1994 ANNUAL CONFERENCE

Scottsdale:

Where the Old West Meets the New West

It's now officially time to start polishing your cowboy boots in preparation for NAWC's 1994 Annual Conference, to be held October 2–6 at the Scottsdale Princess in Scottsdale, Arizona. Scottsdale—along with Phoenix, Mesa and Tempe—is part of Arizona's Valley of the Sun. The Valley is a sprawling metropolis of cactus-laden mountain ranges, resorts and golf courses. The Valley is home for 2.2 million people, and is the destination of 10 million people annually.

The Old West meets the New West in Scottsdale, as visitors get the opportunity to enjoy a full range of dining experiences, outstanding museums, art galleries and performing arts, as well as horseback riding, Western cookouts and cowboy shoot-outs. Scottsdale is blessed with an overabundance of sunshine, which makes outdoor activities a way of life. Spectator and participatory sports include everything from golf and tennis to four-wheeling in the desert and hot air ballooning.
A Little History

The earliest inhabitants in the Valley of the Sun were the Hohokam Indians, who arrived in Phoenix in 300 A.D. The tribe thrived there until about 1450 A.D. There is no record of the Hohokam after that, although they are believed to be ancestors of the Pima Indian. In the Pima language, “hohoka” means “those who have gone.”

For almost 25,000 years, Native Americans were alone in what is now Arizona. Archaeological evidence supports the existence of three major tribal groups: the Anasazi of the state’s northern plateau highlands; the Mogollon people of the northeastern and eastern mountain belt, and the Hohokam.

Today there are 21 Indian reservations in Arizona, more than in any other state. These reservations are home to an estimated 100,000 Native Americans from 21 different tribes.

In the mid 1500s, the Spanish Conquistadors arrived in Arizona, searching for the fabled Seven Cities of Cibola. Although they found little gold, they introduced the native people to cattle and horse raising and a variety of new agricultural crops and techniques.

Until the mid 1850s, the Native American tribes accepted the few miners, traders and farmers who settled in Arizona. As the number of white settlers grew, however, the Apache, Navajo, Yavapai, Hualapai and Paiute tribes of the mountains and plateaus resented the encroachment on their land and battles broke out. The military was called in and eventually the tribes were confined to government reservations. The ensuing decades were an ordeal for Arizona’s natives, but they survived.

Phoenix–Scottsdale’s next door neighbor—originated in 1860 as a small settlement on the banks of the Salt River. One of the city’s first settlers gave Phoenix its name, predicting that a great city would arise from the ancient Hohokam ruins like the legendary phoenix bird that was said to have risen from its own ashes every 500 years.

With the construction of its first railroad in 1887, Phoenix drew settlers from all over the United States. In 1889 it was declared the capital of the Arizona territory. Arizona became a state in 1912, and the Valley of the Sun has been attracting Americans from all over the country ever since.

Sights

Arizona is known as the land of contrasts. Visitors will see everything from the tall, cool pines of Northern Arizona to the cactus-filled scenery of the Sonoran Desert. Visitors also will want to see the majestic Grand Canyon, one of the seven natural wonders of the world. This breathtaking sight can be experienced through nature walks or mule rides into the Canyon, or by taking a leisurely drive along the Canyon’s outer edges.

On your way to the Canyon, consider a stop at Sedona, a cultural community providing a wide array of boutiques and art galleries selling everything from Indian and Southwestern arts and crafts to the latest in fashions. Oak Creek, a street that has carved the canyon in which Sedona sits, also is a place to relax. Visitors can enjoy the day by taking in the beautiful scenery or cool off by swimming in the red-rock-lined canyon.

continued on next page
The Valley of the Sun offer some of the finest golf courses in the country. Visitors come from all over the U.S. to enjoy the more than 100 desert-style and traditional courses throughout the Valley. Combined with year-round sunshine and dramatic scenery, golf continues to be a popular activity with residents and visitors alike.

Conference, continued

Arizona also is home to Lake Powell on the northern border. Named for Major John Wesley Powell, leader of the first Colorado river expedition through the Grand Canyon, Lake Powell is 186 miles long and has more miles of shoreline than the entire Pacific coast of the United States. The lake, which extends into southern Utah, took 17 years to fill.

Other scenic trips worth taking include: venturing to the town of Prescott, site of the historic 1857 John C. Fremont House, the first territorial governor’s mansion; the Apache Trail, a world-famous trail that twists through the Superstition Mountains and was once travelled by the Apache Indians; and Montezuma’s Castle, a 12th-century Aztec-designed dwelling carved into a steep cliff, once inhabited by the Pueblo Indians. These destinations can be reached in only a few hours from Phoenix by car.

Recreation

Scottsdale is the perfect place to experience unique and fun outdoor activities. Horseback riding is a great way to see the spectacular Sonoran Desert, as is a rugged jeep ride, which takes guests outside the city limits and deep into the desert environment. An afternoon of rafting on the Verde or Salt rivers is another way to enjoy the area. And thrill seekers may want to view the sights of the Valley from a glider or hot air balloon. NAWC will offer a full slate of tours, providing attendees many opportunities to get the most out of their Scottsdale experience.

Sports at the Princess

The Princess features two 18-hole TPC golf courses designed by Jay Morrish and Tom Weiskopf in consultation with Howard Twitty and Jim Colbert. Both courses are managed by the PGA Tour. The 6922-yard, par 71 TPC Stadium Course is the site of the annual PGA Tour’s Phoenix Open. The 18th hole has standing room for 40,000 spectators. The Desert Course is a challenging 6525-yard par 71.

