

NATIONAL ASSOCIATION OF WATER COMPANIES PENNSYLVANIA CHAPTER

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Testimony by:

**NATIONAL ASSOCIATION OF WATER
COMPANIES (NAWC)**

PENNSYLVANIA CHAPTER

**Informational Meeting on Water and Wastewater
Industry**

Before

House Consumer Affairs Committee

Presented by:

David Lewis
Chair, NAWC-PA

General Manager
Columbia Water Company

And

Kathy L. Pape
Past-Chair, NAWC-PA

President and CEO
Pennsylvania American Water

March 2, 2011

9:00 A.M.

B-31 Main Capitol

GOOD MORNING. I'M DAVE LEWIS, GENERAL MANAGER OF COLUMBIA WATER COMPANY. IN ADDITION, I SERVE AS THE CHAIR OF THE NATIONAL ASSOCIATION OF WATER COMPANIES (NAWC), PENNSYLVANIA CHAPTER. WITH ME TODAY IS KATHY PAPE, A DIRECTOR AND IMMEDIATE PAST CHAIR OF THE NAWC. WE'D LIKE TO THANK CHAIRMEN GODSHALL AND PRESTON, AND THE COMMITTEE FOR INVITING US HERE TODAY TO BRIEF THE COMMITTEE ON THE INVESTOR OR PRIVATELY-OWNED WATER AND WASTEWATER INDUSTRY IN PENNSYLVANIA.

LET ME START BY PROVIDING A BRIEF DESCRIPTION OF OUR ASSOCIATION. THE NAWC REPRESENTS ALL ASPECTS OF THE PRIVATE WATER SERVICE INDUSTRY INCLUDING OWNERSHIP OF REGULATED DRINKING WATER AND WASTEWATER UTILITIES AND THE MANY FORMS OF PUBLIC-PRIVATE PARTNERSHIPS AND MANAGEMENT CONTRACT ARRANGEMENTS. THE PENNSYLVANIA CHAPTER CONSISTS OF 10 MEMBER COMPANIES THAT PROVIDE SAFE AND RELIABLE DRINKING WATER SERVICE TO APPROXIMATELY 3.1 MILLION PENNSYLVANIANS IN 485 COMMUNITIES OVER 38 COUNTIES. IN ADDITION, THREE OF OUR MEMBER COMPANIES (Pennsylvania American Water, Penn Estates Utilities, Inc. and United Water Pennsylvania) PROVIDE WASTEWATER SERVICE TO APPROXIMATELY 155,000 PENNSYLVANIANS IN 24 COMMUNITIES OVER 7 COUNTIES.

OVERVIEW OF INDUSTRY

PENNSYLVANIA IS HOME TO AN ESTIMATED 2,200 MUNICIPAL, AUTHORITY AND INVESTOR-OWNED COMMUNITY DRINKING WATER SYSTEMS AND 1,059 WASTEWATER SYSTEMS. WHILE ALL OF PENNSYLVANIA'S WATER AND WASTEWATER SYSTEMS ARE SUBJECT TO ENVIRONMENTAL REGULATION BY

THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA) AND THE PENNSYLVANIA DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP), RATES AND SERVICES ARE REGULATED DIFFERENTLY. THE PENNSYLVANIA PUBLIC UTILITY COMMISSION (PUC) HAS REGULATORY JURISDICTION OVER THE RATES AND SERVICE OF 118 WATER SYSTEMS, INCLUDING 27 MUNICIPAL WATER SYSTEMS, AND 70 WASTEWATER SYSTEMS, INCLUDING 5 MUNICIPAL WASTEWATER SYSTEMS. THOSE MUNICIPAL WATER AND WASTEWATER SYSTEMS ARE PUBLICLY-OWNED BY MUNICIPALITIES THAT SERVE OUTSIDE THEIR BOUNDARIES AND THE PUC'S JURISDICTION IS LIMITED TO REGULATING THE RATES AND SERVICE OF CUSTOMERS OUTSIDE THEIR BOUNDARIES. THE NON-MUNICIPAL WATER AND WASTEWATER SYSTEMS ARE COMPANIES PRIVATELY OR INVESTOR-OWNED AND THE PUC EXERCISES COMPLETE JURISDICTION OVER THE RATES AND SERVICE OF INVESTOR-OWNED SYSTEMS.

