JOURNAL PUBLISHES FLAWED ARTICLE ON OWNERSHIP OF UTILITIES AND LOCAL WATER POLICIES

BACKGROUND

A new article published in the journal, Utilities Policy, oversimplifies complicated issues and ignores important nuances in an attempt to make the case in favor of government-run water systems. The authors, Mildred Warner (Cornell University) and George Homsy (Binghamton University), analyzed results from a 2015 survey of 1,897 local governments across the U.S. that assessed policies related to water service disconnection and resource management. The authors disregard existing policies and programs offered by water companies, while lumping all non-municipal systems together. Further, they reject private ownership of water utilities while praising the regulatory regimes that oversee them.

ALL THE WAYS THE AUTHORS GET IT WRONG

Limitations of their research.

Private water utilities are regulated at the state level on matters regarding rate structures, shutoffs, and water resource management. In addition, private water utilities often run their own customer assistance and conservation programs separately from local governments. Surveying local government officials about private water utilities that those officials do not operate or regulate is not the best way to learn about private utility programs and policies. Even the authors acknowledge that "Policies can be implemented at various levels … City administrators may not be fully aware of policies expressed only through the utility. Lack of a local policy does not necessarily indicate a lack of policy or activity in an area as it may come from another level." These facts and this acknowledgement effectively undermine the veracity of the research.

Texas A&M Professor and prominent water researcher Manny Teodoro rejected the article as "deeply flawed," noting mistakes and oversights with the methodology and empirical analysis.

Teodoro: "They conclude that 'ownership matters, as communities with publicly owned utilities appear more inclined to protect residents from water service shutoffs.' That would be a big, important finding—if the data supported it. The trouble is that the data don't show anything of the sort."

Disregard for policies and programs offered by private water companies.

Private utilities were quick to place a moratorium on water shutoffs during the COVID-19 pandemic. Additionally, most private water companies offer customer assistance and payment programs and also promote programs related to water conservation.

Lumping all non-municipal utilities together.

The paper draws comparisons in the data between two groups: municipal utilities and all other utilities. The "other utilities" group includes private utilities that are NAWC members and a larger group of private utilities that are not NAWC members. This nuance in the makeup of the "other," non-municipal group of utilities is glossed over in the paper, which repeatedly and incorrectly references this group as being simply "investor-owned utilities."

Conflating private ownership of the water supply with private ownership of the utility.

For example, the authors' discussion of resource management and conservation policies at times implies utility-level ownership of water supplies.

Rejecting private ownership of water utilities – yet praising the regulatory regimes that oversee them.

The authors note that economic regulation "promotes efficient resource allocation through pricing" and takes into consideration "equity and environmental goals in relation to economic goals." This recognition that public utility commission regulation results in superior water service and environmental outcomes does not align with the blanket rejection of private utilities that operate under PUC regulation. The authors attempt to twist their support for the PUC regulatory model into a call for more states to use the commissions to regulate municipal utilities, but the widespread implementation of such a policy is highly unlikely.

Failing to include important nuances when discussing efforts to address water and shutoff challenges.

In 2017, University of North Carolina's Environmental Finance Center released the most thorough examination to date of the laws and regulations that govern customer assistance programs for water and wastewater services. The report found that state laws are often obstacles to establishing customer assistance programs, as many states explicitly prevent utilities from using ratepayer revenue to pay for assistance programs and others fail to provide relevant authorizations. While the authors acknowledge this fact in passing, the article still pushes a false narrative that private utilities nationwide are actively choosing to disregard a community's water equity goals when in many cases these utilities are hamstrung by state laws and regulations.

Failing to recognize how rates are set for private utilities.

The authors claim, "Private drinking water companies seek to acquire systems where residents have the means to pay, but without substantial political influence to control rate increases." Yet, rate increases for private utilities are determined through the rate case process within the public utility commission, not "political influence."

Failing to recognize the inadequacy of local patchwork approach.

While the authors seemingly support an uneven local government patchwork approach to customer assistance that is woefully inadequate – just 8% of local governments reported having a program in place to protect low-income households from water shutoffs – a standardized federal program can ensure that all American households retain water access. The National Association of Water Companies supports a federal customer assistance program for water bills, similar to the Low Income Home Energy Assistance Program (LIHEAP).