

Selling Out Consumers: How Water Prices Increased After 10 of the Largest Water System Sales

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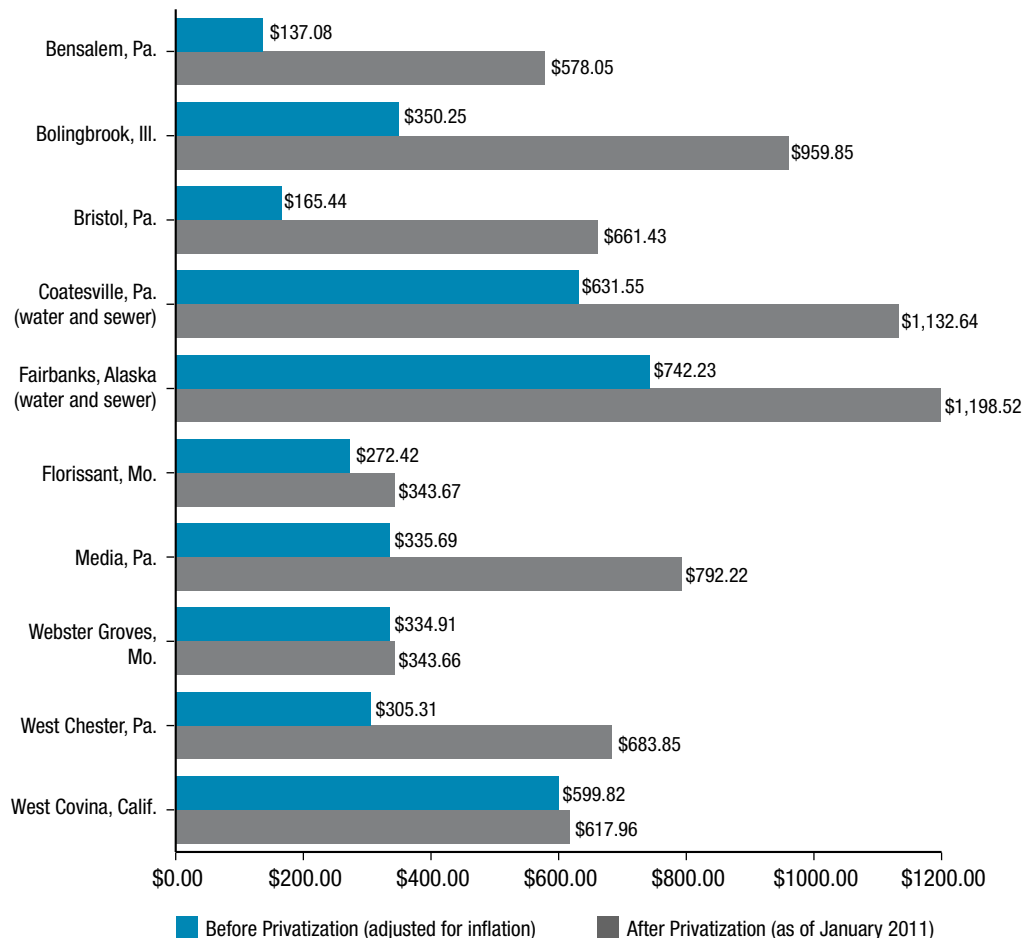
For-profit water companies usually hike household water prices after buying municipal water and sewer systems. Many companies employ an aggressive rate increase strategy to recoup their investment and boost profits, usually aiming for a new hike every other year.¹ Over time, this can add hundreds of dollars to a consumer's annual water bill.

Increasingly Expensive Water Service: A Survey of 10 Large Sales

Food & Water Watch examined how water prices changed under private ownership following the 10 largest known sales of municipal water or sewer systems to for-profit companies in the last two decades. Most of these transactions occurred in the late 1990s and early 2000s.²

By 2011, after an average of 11 years of private control, water bills in these communities had nearly tripled on average. A typical household was paying an extra \$434 a year (or \$344 in constant January 2011 dollars) on average for water or sewer service. Under private ownership, water rates grew at an average of about three times the rate of inflation, averaging an increase of 18 percent every other year (see table).³