IN ADDITION, THE OFFICE OF CONSUMER ADVOCATE (OCA) AND OFFICE OF SMALL BUSINESS ADVOCATE (OSBA) MONITOR THE RATES AND SERVICE OF INVESTOR-OWNED SYSTEMS. THE FEDERAL SECURITIES AND EXCHANGE COMMISSION (SEC) ALSO REGULATES SOME INVESTOR-OWNED SYSTEMS.

MOREOVER, THE PUC HAS NO JURISDICTION OVER PENNSYLVANIA'S APPROXIMATELY 2,082 MUNICIPAL AND AUTHORITY OWNED COMMUNITY DRINKING WATER SYSTEMS OR 989 MUNICIPAL AND AUTHORITY OWNED WASTEWATER SYSTEMS. AN ELECTED OR APPOINTED MUNICIPALITY BOARD SETS THE RATES OF PUBLICLY-OWNED SYSTEMS.

KEY ROLES – QUALITY OF LIFE AND ECONOMIC DEVELOPMENT

ALTHOUGH UNSEEN AND TAKEN FOR GRANTED BY THE PUBLIC, DRINKING WATER AND WASTEWATER INFRASTRUCTURE HAVE BEEN THE

ESSENTIAL BUILDING BLOCKS FOR ANY ADVANCED SOCIETY. IT'S HARD TO EXPLAIN WHY PEOPLE ARE WILLING TO PAY A DOLLAR AND FIFTY-NINE CENTS FOR 20 OUNCES OF BOTTLED WATER. AT THE SAME TIME, HOWEVER, THEY WILL OBJECT TO THE SMALLEST INCREASE IN TAP WATER RATES. TO PUT THIS IN PERSPECTIVE, CONSIDER THIS: FOR THE SAME ONE DOLLAR AND FIFTY-NINE CENTS, YOU COULD FILL THAT SAME 20-OUNCE BOTTLE WITH TAP WATER, EVERY SINGLE DAY FOR MORE THAN 5 YEARS.

THIS IS NOT TO DECRY BOTTLED WATER. IN FACT, BOTTLED WATER HAS ITS BENEFITS AND IT PAYS TO HAVE SOME ON HAND IN CASE OF AN INTERRUPTION IN SERVICE OR A NATURAL DISASTER. WHILE THE BOTTLED WATER CRAZE IS SOMEWHAT PUZZLING, WE SHOULD BE CONCERNED THAT – IN PENNSYLVANIA AND ACROSS NORTH AMERICA – MANY PEOPLE SIMPLY DO NOT PLACE SIMILAR VALUE ON THEIR TAP WATER SERVICE. AND YET TAP WATER DELIVERS SO MANY THINGS THAT BOTTLED WATER CANNOT DELIVER: IT DELIVERS PUBLIC HEALTH PROTECTION, FIRE PROTECTION, SUPPORT FOR THE ECONOMY, AND QUALITY OF LIFE WITHOUT A PLASTIC BOTTLE TO DISPOSE OF.

IF WE CAN BEGIN TO THINK ABOUT THE VALUE OF WATER IN THESE AREAS, WE'LL HAVE A BETTER UNDERSTANDING OF WHY WE NEED TO CARE FOR OUR WATER RESOURCES AND SYSTEMS.

SUSTAINABLE INFRASTRUCTURE HAS BEEN IDENTIFIED AS THE INDUSTRY'S MOST PRESSING ISSUE. WE'VE ATTACHED FOR YOUR REVIEW A POLICY BRIEF THAT WE PROVIDED TO THE CORBETT ADMINISTRATION'S TRANSITION TEAM AND THE NEWLY ELECTED MEMBERS OF THE GENERAL ASSEMBLY THAT PROVIDES A MORE DETAILED OVERVIEW OF THE INDUSTRY

AND THE CHALLENGES PENNSYLVANIA FACES; AND OFFERS
RECOMMENDATIONS FOR YOUR CONSIDERATION.

