

The Corporate Plan to Consolidate Your Utilities

Public control of essential utilities has provided millions of Americans with safe, reliable, and affordable water, electricity and heating. Publicly managed, cooperatively owned and democratically administered utilities not only built critical infrastructure but gave the public a lasting stake in these critical services. However, private operators are seeking to pry control from the public and turn a profit on these services.

Some private utilities are buying out rivals in adjacent markets, rather than reinvesting in infrastructure. This trend leads to the formation of new multi-sector private utility conglomerates, combining water, electricity and gas distribution companies. After corporations expand, they use their deep coffers and political power to push for favorable policies, higher rates and privatization.

Complicating matters — despite a steady level of publicly supplied electricity¹ — the last decade saw a bipartisan push to privatize public electricity.² Between 2013 and 2017, the 10 largest utilities donated \$1 billion to special interest groups, many of which testified for fossil fuel projects in front of state regulators.³

Stopping these dangerous conglomerates and expanding public provision of water and electricity are essential steps to a 21st-century infrastructure that works for everyone.

Lessons from the water sector

When systems are privatized, governments abdicate control over a public service. People can hold locally owned water systems accountable by voting for new leadership, whereas private water companies have no responsibility to promote public health and wellbeing. They are accountable first and foremost to their owners and make their investment decisions based on profitability. If a private water company charges high rates or provides bad service, customers cannot simply switch. A Food & Water Watch study of the 500 largest water providers found that private water companies charged 59 percent more than public companies.⁴

During the last decade, bipartisan privatization proponents have sought to use federal incentives to boost privatization.⁵ However, public awareness of the dangers of privatization

has held water corporations at bay.⁶ One survey found that less than 15 percent of respondents think private corporations should fund water infrastructure.⁷

Utilities sought to combine utility sectors for decades

Combining electricity, gas and water has long been an aspiration of corporate utilities. Around the turn of the millennium, Enron pushed to form a natural gas, electricity and water utility empire.⁸ As Enron grew, it used its substantial political influence to shape favorable policies.⁹ In 2001 RWE, a German energy company, bought American Water Works for \$7.5 billion. The deal was a failure, and by 2005 RWE was looking to sell American Water.¹⁰ One of the key problems with RWE's plan to form a multi-sector utility was what the company described as "considerable resistance to privatization in the water sector."¹¹

While private water and electric companies have traditionally grown by privatizing publicly owned systems, the proportion of publicly served water and electric users has not changed in the past five years.¹² Slowed expansion has drawn investors back to inter-sector mergers.¹³

Algonquin sets a multinational precedent

Algonquin Power Income Fund (Algonquin), which operates as Liberty Utilities in the United States, was formed in 1997 to acquire hydroelectric facilities.¹⁴ During the early 2000s, the Canadian company expanded into water, but remained focused on its core as an electric generation holding company.¹⁵



Algonquin's St. Hyacinthe Power Generating Station in Québec, Canada.

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Algonquin's goals changed following a tax windfall from a complex, reverse takeover in 2009 that turned Algonquin into an independent corporation (Algonquin Power & Utilities).¹⁶ That same year, Algonquin announced that it wanted to form an electric subsidiary.¹⁷ In 2011, Algonquin bought 50 percent of the 47,000 household California Pacific Electric Company.¹⁸ Algonquin also bought two utilities from National Grid in 2010 and the rest of National Grid's New Hampshire business in 2012, acquiring 87,000 gas and 43,000 electric customers for a total of \$535 million.¹⁹

The company's 2016 acquisition of Empire District Electric Co. for \$2.4 billion gave Algonquin control of a combined 218,000 customers in Missouri, Kansas, Oklahoma and Arkansas.²⁰ In 2020, Algonquin Power & Utilities absorbed New York utilities serving hundreds of thousands of people.²¹ All told, Algonquin bought systems serving 159,000 water, 264,000 electricity and 335,000 natural gas customers.²²

Algonquin consolidates its political position

Algonquin relies on political clout to win rate cases and to clear regulatory hurdles to its expansion.²³ Over a period of eight years, Liberty spent more than \$150,000 in local political races.²⁴ Liberty even enlisted the services of a former utility regulator to help the company before the same board.²⁵ Algonquin also outspent opposition to a privatization referendum in California by 93 to 1.²⁶ Fitch, a credit rating agency, rated the company's profit outlook as low-risk due to an "improving regulatory environment" in most of the area served by its utilities.²⁷