A Comparison of Household Water Bills Before and After Privatization:
The typical annual residential water and/or sewer bill in constant January 2011 dollars



**Increase in the Annual Water Bill of a Typical Household after Privatization
for the Ten Largest Sales and Concessions Surveyed (Including wastewater charges,
where applicable), as of January 2011^A**

Municipality (population served by system)	System	Water Company	Year of Sale	Annual Bills ^B				Percent Increase	
				Typical annual household usage (gallons) ^C	Pre-Sale Bill		After-Sale Bill (January 2011)	Total Percent Increase Not inflation- adjusted	Biennial Growth Rate (average increase every two years)
					Not inflation- adjusted	Jan. 2011 dollars			
Bensalem, Pa. ⁴ (pop. 60,000)	Water	Aqua America	1999	54,000	\$104.76 ⁵	\$137.08	\$578.05 ⁶	452%	36%
Bolingbrook, Ill. ⁷ (pop. 24,600)	Water	American Water	2002	84,000	\$286.44 ⁸	\$350.25	\$959.85 ⁹	235%	31%
Bristol, Pa. ¹⁰ (pop. 30,000)	Water	Aqua America	1997	54,000	\$119.52 ¹¹	\$165.44	\$661.43 ¹²	453%	28%
Coatesville, Pa. ¹³ (pop. 25,000)	Water and sewer	American Water	2001	54,000	\$505.30 ¹⁴	\$631.55	\$1,132.64 ¹⁵	124%	18%
Fairbanks, Alaska ¹⁶ (pop. 34,000)	Water and sewer	Corix	1997	54,000	\$543.30 ¹⁷	\$742.23	\$1,198.52 ¹⁸	121%	13%
Florissant, Mo. ¹⁹ (pop. 38,000)	Water	American Water	2002	90,000	\$219.07 ²⁰	\$272.42	\$343.67 ²¹	57%	11%
Media, Pa. ²² (pop. 40,000)	Water	Aqua America	1995	68,000	\$232.00 ²³	\$335.69	\$792.22 ²⁴	241%	17%
Webster Groves, Mo. ²⁵ (pop; 23,000)	Water	American Water	2002	90,000	\$270.39 ²⁶	\$334.91	\$343.66 ²⁷	27%	6%
West Chester, Pa. ²⁸ (pop. 23,500)	Water	Aqua America	1998	56,400	\$224.04 ²⁹	\$305.31	\$683.85 ³⁰	205%	19%
West Covina, Calif. ³¹ (Zone 1) (pop. 20,500)	Water	Southwest Water Co.	2000	180,000	\$462.48 ³²	\$599.82	\$617.96 ³³	34%	5%
Average								195%	18%

Notes:

^A The survey contains the 10 largest (in terms of population served) out of the known sales of entire publicly owned water and sewer systems to for-profit utilities from 1991 to 2010, as compiled in Food & Water Watch's November 2010 report "Trends in Water Privatization: The Post-Recession Economy and the Fight for Public Water."

^B Household bills were calculated based on the listed household usage and the rates charged to general service metered residential customers immediately prior to privatization and as of January 2011. Coatesville, Pa., and Fairbanks, Alaska, sold both their water and sewer utilities, so the household bills include both water and sewer charges. For the other eight locations, only the water bill is reported.

^C Within each community, the same annual water usage was used to calculate the pre-sale water bill and the after-sale bill. By keeping usage constant, changes in annual bills within communities reflect differences in prices — not differences in consumption. Typical household usage was assumed to be 54,000 gallons a year when not otherwise specified in source documentation.

Aqua Pennsylvania: The Most Severe Hikes

Of these communities, Bensalem Township and Bristol Borough, Pa., have experienced the biggest total rate hike. In these two southeastern Pennsylvanian communities, typical household bills have jumped more than fivefold since privatization. Notably, Aqua America (then known as Philadelphia Suburban Water Co.) bought both water systems in the late 1990s.