TO PROVIDE AN OVERVIEW OF THESE CHALLENGES, I'D LIKE TO TURN
THE MICROPHONE OVER TO KATHY PAPE WHO, IN ADDITION TO HER ROLE WITH
NAWC, SERVES AS PRESIDENT AND CEO OF PENNSYLVANIA AMERICAN WATER
AND WAS A MEMBER OF PENNSYLVANIA'S SUSTAINABLE WATER
INFRASTRUCTURE TASK FORCE.

SUSTAINABLE WATER INFRASTRUCTURE

GOOD MORNING, A SIGNIFICANT PORTION OF OUR NATION'S WATER AND
WASTEWATER INFRASTRUCTURE IS REACHING THE END OF ITS USEFUL LIFE.
THERE ARE THOUSANDS OF MILES OF PIPELINES THAT WERE INSTALLED 50 to 100
YEARS AGO, WHICH NEED TO BE REPLACED. ALTHOUGH FEDERAL AND STATE
SUBSIDY PROGRAMS ARE AVAILABLE, INFRASTRUCTURE NEEDS ARE
PREDOMINATELY A LOCAL OR SYSTEM RESPONSIBILITY. HOWEVER, MANY
SYSTEMS HAVE NOT ADDRESSED THEIR INFRASTRUCTURE NEEDS
CONSISTENTLY OVER TIME UNLESS A FEDERAL OR STATE GRANT IS PROVIDED.
THIS CYCLE OF REWARDING INEFFICIENCY AND BAD MANAGEMENT PRACTICES
SHOULD CHANGE. GRANT PROGRAMS, LIKE THE H2O PA PROGRAM, GAVE
HIGHER PRIORITY TO, THUS REWARDING, SYSTEMS UNDER CONSENT ORDERS
FOR NONCOMPLIANCE. IT ALSO FUNDED PROJECTS THAT COULD HAVE BEEN
LOCALLY FUNDED THROUGH RATES OR THROUGH LOW-INTEREST LOANS FROM
PENNVEST, INSTEAD OF WITH GRANTS WHICH SHOULD HAVE BEEN TARGETED
AT SMALL SYSTEMS WHOSE RATE BASES ARE NOT LARGE ENOUGH TO FUND
SUCH PROJECTS BY THEMSELVES WITHOUT CAUSING SIGNIFICANT RATE SHOCK.

*H₂O
Program
"Self-
sustainability"*

SELF-SUSTAINABILITY, NOT DEPENDENCE ON GOVERNMENT GRANTS, SHOULD BE THE GOAL OF WATER AND WASTEWATER SYSTEMS AND PUBLIC POLICY SHOULD SEEK TO ENCOURAGE AND SUPPORT THIS GOAL. FOR EXAMPLE, I'D LIKE TO NOTE THAT PENNSYLVANIA AMERICAN WATER ALONE INVESTED APPROXIMATELY \$200 MILLION IN CAPITAL IMPROVEMENTS IN 2010. THESE PROJECTS INCLUDED WATER TREATMENT PLANT UPGRADES AND AGED PIPELINE REPLACEMENTS. AS YOU KNOW, MANY SYSTEMS ACROSS THE COMMONWEALTH RELY ON WATER MAIN THAT DATES BACK TO 50, 75 AND EVEN 100 YEARS. PENNSYLVANIA AMERICAN WATER PUT OUR DSIC FUNDS TO WORK BY REPLACING ABOUT 75 MILES OF PIPE LAST YEAR, TARGETING OLD, SMALL-DIAMETER WATER MAIN, WHICH HAS A HIGHER FREQUENCY OF BREAKS. MAIN REPLACEMENT IMPROVES WATER SERVICE RELIABILITY, INCREASE FLOWS FOR FIRE PROTECTION AND ENHANCES WATER PRESSURE AND QUALITY.

WITH FEDERAL AND STATE BUDGET PROBLEMS LEAVING NO ROOM FOR NEW INFRASTRUCTURE FUNDING PROGRAMS, IT'S CLEAR THAT WE HAVE TO CHART A NEW COURSE TOWARD SUSTAINABILITY.

