



U.S. NETWORK TO KEEP
WATER AS A PUBLIC TRUST

CITIES GOING PUBLIC

A Summary of Cities Fighting to Regain Control of Their Privatized Water Systems

DUVAL, NASSAU AND ST. JOHNS COUNTIES, FLORIDA

Water Company: United Water Resources (owned by Suez Lyonnaise Des Eax)

Reasons why Counties Chose to Deprivatize: In 1997, water rates increased by an average of \$9.44 per month. In 1998, the company requested another rate increase, which the Florida Public Service Commission (PSC) granted them. Following that, water rates increased an average of 12.5% and sewage rates by 5.4%. The PSC later found that United Water overestimated its expenses by \$1.05 million.

Status: In August of 2001, United Water Resources accepted a \$219 million offer from the Jacksonville Electrical Authority (a municipal authority serving residents of Jacksonville and surrounding areas) to buy out the companies holdings in these three counties.

HUBER HEIGHTS, OHIO

Water Company: American Water Works (owned by Thames Water, P.L.C.)

Reasons why City Chose to Deprivatize: American Water Works raised rates by 30% the year that it acquired the water systems. The company also contracted with Industrial Water to deliver up to 2 million gallons of water a day to the Wiley Industrial Park, located outside the city, which the city opposed because they require areas to be incorporated into the city in order to obtain water. Industrial Water later sold this contract to neighboring Miami County.

Status: The city began legal proceedings to take over the water through the power of eminent domain, but in March of 1995, the city and the company settled out of court. However, the city still has to honor the contract that American Water Works had with Miami County by providing 2 million gallons of water a day to the county, a conflict that remains unresolved.

CHATTANOOGA, TENNESSEE

Water Company: Tennessee-American, a subsidiary of American Water Works (owned by Thames Water, P.L.C.)

Reasons why City Chose to Deprivatize: Chattanooga's Mayor projected that public ownership would result in a 25% rate reduction and \$100 million overall savings for customers over 10 years. Tennessee charged exorbitant fees for fire hydrant service and was considering exporting water to Atlanta.

Status: After spending millions of dollars on an extensive public relations and legal fight that Tennessee-American waged against the city of Chattanooga and the mayor, the city and the company reached a settlement in 1999. The company would retain control over the water systems, but would lower fees for their fire hydrant service and ask permission of the city's citizens before exporting water.

WASHINGTON COURT HOUSE, OHIO

Water Company: Ohio Water Service Co.

Reason why City Chose to Deprivatize: The city believed it could operate the utility more efficiently and at a lower cost.

Status: After a 2 year legal and public relations campaign mounted by the company, including a ballot initiative, the city purchased the water system for \$10 million.

PEORIA, ILLINOIS

Water Company: Illinois-American, a subsidiary of American Water Works (owned by Thames Water, P.L.C.)

Reason why City Chose to Deprivatize: The city felt that they could stabilize rates and reduce operating costs. Peoria's rates in 1998 were among the highest in a rate survey prepared by Raftelis Financial Consulting. Takeover proponents estimated a 31% rate reduction over the first 10 years if the city acquired the water system. Raftelis estimated \$6 million a year in excess revenues if the city operated the water systems.

Status: The city council voted to buy back the water systems in October of 1998. In response, Illinois American launched a multimillion dollar PR campaign against the city. At the same time, Illinois-America sued the city over a disagreement about whether or not the city could buy local assets of Illinois-American. The buyout effort is on hold pending the outcome of the court case.

PEKIN, ILLINOIS

Water Company: Illinois American, a subsidiary of American Water Works (owned by Thames Water, P.L.C.)

Reasons why City Chose to Deprivatize: After acquiring the water systems in 1982, Illinois-American raised water rates by 204% in the following 18 years, but failed to keep infrastructure up to date. Water pressure problems plagued much of the city, but the company was slow to construct a promised water tower and failed to upgrade undersized mains. This poor performance hurt the city's economic growth and added to its expenses. Also, there were many examples of poor water service that endangered public safety, such as a fire that destroyed a local business because of a broken fire hydrant.

Status: Illinois American launched a massive PR campaign outspending the city's own outreach campaign by more than 33 to 1. The company subsequently eked out a narrow victory in a referendum asking voters if the system should remain private. But the company's continued poor service led to yet another non-binding referendum on whether the city should pursue a buyout through any means necessary, including eminent domain. This time 61 percent of the voters approved the initiative, and in May 2002 the city filed eminent domain proceedings against the company with the Illinois Commerce Commission.

For more information about Public Citizen's Water for All campaign, please visit www.citizen.org/water



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