After buying a water system, Aqua Pennsylvania, the Pennsylvanian arm of Aqua America, seeks to increase the rates of its new customers over time up to the level it charges in its main service division. At the same time, it also hikes the rates of its main division, so the new purchases need even steeper increases to be equalized.³⁴ By 2011, the company had brought the residential rates in Bristol into line and had nearly done the same in Bensalem.³⁵

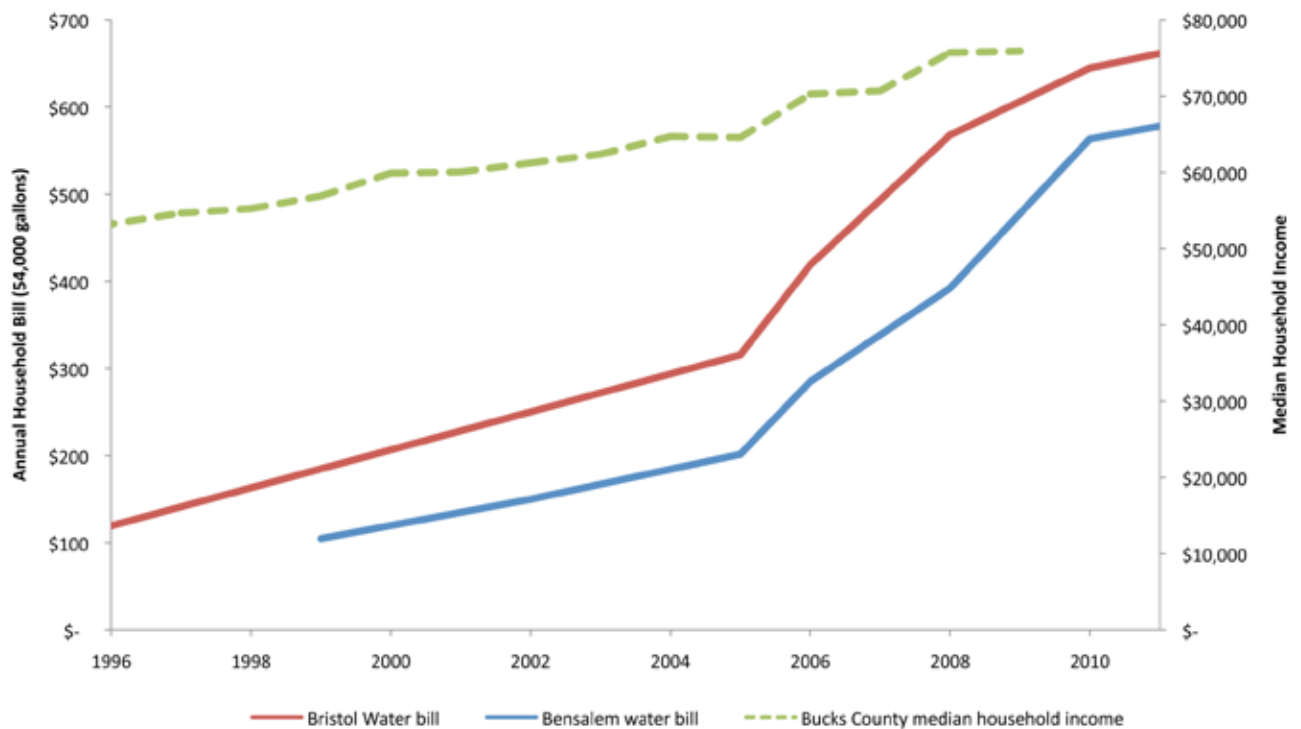
In Bensalem, before privatization, a household paid \$105 (or \$137 in January 2011 dollars) for 54,000 gallons of water a year.³⁶ By January 2011, it paid \$578 for the same amount of water.³⁷ Similarly, in Bristol, the annual water bill of a typical household jumped from \$120 (or \$166 in constant January 2011 dollars) in 1996 to \$661 in 2011 for the same amount of water.³⁸



In these two Bucks County communities, households have seen their water bills grow far faster than their income. Since privatization, typical household bills have grown at an average annual rate of 13 percent in Bristol and 17 percent in Bensalem.³⁹ The county's median household income, on the other hand, has barely kept pace with inflation, growing by an average of 3 percent a year from 1995 to 2009.⁴⁰

With Aqua America controlling their water systems, households have to spend more and more of their income on water service. In another southeastern Pennsylvanian community, customers of American Water have fared no better.

