



**TRUTH FROM
THE TAP**

WATER WISE: WATER FACT OR ACTIVIST FICTION?

Our nation's water systems are in crisis, facing simultaneous challenges with water quality, infrastructure needs, customer affordability, and a fragmented water grid. America's water companies can help, but communities that would benefit from the support of private sector water professionals are sometimes misled by myths pushed by ideological opponents.

MYTH: Water companies take local control of water away from communities.

FACT: The claim that water companies "take control" of water is nothing more than a scare tactic with zero supporting facts. Water companies acquire and/or operate water systems, which includes the pipes, pumps, treatment facilities, and other infrastructure necessary to deliver clean drinking water to households and businesses. Under all models of water company operations, control and management of the source water itself remains in public hands, typically under the auspices of a state water resource management agency.

MYTH: Water companies have a poor drinking water quality record.

FACT: The data is clear: systems run by water companies are significantly less likely to violate federal drinking water standards than systems run by local governments. This fact has been confirmed by every major study of water quality ever conducted in the United States, including a landmark study of EPA drinking water quality data published in the Proceedings of the National Academy of Sciences in 2018.¹

MYTH: Water companies don't invest in water infrastructure.

FACT: Water companies provide local governments access to capital to address urgent infrastructure needs. The 10 largest water companies in the United States collectively invested more than \$3.9 billion in community water systems in 2021. These are dollars coming from the private sector and not out of a municipal budget.²

MYTH: Working with a water company results in higher rates for customers

FACTS: Ensuring a safe and reliable system calls for ongoing investment in upgrading and replacing water infrastructure. Depending on a local community's unique needs, the investments necessary to strengthen local water and wastewater systems and ensure safe drinking water for customers can sometimes result in higher costs. On the flip side, keeping rates artificially low (often the case with systems run by government officials concerned about raising rates before their next election) , which is often the case with systems run by government officials with elections always front of mind, all too often means necessary investments in water systems are deferred, jeopardizing water quality and public health. Trading poorer quality water and a less reliable water system for lower water rates is dangerous and unwise.³

MYTH: Water companies raise rates whenever they want.

FACT: Water companies never set their water rates.

Under the regulated model of water company operations, rates are set by a state government agency called a public utility commission. These independent, expert regulators determine the rates needed to operate the system and deliver safe drinking water. Experts have noted that this process enhances transparency and consumer protection in comparison to the rate setting process for local government systems, which are not subject to state utility commission regulation.⁴

Under the contract model of water company operations, rates are set by the local government through their operations agreement with the water company. The contracts between water companies and local governments dictate performance metrics that must be met in order for the company to get paid. These terms cover everything from staffing and treatment protocols to infrastructure investments.

MYTH: Water company operation means fewer local jobs and less expertise.

FACT: Water company acquisitions and contracts are typically structured to ensure current employees keep their jobs, often with higher pay and/or improved benefits. Water companies are proud union employers and honor existing collective bargaining agreements when new operations are launched. In addition, water companies provide enhanced training, advancement opportunities, and strong worker safety protocols. Federal data shows utility workers have a 21.5% lower illness and injury rate under water company operations compared to local government operations.⁵

MYTH: Water companies are not eligible for municipal bonds or government loans with lower rates, which means borrowing costs are more expensive for water companies compared to local governments.

FACT: Local governments across the U.S. are facing major and urgent water infrastructure needs, and public capital alone cannot cover the associated costs. The use of private finance is about "additionality" – gaining additional capital on top of public capital – not choosing private capital in lieu of public capital. Experts agree that private water models are a proven and necessary solution for local governments to address urgent water and wastewater infrastructure needs.⁶

MYTH: Water companies answer to their shareholders and don't care about the communities they serve.

FACT: Water companies employ local workers, pay local taxes, and support the communities they serve. Water company employees donate to important local causes and meet routinely with local officials and environmental groups. Furthermore, water companies lead the sector in customer service and satisfaction: 78% of NAWC members score above average on overall customer satisfaction in their region, according to a national J.D. Power survey.⁷

Sources

- 1 Allaire, Wu and Lall, PNAS, "National Trends in Drinking Water Quality" Feb. 2018; Konisky and Teodoro, American Journal of Political Science, "When Governments Regulate Governments" Sept. 2015; American Water Intelligence, "Investor-owned water firms boast sterling SDWA record" Oct. 2011
- 2 Annual reports and 10-K filings for American Water Works Company, Aqua America, Veolia North America, California Water Service Group, San Jose Water Company, EPCOR Utilities Inc., Aquarion Water, American States Water Company, Corix Group, and SouthWest Water Company. Figures confirmed directly by companies as needed.
- 3 Konisky and Teodoro, American Journal of Political Science, "When Governments Regulate Governments" Sept. 2015
- 4 NRDC, "Water vs. Energy: Solving the COVID-19 Utility Crisis" 12/17/2020
- 5 NAICS 2213: Water, sewage, and other systems, Bureau of Labor Statistics Injury and Illness Incidence Rates, 2011-2020
- 6 KPMG, "Delivering Water Infrastructure using Private Finance," 2011; Certified Accountants Educational Trust, "Taking Stock of PPP and PFI around the World," 2012; EPA Response to Congress on Privatization of Wastewater Facilities, 1997; Jeffrey W. Jacobs, National Research Council; Charles W. Howe, University of Colorado; "Key Issues and Experience in U.S. Water Services Privatization," 2005
- 7 J.D. Power, "U.S. Water Utility Residential Customer Satisfaction Study" May 2020