PENNSYLVANIA'S SUSTAINABLE WATER INFRASTRUCTURE TASK FORCE REPORT: "*CREATING A SUSTAINABLE SOLUTION FOR PENNSYLVANIA*" (November 1, 2008)¹ PRESENTED THE FOLLOWING FINDINGS AND RECOMMENDATIONS:

FINDINGS

- THE TOTAL COST TO UPGRADE, OPERATE AND MAINTAIN OUR EXISTING WATER INFRASTRUCTURE FOR THE NEXT 20 YEARS IS ESTIMATED AT \$113.6 BILLION.

¹ Sustainable Water Infrastructure Task Force Report: "*Creating a Sustainable Solution for Pennsylvania*" (November 1, 2008) <http://www.depweb.state.pa.us/watersupply/lib/watersupply/municipalfinance/taskforce/3800-bk-dep4208.pdf>

- AN ANALYSIS OF EXISTING SOURCES OF FUNDING DISCLOSES THAT CONTINUED STATE AND FEDERAL SUBSIDIES AT THE CURRENT LEVEL GENERATES \$2.1 BILLION. CURRENT USER RATES, IF COLLECTED OVER THE NEXT 20 YEARS WOULD PROVIDE \$69.8 BILLION.
- OVER THE NEXT 20 YEARS, THE FUNDING “GAP” BETWEEN OUR TOTAL DRINKING WATER AND WASTEWATER SERVICE NEEDS AND TOTAL AVAILABLE FUNDING AT CURRENT LEVELS FROM ALL SOURCES ADDS UP TO \$43.8 BILLION (or \$41.7 billion if the \$2.1 billion in available subsidies is included).
- WHILE SPENDING A TOTAL OF 3% OF MEDIAN HOUSEHOLD INCOME (MHI) ON WATER SERVICES IS CONSIDERED AFFORDABLE BY ECONOMISTS, MANY CUSTOMERS IN PENNSYLVANIA ARE CURRENTLY PAYING SUBSTANTIALLY LESS FOR WATER SERVICE.
- A GAP ANALYSIS STUDY SHOWS THE PROJECTED FUNDING GAP OF \$43.8 BILLION NARROWS SUBSTANTIALLY TO ONLY \$6.8 BILLION IF COMMUNITIES NOT ALREADY CHARGING THE FULL COST OF SERVICE ARE WILLING TO INCREASE WATER AND WASTEWATER RATES UP TO 1.5 PERCENT OF THE COMMUNITY’S MHI.

RECOMMENDATIONS

- REQUIRE ASSET MANAGEMENT FOR ALL PUBLICLY-OWNED WATER AND WASTEWATER SYSTEMS.
- PUBLICLY-OWNED SYSTEMS SHOULD GRADUALLY MOVE TOWARDS CHARGING THE FULL-COST OF PROVIDING SERVICE OR UP TO 1.5% MHI.
- ENSURE THAT FEES COLLECTED FOR DRINKING WATER AND WASTEWATER SERVICE ARE REINVESTED APPROPRIATELY.

- PROVIDE STATUTORY AUTHORITY FOR THE PUC TO REINSTATE A COLLECTION SYSTEM IMPROVEMENT CHARGE OR “CSIC” FOR INVESTOR-OWNED WASTEWATER SYSTEMS.

THE DEP IS WORKING WITH STAKEHOLDERS TO REVISE AND REINTRODUCE LEGISLATION TO IMPLEMENT THE TASK FORCE RECOMMENDATIONS PREVIOUSLY INTRODUCED AS SENATE BILL 1482 BY SENATOR MUSTO AT THE END OF LAST SESSION. SINCE INVESTOR OR PRIVATELY-OWNED SYSTEMS ARE REGULATED BY THE PUC, THIS LEGISLATION PRIMARILY ADDRESSES PUBLICLY-OWNED SYSTEMS, BUT DOES CONTAIN VERY IMPORTANT PROCUREMENT CHANGES (Design, build and operate; and design, finance, build, and operate) WHICH WILL POSITIVELY AFFECT INVESTOR-OWNED SYSTEMS INVOLVED IN PUBLIC-PRIVATE PARTNERSHIPS WITH MUNICIPALITIES. THE NAWC SUPPORTS THE ADOPTION OF THIS LEGISLATION.