**Typical Household Water Bills Outpaced Median Household Income in
Bristol and Bensalem, Bucks County, Pa.**



Sources: U.S. Census Bureau, Small Area Income and Poverty Estimates, 1995, 1997-2009 (1996 unavailable). Water bill calculations and sources on file with Food & Water Watch.

Water Rates Are a Growing Problem in Coatesville, Pennsylvania

In Coatesville, a struggling steel city in southeastern Pennsylvania, soaring water bills have left residents questioning the soundness of the sale of their drinking water and wastewater systems to American Water in 2001. The city saw the sale as a way to generate perpetual funding for city services by investing the proceeds of the sale, some \$40 million, into a trust fund.⁴¹ Tough economic times and city spending, however, drained the trust fund by two-thirds, leaving only \$13 million by 2010.⁴²

As the community's financial situation deteriorated, the water system's new private owner pursued aggressive rate increases. Even though the company agreed to freeze rates for the first three years, residential water and sewer prices have grown 124 percent since the systems were sold. From 2001 to 2011, the typical annual household water and sewer bill jumped a total of \$627 (or \$501 in constant January 2011 dollars).⁴³

In 2010, the city budgeted \$40,000 for legal support to fight the company's proposal to hike sewer rates by 229 percent.⁴⁴ The company claimed it needed to recoup the cost of building a new wastewater treatment facility, but consumers and community organizations disagreed and accused the company of overbuilding the plant to boost

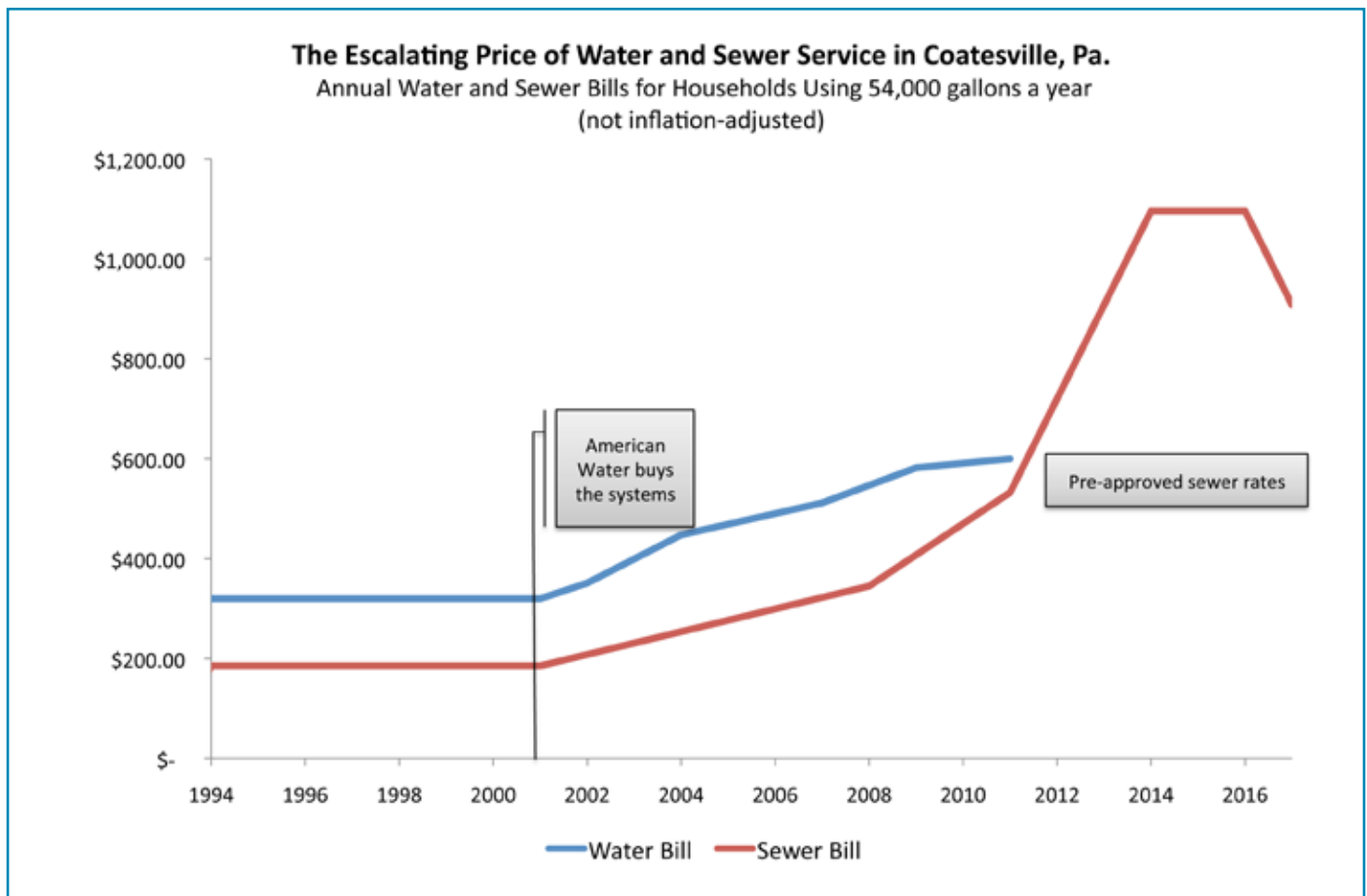
its profits. At the time, the plant allegedly was operating at only half its capacity.⁴⁵

