Water System Pricing - Group Public Comment

Docket No. M-2016-2543193

54 Pa. B.906 - Saturday, February 17, 2024

March 18, 2024

Dear Commissioners,

We, the undersigned 22 organizations, ask you to stop predatory water system pricing and improve transparency in water and sewer privatizations. To that end, we respectfully request the following improvements to the supplemental implementation order for the valuation of acquired municipal water and wastewater systems under Act 12 of 2016.

- **Mandate a reasonableness ratio of 1.0 to stop predatory water system pricing.**

The proposed order establishes a “guide post” reasonableness review ratio to evaluate the price escalation of systems acquired under Act 12 compared to their actual book value. The expected initial ratio is 1.68, effectively indicating that the PUC believes it is reasonable to buy a system marked up by 68 percent over the book value. This is counter to the public interest. The ratio should be the actual depreciated book value of the system, less contributed assets. Other valuation methods lead to excessive rate hikes on customers, and in allowing inflated prices, Act 12 incentivizes the sale of healthy municipal utilities, as sales are driven by large purchase prices — not system improvements. Notably, none of the 22 sales under Act 12 involved a distressed utility.

- **Provide real transparency by (1) banning nondisclosure agreements, (2) requiring public bidding; and (3) ensuring public input prior to going out to bid.**

Privatization deals are often done in the dark and behind closed doors. Local officials are not always required to go out to public bid, and they often sign nondisclosure agreements to keep a privatization deal hidden from the public until contract language has been finalized. This has eroded public trust, as corruption breeds in the dark. Sales under Section 1329 should explicitly require public bidding with prior public notice and prohibit non disclosure agreements.

Public input and participation are needed long before a contract is signed to sell a water or sewer system. The PUC proposes two public meetings prior to executing a sale contract, and while this is an improvement, it is still insufficient. The public must be involved from the moment the local government decides to consider a utility sale, and the public must be notified and allowed to provide comment at every stage of the sale process. There should be at least one public hearing before the system is put out to bid. There should be full and complete disclosure of the impacts of the sale and all the analysis that went into making the sale recommendation. The public meetings should grant equal time for members of the public opposing the sale to present their case.

While we continue to support the outright repeal of Act 12 of 2016 to stop predatory water system pricing, the above suggestions would make meaningful changes to help mitigate the harm of these privatization schemes on ratepayers.

Sincerely,

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