COLLECTION SYSTEM IMPROVEMENT CHARGE (CSIC)

ONE OF THE TASK FORCE RECOMMENDATIONS THAT MUST BE CONSIDERED IN SEPARATE LEGISLATION IS THE CSIC, WHICH IS MODELED AFTER THE SUCCESSFUL DISTRIBUTION SYSTEM IMPROVEMENT CHARGE OR “DSIC” FOR PENNSYLVANIA’S WATER UTILITIES, PREVIOUSLY APPROVED BY THE PUC AND SUBSEQUENTLY CODIFIED INTO LAW BY THE GENERAL ASSEMBLY AS ACT 156 OF 1996. IN 2007, THEN PUC CHAIRMAN WENDELL HOLLAND SAID, “THE DSIC IS ONE OF THE MOST IMPORTANT REGULATORY TOOLS OF THE PAST DECADE. IT HAS BEEN CITED BY THE *NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS* AS A ‘BEST PRACTICE’ AND IT HAS BEEN DESIGNATED BY THE *COUNCIL OF STATE GOVERNMENTS* AS ‘MODEL LEGISLATION.’ ITS MAIN FEATURES ARE THAT IT IS:

- PRO-ENVIRONMENTAL AS IT SIGNIFICANTLY DECREASES LINE LOSS OF ONE OF OUR MOST PRECIOUS RESOURCES;
- PROMOTES A MAJOR OBJECTIVE OF THIS ADMINISTRATION AND THIS LEGISLATURE WHICH IS TO FIX PENNSYLVANIA'S AGING INFRASTRUCTURE; AND
- PROMOTES ECONOMIC DEVELOPMENT AS IT CREATES HUNDREDS OF JOBS.”²

IN ADDITION TO THE SUPPORT OF THE CURRENT PUC COMMISSIONERS, THE *PA LEGISLATIVE BUDGET AND FINANCE COMMITTEE* HAS ALSO RECOMMENDED THAT “THE GENERAL ASSEMBLY SHOULD CONSIDER PROVIDING SPECIFIC STATUTORY AUTHORITY TO THE PUC TO APPROVE A COST RECOVERY DEVICE FOR WASTEWATER UTILITIES, SIMILAR IN STRUCTURE TO THE DSIC AVAILABLE TO WATER UTILITIES.”³

ON MARCH 14, 2005, THE COMMONWEALTH COURT OF PENNSYLVANIA REVERSED AN ORDER OF THE PUC WHICH AUTHORIZED THE IMPLEMENTATION OF A CSIC. THE COURT FOUND THAT THE PUC LACKED THE REQUISITE STATUTORY AUTHORITY TO APPROVE A COMPARABLE COST RECOVERY DEVICE ON THE WASTEWATER SIDE. *Popowsky v. Pa. P.U.C.*, 869A2d, 1144 (Pa. Commw. 2005)⁴

CHAIRMAN PRESTON HAS INTRODUCED SUCH LEGISLATION AS HOUSE BILL 141, WHICH WOULD AUTHORIZE THE PUC TO IMPLEMENT THE CSIC FOR WASTEWATER UTILITIES. THIS LEGISLATION WILL ONLY AFFECT WASTEWATER UTILITIES REGULATED BY THE PUC. HOWEVER, THE PUC WOULD HAVE TO FIRST

² Motion of PAPUC Chairman Wendell Holland (Docket No.: P-00062241, *et al.*), 7/11/07
<http://www.puc.state.pa.us/PcDocs/675988.doc>

³ Performance Audit of the Pennsylvania Public Utility Commission (PAPUC), January 2007, Page 90

⁴ http://www.courts.state.pa.us/OpPosting/CWalth/out/2497CD03_3-14-05.pdf

PROMULGATE REGULATIONS AND UTILITIES WOULD HAVE TO PETITION THE PUC AND GAIN APPROVAL BEFORE THEY COULD ADOPT A CSIC.

