

# Clean Water for North Carolina

Science-Based Environmental Justice

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Dear members of the State Water Infrastructure Authority,

Clean Water for North Carolina is a nonprofit organization focused on advocating for clean, safe, affordable water. We are writing to you regarding statements made at the November 10<sup>th</sup> Viable Utility Reserve Committee meeting. Specifically, on behalf of the 280,000+ customers of private water and sewer utilities in NC, we are writing to urge DEQ's Division of Water Infrastructure to not consider whether a system has evaluated privatization as an option in their recovery plans, and to not offer extra points for proposals that would privatize infrastructure in the agency's ranking of local utility applications for Viable Utility Reserve funding.

Private water companies such as Aqua North Carolina and Carolina Water Service claim to provide a solution to municipal-owned water and wastewater utilities facing financial and operational struggles. We understand the appeal of selling systems to provide an injection of capital which temporarily improves the local budget. However, there are many examples showing that the privatization of these services is often to the detriment of water service, affordability, and public accountability. We encourage you to explore all other options for the VUR funding priority ranking system that promote sustainable, transparent, locally-owned, and affordable drinking water systems.

In NC, the largest private, for-profit water utility is Aqua North Carolina (a subsidiary of Essential Utilities, Inc.). Aqua NC mainly owns and operates small community well systems and sewage treatment plants or resells treated water/wastewater in subdivisions. Our organization has heard from hundreds of residents with complaints about water quality, service, and, above all, the rates charged by Aqua. The experiences they report illustrate several of the major problems with privatization in general:

**(1) Private water companies usually cut costs in order to increase profit margins for their shareholders, typically by eliminating employees or reducing benefits. Those types of savings then result in worse customer service, maintenance backlogs, wasted water, and slower response times.**

Aqua NC operates more than 1400 community wells in 50+ NC counties, yet they only claim to have 175 employees statewide, presumably including administrative and call center staff. Customers complain of leaks that go on for days at a time, and the NC Utilities Commission's Public Staff has repeatedly advised the company to do a better job flushing water service lines to prevent buildup of minerals. Customers have stated in

comments to the Utilities Commission that the company puts cost savings for its shareholders first, failing to prioritize quality service to its customers.

Another way private companies seek to cut costs is doing the bare minimum to comply with state and federal drinking water quality regulations. In North Carolina, Aqua customers in many areas complain of high levels of iron and manganese in tap water. These naturally occurring minerals cause water discoloration, odors, and stained and damaged appliances, yet fall within all legal requirements for safe tap water. The company was not willing to address these problems until it was provided with additional financial incentives at the expense of customers.

Aqua NC has continued to benefit from rate increases and surcharges, along with other perks approved by the North Carolina Utilities Commission. Rate increases for water have been accompanied with promises from Aqua to the rate payers that the causes for concern about water quality and customer service were being addressed by the company investing in improvements to infrastructure and providing better communication between the company and its customers.

Today, the issues of poor water quality and poor customer service continue. Aqua NC is required to file bi-monthly water quality reports to the NCUC as stipulated in their 2020 Rate Case Order to continue to address secondary contaminant concerns in their service area.

**(2) Privatization typically results in higher costs of water service for residents.** Across the US, private utilities charge on average 59% more for water service than publicly-owned utilities. Naturally, when selling a water or wastewater asset, a municipality seeks the highest bidder. However, private companies typically seek to recover the purchase cost by raising customer rates on an annual basis.

The purported economic efficiency of private companies is based on the principle of free market competition, but water utilities are intrinsically monopolies in their service areas. To minimize costs, private companies may forego maintenance, system improvements and water conservation programs, or significantly reduce staff. In many cases, individual household bills increase after privatization of a system. If privatization truly creates cost-savings, it benefits the company, not customers.

In NC, Aqua's statewide rates are 40% higher than the NC median for water and 69% higher than the median for wastewater.

The company's flat fee for sewer service is currently \$75.38 per month and rising steadily. NC customers have expressed a desire to be billed based on how much water they consume, rather than paying a flat charge, which burdens small families and individuals. The high flat fee is an example of a rate structure that benefits company profits but does not treat households equally or give residents an incentive to conserve water.

**(3) Privatization results in fewer opportunities for public input, and less transparency.**

While residents have opportunities to speak to locally elected officials and community water boards to express their opinions and concerns, a private company is governed by its Board and shareholders. Private utilities point to state regulatory hearings, saying these provide an opportunity for input on rate increases, but most Utilities Commissioners are appointed, not elected, and in NC they have historically not responded to consumer concerns. Access to records and information about water service and rates is limited.

Since 2008, the NC Utilities Commission has allowed water rates to go up by more than 35% for Aqua NC customers, despite large turnouts and public opposition at regulatory hearings.

NC lawmakers have created a loophole allowing private utilities to raise rates to cover certain expenses without public hearings through Water System Improvement Charge (WSIC) and Sewer System Improvement Charge (SSIC) rate mechanisms, further reducing the ability of customers to voice questions and concerns.

Some financial and reporting documents filed with the NC Utilities Commission are confidential and unavailable for public review.

We hope that this information is useful as you review the point ranking system for the Viable Utility Reserve funding. We've included a list of supporting documents with further information on water system privatization in NC, including testimonies from Aqua NC and Carolina Water Service customers. Please feel free to contact us if we can provide any further information or direct contacts with residents in NC on private drinking water systems.

Yours truly,

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# Supporting Documents

**1. REPORT: [Privatizing North Carolina's Water, Undermining Justice](#)**

*Clean Water for North Carolina documents the impacts of water privatization on communities across the state, describing the growing impacts private water and sewer companies are having on water affordability, customer service, and water quality.*

**2. REPORT: [The Stealthy Takeover of NC Drinking Water: A Snapshot of Corporate Privatization](#)**

*In rural and suburban North Carolina, very small drinking water systems are common sources of household drinking water, typically drawing groundwater from one or more wells. Two profitable investor-owned corporations, Aqua America and Utilities Inc., have quietly purchased many of these systems over the past two decades. This report presents a snapshot of corporate privatization throughout North Carolina.*

**3. BRIEF: [Letter to Attorney General Josh Stein Requesting Intervention in 2018 Aqua NC Rate Case](#)**

**4. LETTER: [NC Private Water & Sewer Customers on NCUC Appointments](#)**

