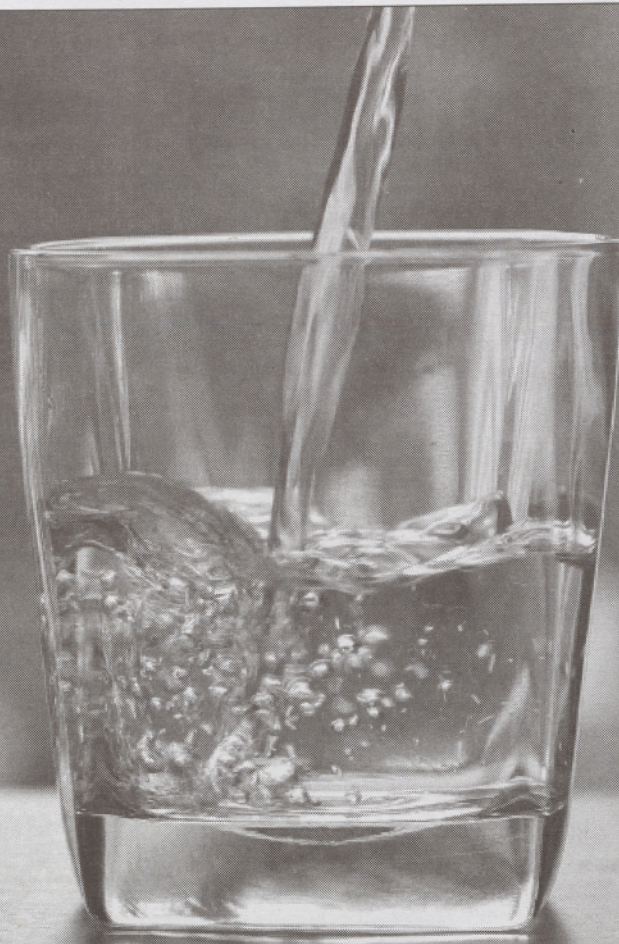


Public asset or private interests?

**NW Natural is buying
water utilities. Should
Oregonians be concerned
about privatized water?**



BY EMILY GREEN
SENIOR STAFF WRITER

Since NW Natural announced its expansion into the water utility sector this past December, the company has begun buying small water companies in Oregon, Idaho and Washington through a holding company it's created.

Unlike NW Natural, which is investor-owned, the majority of Oregon's water systems are government-run utilities, serving more than 95 percent of Oregonians. The largest private water company in Oregon serves just 13,000 customers in Bend.

The absence of big water in the region means there's not much competition as NW Natural moves into the sector – although it's not the only large company to do so recently. Last year, California's SouthWest Water Company, which operates in six states, purchased Oregon's Cline Butte utility near Redmond and Mountain Lakes water company near Klamath Falls.

"This is the third case I've heard of, so far this year, of a gas company seeking to expand into the water sector," said Food and Water Watch's Mary Grant. She oversees the advocacy group's national Public Water for All campaign.

While the utilities NW Natural is attempting to acquire are already private, Grant said the gas company could be positioning itself to purchase municipal water systems as it continues to expand.

That's what a Northeast gas company, Eversource, did after it moved into the water sector last year with the purchase of Aquarion Water Co., a private company that operates in Connecticut, Massachusetts and New Hampshire.

"Now that they have this private utility," said Grant, "they're also looking to buy up municipal systems."

When cities are strapped for cash, or when their water infrastructure is in need of major repairs, an offer from a private company looking to buy their water utility can look very attractive. But most often, said Grant, companies will target cities that have budget deficits unrelated to their water systems and offer them large sums of upfront money to entice them into selling.

"We see that most sales of water systems aren't related to the actual system," she said, "but related to the financial condition of the city itself."

NW Natural told Street Roots it's not ready to discuss its water utility plans, but called its acquisition of Salmon Valley Water Company in Welches, Ore., and Falls Water Company in Idaho Falls, Idaho, "the first step in a broader strategy," when it announced the move in December.

"The water utility sector has a risk profile and business model that is similar to our core gas utility," read the company's statement at that time. "There are also substantial investment opportunities over the long term, as water infrastructure needs to be replaced and upgraded to serve growing communities with safe, clean drinking water."

Because the water utilities NW Natural is purchasing at this stage are already private, local ratepayer watchdog group, Oregon Citizens Utility Board, or CUB, isn't waving any red flags.

There's a need to phase out natural gas, so companies such as NW Natural will be looking for ways to diversify, said Bob Jenks, CUB's executive director.

Moving into water makes sense for gas companies, which already have established relationships with the state regulatory agencies that oversee utilities, and already know the business of delivering those types of services.

"If they were buying public utilities, we'd view it differently," Jenks said.

His colleague, CUB Advocacy Director Janice Thompson agrees.

Thompson said if private companies were buying-up municipal-run water utilities, that would be a "more problematic trend" because major public assets would be lost to the private sector.

"Subsequent private company management doesn't always deliver on promised cost savings because the financing of frequently-needed infrastructure improvements can be more expensive for private compared to public utilities," Thompson said in an email.

Private companies have costs that public companies do not, such as income taxes and property taxes, and they don't have access to municipal bonds and federal grants. All those extra costs are passed along to ratepayers.

A key finding of a 2016 Food and Water Watch report, "The State of Public Water in the United States," found that on average, private companies charged 59 percent more than local governments for drinking water.

In Pennsylvania, where water company lobbyists have spent more than \$1 million at the state level over the past decade, private

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— MARY GRANT
FOOD AND WATER WATCH

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