Missoula, Montana sought to buy its water system from the private equity giant Carlyle Group, filing an eminent domain suit claiming that the company had skimmed on upkeep and "reneg[ed] on a handshake deal."²⁸ However, in the midst of the proceedings, Carlyle sold the system to Algonquin, without public approval.²⁹ While Algonquin owned Missoula's water system, the pipes leaked half of the water slated for delivery, as investors earned millions in dividends from the ratepayers. In 2017, Missoula prevailed, taking control of its water system.³⁰

In 2020, Algonquin attempted to buy New York American Water's 125,000 household water systems for \$608 million, subject to regulatory approval.³¹ After significant rate hikes, residents are pushing for public control.³² While the company panned the proposal, a Governor's Report found that municipalization would be feasible.³³



Eversource's pivot to water

Similarly, Eversource was created by a 2012 megamerger between Northeast Utilities and NSTAR Electric & Gas, forming a \$17 billion utility.³⁴ In 2015, antitrust concerns forced Eversource to sell its power plants for \$258 million plus \$600 million in extra charges for ratepayers.³⁵

Eversource is tapping this cash to form a conglomerate.³⁶ Despite having no water experience prior to 2017, that year Eversource broke into the industry with the \$1.68 billion purchase of Aquarion, a major private water company in New England.³⁷ Eversource also bought Columbia Gas of Massachusetts for \$1.1 billion in 2020.³⁸ By 2020, Eversource owned gas, electric and water utilities servicing almost 4 million customers.³⁹

Eversource secures power and reaps profits

Eversource uses its power to shape regulation. Between 2014 and 2018, the company spent more than \$8 million on its lobbying in Connecticut,⁴⁰ and it even has three Connecticut state senators on its payroll.⁴¹ When the town of Oxford, Massachusetts, fed up with high rates and poor service, pushed to vote to take back its water, an Aquarion lobbyist pulled the building's fire alarm, blocking the vote.⁴²

Aquarion admits that raising rates is at the core of its business model.⁴³ High rates allowed Eversource to make \$1.2 billion in profit in 2020, paying more than \$20 million in executive compensation.⁴⁴

Eversource presides over a water system with numerous service problems. In the past decade, Aquarion water systems in Connecticut had eight health-based violations of the Safe Drinking Water Act.⁴⁵ In 2019, Hingham, Connecticut bought back its water system, citing high rates and poor service.⁴⁶ Eversource's response to Tropical Storm Isaias was criticized as large-scale outages persisted for

over a week. When residents called to report outages, many were asked about billing.⁴⁷

Aqua America's rebranding and expansion

For the past several decades, Aqua, one of the largest private water companies, has pursued a strategy of aggressive expansion through acquisition.⁴⁸ In January 2020, Aqua America won approval from the Pennsylvania Public Utility Commission for the company's \$4.3 billion takeover of Peoples Gas Company, a major gas distribution company in Pennsylvania.⁴⁹ After buying Peoples, Aqua America rebranded as "Essential Utilities" (Essential)⁵⁰ emphasizing its electric and gas ambitions. Aqua even expressed hope that Peoples would put the company on the inside track to privatizing the Pittsburgh Water and Sewer Authority.⁵¹

Aqua America and affiliated political action committees (PACs) spend hundreds of thousands of dollars every



Aqua America's purchase of Peoples Gas Company expanded operations into electric and gas, and resulted in their rebrand as "Essential Utilities."

Pennsylvania election cycle. And after Aqua doted on former Pennsylvania House Speaker Mike Turzai, a staunch privatization advocate, Turzai retired early and took an executive job at Peoples.⁵² This clout has helped Essential raise rates and push favorable policies. For example, Peoples was the first utility in Southwest Pennsylvania to resume shutoffs for non-payment during the coronavirus pandemic.⁵³

In 2019, Essential pushed for privatization of the Delaware County Water Quality Control Authority (DELCORA) in a no-bid \$276.5 million deal. The Delaware County Republicans group has received \$110,000 from Aqua's PAC since 2015. Essential is also planning a hostile takeover of Chester Water Authority's 42,000 customer system.⁵⁴ Essential brags to investors that the company is working to privatize water systems serving nearly 400,000 customers.⁵⁵

Conclusion:

Federal leadership and local action could reassert public control and build an infrastructure system that works for us

The public must take control of our essential resources — keeping them away from increasingly powerful conglomerates. As the climate crisis and the COVID-19 pandemic show, utilities must consider a range of important goals beyond profit. That means the fight does not end with municipalization or federal investment.

Additionally, we must create a water trust fund to fully fund our public water infrastructure. One model is the Water Affordability, Transparency, Equity and Reliability (WATER) Act in Congress. Securing public control is key, as it leaves decisions about accountability, equity and transparency in the people's hands.

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