NAWC STRONGLY SUPPORTS HOUSE BILL 141 AND RESPECTFULLY REQUESTS THE COMMITTEE TO ONCE AGAIN REPORT THIS IMPORTANT LEGISLATION TO THE FULL HOUSE FOR CONSIDERATION. THE CSIC WOULD PROVIDE WASTEWATER UTILITIES WITH THE FINANCIAL FLEXIBILITY TO ACCELERATE REPLACEMENT OF AGED AND DETERIORATING WASTEWATER INFRASTRUCTURE, INCLUDING IMPROVEMENT PROJECTS TO PREVENT OVERFLOWS, INFILTRATION AND INFLOW AND OTHER SIMILAR PROBLEMS, IN A COSTS-EFFECTIVE MANNER AND THEREBY AVOIDING RATE SHOCK FOR THE CUSTOMERS. THE REDUCTION IN INFILTRATION AND INFLOW OF STORMWATER IS CRITICAL FOR WASTEWATER SYSTEMS, AS IT REDUCES POWER AND CHEMICAL COSTS, FREES CAPACITY NEEDED TO TREAT WASTEWATER AND IN SOME INSTANCES ALLOWS FOR LESS EXPENSIVE UPGRADES OR NEED TO BUILD A LARGER WASTEWATER TREATMENT PLANT.

THE SAME CONSUMER PROTECTIONS THAT ARE BUILT INTO THE PUC'S DSIC RULEMAKING WERE ALSO INCLUDED IN THE PUC'S CSIC RULEMAKING. THEY INCLUDE:

- A CAP ON THE CSIC RATE – ESTABLISHED AT 5 PERCENT;
- AN ANNUAL RECONCILIATION OF RECOVERABLE COSTS AND REVENUES ASSOCIATED WITH DSIC BY THE PUC'S BUREAU OF AUDITS;
- AN ANNUAL RECONCILIATION HEARING IN ACCORDANCE WITH SECTION 1307(e) OF THE PUBLIC UTILITY CODE;
- CUSTOMER-NOTICE REQUIREMENTS OF CHANGES IN CSIC;

- A RESET TO ZERO IF THE COMPANY'S QUARTERLY OR ANNUAL EARNINGS REPORTS – SUBJECT TO REVIEW BY THE PUC'S BUREAU OF AUDITS – SHOW THAT THE COMPANY'S RATE OF RETURN IS EXCEEDING THE RATE OF RETURN ALLOWED IN THE COMPANY'S LAST RATE CASE;
- PUC AUDITS TO MAKE CERTAIN THE MONEY IS SPENT ON CSIC-ELIGIBLE PROJECTS; AND
- A RESET TO ZERO AS OF THE EFFECTIVE DATE OF NEW BASE RATES THAT PROVIDE PROSPECTIVE RECOVERY OF ANNUAL COSTS THAT HAD BEEN RECOVERED UNDER CSIC.

THE ADOPTION OF A CSIC IS CRITICAL IF WE DESIRE TO PRODUCE THE SAME RESULTS FOR WASTEWATER INFRASTRUCTURE AND LEAVE FUTURE GENERATIONS WITH RELIABLE AND ENVIRONMENTALLY SOUND WASTEWATER SERVICE.

DEP

FINALLY, WE ARE VERY CONCERNED WITH DEP'S BUDGET AND STAFFING LEVELS AND HOW FURTHER CUTS MAY IMPACT SERVICE. IN 2009, DEP EXPERIENCED A 27 PERCENT REDUCTION IN ITS GENERAL FUND BUDGET AND COMPLIMENT LEVELS HAVE DECREASED SUBSTANTIALLY DUE TO THE LOSS OF 97 FURLOUGHED EMPLOYEES AND THE ELIMINATION OF 162 VACANT POSITIONS.

