

Testimony of Karl Kyriss, President, Aqua Pennsylvania
Before the Pennsylvania House Consumer Affairs Committee
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Harrisburg, PA

Good morning Chairman Godshall, Chairman Preston and the members of the Committee. My name is Karl Kyriss and I am the President of Aqua Pennsylvania. Thank you for the opportunity to present testimony regarding the water and wastewater industry in Pennsylvania.

Aqua Pennsylvania is a subsidiary of suburban Philadelphia based Aqua America, the second largest publicly traded water utility serving more than three million people in 13 states across the country. Aqua Pennsylvania alone serves over one million people in 30 counties in the Commonwealth. In fact, 15 percent of Pennsylvania's residents are served by private water companies. Aqua Pennsylvania's wastewater subsidiary, Little Washington Wastewater, serves over 13,000 customers in southeast and northeast Pennsylvania.

As public utilities, both Aqua Pennsylvania and Little Washington Wastewater are regulated by two state agencies, the Department of Environmental Protection (DEP) and the Public Utility Commission (PUC). Aqua and Little Washington work with DEP to secure permits for anything from rebuilding a plant to painting a water tank. Aqua Pennsylvania and Little Washington also work with DEP regarding environmental protection regulations.

Both Aqua Pennsylvania and Little Washington interact with the PUC to set customer rates and ensure quality customer service. The PUC also fields customer complaints and billing issues on both the water and wastewater sides.

The United States Environmental Protection Agency (EPA) estimates that over the next 20 years more than \$335 billion will need to be invested in infrastructure to continue delivering safe drinking water. In Pennsylvania alone, the Sustainable Infrastructure Task Force reported that over the next 20 years \$113 billion will be needed to operate and maintain the Commonwealth's existing water infrastructure. If these improvements are not made, there will be dire consequences on the efficiency and safety of water in the United States.

Aqua Pennsylvania continues to maintain an aggressive capital improvement plan in order to fulfill our mission to provide quality, reliable drinking water to our customers. A leader among U.S. water suppliers in infrastructure replacement and rehabilitation investments, Aqua Pennsylvania is proud to have built, rebuilt and rehabilitated much of the environmental infrastructure that continues to sustain the regions we serve in each of the last two years Aqua was able to invest a quarter of a billion dollars in Pennsylvania. We were able to do this because of our ability to borrow at an A+ rating and a favorable regulatory climate.

Replacing water mains reduces damage from breaks, inconveniences to customers, interruption of service, water loss from leaks and the cost of emergency repairs. Aqua is able to invest the necessary funds where maintenance is most needed because of single tariff pricing. This model allows customers' rates from across Aqua's service territory to be consolidated into one rate base, thereby allowing the cost of repairs and maintenance to our system be spread among the entire customer base. Smaller, non-viable systems are unable to spread the cost of maintenance and upkeep over a larger group, therefore the customers in those smaller systems are responsible for paying for

costly improvements which can often amount to thousands of dollars per customer. In many situations, the systems cannot afford improvements, and service and quality suffer. In some cases in Pennsylvania, this is when Aqua America is asked to step up to the plate and fix whatever problems are plaguing the system.

For example, over two years ago Aqua Pennsylvania, through a DEP “consent order agreement”, was asked to take over the water system in Emlenton, Venango County. Prior to Aqua taking over, the customers in the Emlenton system had been under a boil water advisory for nine months. Upon purchasing the system, Aqua made improvements and was able to lift the boil water advisory in less than a month. Last week we announced that the requirements of the consent order were satisfied a full 17 months before DEP’s deadline. After two years Aqua Pennsylvania invested approximately \$4.5 million in improvements.

Investor owned utilities such as Aqua have the ability to sustain investments and make improvements regularly and over long periods of time. Municipal authorities and locally owned systems don’t have that ability. Aqua Pennsylvania recognizes this and supports the idea of “public private partnerships” or “P3s” for water utilities.

We’ve heard a lot about P3s in the news lately, mostly for transportation repairs. Everyone is all too aware of the state of our roads and bridges as they hit a pothole driving to work, but people tend to take for granted, or not realize, all of the treatment facilities and piping intricacies that need to be in working order when they turn on their faucets. As you well know, the state of Pennsylvania’s water infrastructure is deteriorating rapidly. Many citizens are unaware of the situation, simply because the

pipes are “out of sight.” I’d like to take this opportunity to highlight the need for water and wastewater infrastructure P3s. Such arrangements would allow a blend of the sustainable owned model to work with publicly owned utilities.

In closing I would like to update you about a particularly exciting new initiative Aqua has begun in the past two years—the use of solar energy to power our treatment plants. Aqua’s largest and most significant investment in solar energy comes from our Ingram’s Mill Solar Farm in Chester County. In 2009 we completed construction on a 1.1 megawatt solar farm to power the Ingram’s Mill Plant. The installation contains 4,400 panels which occupy 4.5 acres. It’s currently the second largest solar energy power facility in Pennsylvania. On a sunny day, the panels will generate more than 100 percent of the power needed by the plant—providing cost-effective power during peak electricity loads and relieving strain on the power grid during the busiest water production months. The solar farm is estimated to save \$77,000 annually from the electric bill, which translates directly into savings to our customers.

In the future, water utilities, both public and private, have a huge responsibility ahead of them—financing much needed repairs to infrastructure while containing the cost to customers. It will take some innovative and forward thinking plans, but through initiatives such as public private partnerships and spreading costs among a larger population, we can make large strides towards repairing and replacing before large scale breaks and system failures occur. Thank you again for the opportunity to update you regarding the issues facing Aqua and water industry in general. At this point, I’d be happy to answer any questions you might have.