Nonetheless, in December 2010, the company received approval for a phased-in rate increase to more than triple sewer rates over the next four years. The typical household's annual sewer bill will grow from \$345 in 2010 to \$1096 in 2014.⁴⁶ Water and sewer service is becoming increasingly unaffordable.

Conclusion

Household water bills often skyrocket after private entities take over public water and sewer services. Many cash-strapped families cannot afford such rate hikes, especially in these tough economic times. Given such experiences of other communities, public officials should exercise the utmost caution when considering radical changes to water and sewer services. They should avoid irresponsible budget gimmicks, such as auctioning off public utilities, which could price struggling households out of water service and jeopardize public access to safe water.

Communities need local, public control of their water and sewer utilities to protect the public interest and ensure that no one goes without this essential public resource. With responsible public management and a renewed federal commitment to our country's water resources, we can best ensure safe and affordable water service for all.



Endnotes

- 1 For example, see: Ciamacca, Rich. "Let's tap into water policies." *The Philadelphia Inquirer*. January 9, 2006; Fisher, Ann. "Water consumers fed up with repeated rate hikes." *The Columbus Dispatch*. May 30, 2009; Pennsylvania Public Utility Commission. "Opinion and order." *Pennsylvania Public Utility Commission et al. v. Aqua Pennsylvania Inc.* (R-2008-2079310). July 23, 2009 at 9 and 18; Kacich, Tom. "Attendance low at ICC hearing on water rates." *The News-Gazette*. October 2, 2009.
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- 4 Philadelphia Suburban Water Company. [Press release.] "Philadelphia Suburban completes the largest municipal acquisition to date in nation." December 6, 1999.
- 5 Gelles, Jeff. "Aqua America is thriving on liquid assets." *Philadelphia Inquirer*. August 16, 2005.
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- 12 Food & Water Watch calculation. Based on Aqua Pennsylvania, Inc. Water Tariff Supplement No. 104. Effective June 17, 2010 at Ninth Revised Page No. 4; Aqua Pennsylvania, Inc. "First Quarter 2011 Distribution System Improvement Charge (DSIC)." Supplement No. 109. Effective January 1, 2011 at Fortieth Revised Page No. 20.
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- 15 Food & Water Watch calculation. Based on Pennsylvania American Water. Water Tariff Supplement No. 234. Effective November 7, 2009 at 16th Revised Page 9; Pennsylvania American Water. Water Tariff Supplement No. 248. Effective January 1, 2011 at 64th revised page 12B; Pennsylvania-American Water Company, City of Coatesville Division. Wastewater Tariff Supplement No. 5. Effective January 1, 2011 at 2nd Revised Page No. 4.
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- 40 Calculated based on Estimates for Pennsylvania Counties from U.S. Census Bureau's Small Area Income and Poverty Estimates, years 1995 to 2009.
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