SINCE 1996, EPA HAS PROMULGATED 17 NEW DRINKING WATER REGULATIONS, WHICH PENNSYLVANIA WAS REQUIRED TO ADOPT, OR LOSE PRIMACY. IMPLEMENTING THESE REGULATIONS HAS BEEN A CHALLENGE FOR THE DEP STAFF AND FOR REGULATED WATER SYSTEMS ACROSS THE COMMONWEALTH. FOR THE MOST PART, BOTH HAVE RISEN TO THE CHALLENGE

AND WORKED COLLABORATIVELY TO IMPROVE THE DELIVERY OF WATER SERVICE TO CONSUMERS AND ALSO COMPLY WITH THE REGULATIONS AND EXPECTATIONS OF EPA.

DESPITE THE VAST INCREASE IN THE NUMBER OF REGULATIONS THAT DEP MUST IMPLEMENT, OVER THE PAST TWO YEARS, THE DEP BUDGET FOR ENVIRONMENTAL PROGRAM MANAGEMENT HAS BEEN CUT. THIS WORK IS NOT OPTIONAL – FAILURE TO PERFORM THESE FUNCTIONS MAY JEOPARDIZE DEP’S PRIMARY ENFORCEMENT AUTHORITY WITH EPA, RESULTING IN EPA ADMINISTERING THE SAFE DRINKING WATER PROGRAM, ALONG WITH A SIGNIFICANT LOSS IN FEDERAL GRANTS FOR THE PROGRAM.

WE ALSO HAVE TO CONSIDER THE CHALLENGES PRESENTED BY MARCELLUS SHALE GAS DRILLING AND ITS IMPACT ON OUR WATER RESOURCES. I BELIEVE ALL OF US REALIZE THE SIGNIFICANT ECONOMIC OPPORTUNITY THAT MARCELLUS SHALE REPRESENTS FOR THE CITIZENS OF PENNSYLVANIA. HOWEVER, THE POTENTIAL BENEFITS MUST BE BALANCED WITH CONCERN FOR OUR ENVIRONMENT, ESPECIALLY OUR DRINKING WATER SUPPLIES.

WE BELIEVE APPROPRIATE PROTECTIONS ARE NECESSARY AND MUST BE PROPERLY ENFORCED, SO THAT DRILLING COMPANIES AND ASSOCIATED INDUSTRIES ADHERE TO FEDERAL EPA AND PENNSYLVANIA DEP REGULATIONS. WITHOUT STRICT PROTECTION AND REGULATORY ENFORCEMENT, WATER SUPPLIES AND WATER QUALITY COULD BE ADVERSELY AFFECTED, PLACING THE FINANCIAL RISK ON WATER COMPANIES AND OUR CUSTOMERS FOR THE MEASURES NEEDED TO ADDRESS DRILLING’S EFFECTS.

Marcellus Shale

WITH ALL THESE CHALLENGES, ADEQUATE PROGRAM STAFFING IS A CONCERN TO THE INDUSTRY. THE NAWC RECOMMENDS THAT THE GENERAL ASSEMBLY REVIEW STAFFING AND FUNDING LEVELS IN THE CONTEXT OF THE ESSENTIAL FUNCTIONS THAT DEP MUST PERFORM IN ORDER TO PROTECT PUBLIC HEALTH, MAINTAIN PRIMACY FOR THE WATER PROGRAM, AND EXPEDITIOUSLY PROCESS APPLICATIONS FOR PERMITS. IF ADDITIONAL FUNDING IS NECESSARY TO PERFORM THESE ESSENTIAL FUNCTIONS, CRITICAL TASKS SUCH AS PERMIT REVIEWS AND APPROVALS, THEN FUNDING SHOULD BE MADE AVAILABLE SO INFRASTRUCTURE PROJECTS ARE NOT DELAYED. ACTIVITIES THAT ARE NOT CENTRAL TO THESE FUNCTIONS SHOULD BE EXAMINED AND PRIORITIZED. THE SAME APPROACH SHOULD BE TAKEN TOWARDS THE WASTEWATER PROGRAM.

DAVE AND I WOULD BE HAPPY TO ANSWER ANY QUESTIONS FROM THE COMMITTEE. THANK YOU.

ATTACHMENTS