The Princess has nine tennis courts, including a 10,000 seat capacity Stadium Court which is the site of the annual ATP Men’s Tennis Championships. Six courts are lit for night play.

The Princess has three heated pools and two hot tubs. Its spa and fitness center include a racquetball court, a squash court, exercise equipment, and aerobic classes. A full range of spa treatments—herbal wrap, aloe wrap, loofah salt glo, saunas, whirlpools, Swiss showers, Turkish steam baths, massage and facials—are available.

Dining

Scottsdale is full of excellent restaurants, beginning with the ones that are located at the Princess. Marquesa features Spanish Catalan cuisine and gracious ser-
The internationally acclaimed Heard Museum is one of the best places to experience and learn about the cultures and art of Native Americans of the Southwest. Frequently, Native American artists in residence demonstrate beadwork, weaving, sculpting or carving.

In the intimate glow of a cozy fire or on terraces overlooking a mountain sunset. Dinner and market-style Sunday brunch are featured. Marquesa has won a AAA Five Diamond award. La Hacienda is a free-standing, turn-of-the-century Mexican hacienda, a short walk from the hotel lobby. The restaurant and lounge overlook an open-air courtyard. The dinner menu features authentic Mexican steak and seafood specialties. La Hacienda also features live Mariachi entertainment. It is open for dinner only. Las Ventanas is an informal Southwestern Cafe, with a panoramic view of the South pool and golf courses. The cafe extends outside to the pool terrace for service to guests in bathing attire. The Grill at TPC is located in the golf clubhouse overlooking the Stadium golf course, with both indoor and outdoor dining. The evening menu features fresh fish, Maine lobsters, BBQ ribs and steaks. The Grill is open for breakfast, lunch and dinner.

Other spots at The Princess include Caballo Bayo, a festive western cantina featuring top country music, dancing and karaoke; shuffleboard, darts, pool and pinball; fajitas and Tex Mex appetizers. Cazadoras is a perfect hideaway offering cocktails, wine, beer, liqueurs, cordials, appetizers and late night desserts. The Cabana Cafe features club sandwiches, grilled burgers, chilled salads, soft drinks, natural juices and tropical thirst quenchers served at South Pool.

Off the grounds of the Princess, endless dining possibilities exist. With some of the finest chefs in the world, senses will be tantalized by indulging in a variety of foods including Italian, Chinese, Mexican, Continental, Thai and Moroccan, to name a few. It is also possible to taste a bit of the Old West by sampling a genuine cowboy mesquite-style steak at one of the many restaurants specializing in authentic Southwestern cuisine. The atmosphere of these establishments ranges from casual cowboy to sophisticated city.

Weather
Scottsdale is renowned for its year-round sunshine (306 sunny days each year with sunshine during 86% of daylight hours) and low humidity. In early October, average day-time temperature is in the 80s. A light sweater or jacket may be necessary in the evenings.

Registration Materials
Keep your eyes out for additional information on the Conference in future issues of WATER. Registration materials will be sent out in early July. In addition to an excellent professional program, there will be plenty of fun events. So keep polishing your boots in preparation for an event that you'll remember for a long time!

The Valley of the Sun has several riding stables with horse rentals available by the hour, half-day or day. One of the best ways to explore the many hidden wonders of the Sonoran Desert is by horseback.
Talking Points for
Roundtable Discussion on
National Water Supply Policy Issues

by James S. McInerney
Bridgeport Hydraulic Co.

presented March 29, 1994

Good morning. It's a pleasure to come before this distinguished group and have the opportunity to discuss a subject whose time has come. The fact that we're all here attending a conference on this issue speaks volumes about the growing prominence of public-private partnerships in the water supply industry. First, a few informational points about my company—Aquarion is a water-quality-related services company headquartered in Bridgeport, Connecticut. Aquarion’s Bridgeport Hydraulic Company and Stamford Water Company subsidiaries provide water to a population of approximately 500,000 in three Connecticut counties. Our Aquarion Management Services subsidiary provides a fully integrated range of utility management services including public-private partnership initiatives. AMS has participated in EPA-sponsored public private partnership grant programs involving two Connecticut municipal water supply systems and has developed numerous guidance documents regarding water supply privatization.

What is a public-private partnership? A public-private partnership is an agreement between a public and a private entity that commits both to providing a public service. Most agreements fall into one of the following categories:

Contract Services: The private sector is contracted to provide a specific service, such as the operation of a water treatment plant. The facility is owned by the public sector.

Turnkey Services: The private sector designs, constructs and operates a facility owned by the public sector.

Financing Services: The private sector finances the construction or expansion of a system in return for a right of use.

Privatization: The private sector finances, builds, owns and operates the system.

There is a good reason for the growing utilization of these public-private mechanisms. Simply put, public-private partnerships make sense. The need for municipalities—large and small—to meet the seemingly endless string of government regulations and the increasing burden of infrastructure upgrades has created a situation that begs for creative operational and financial solutions.

The continued promulgation by Congress of unfunded mandates has placed enormous fiscal pressure on state and local governments. The issue of unfunded mandates is not going to go away. It remains a reality in the foreseeable future and will make it more and more difficult for communities to marshal resources to address priority needs. As such, governments must find better ways to provide services.

This is forcing them to take a long, hard look at the cost of operating and maintaining services. Increasingly, this "sanity check" reveals that some form of public-private partnership—be it outright asset sale or contract services—is the way to go. In either case governance is retained by government, either through regulation or ownership.

Any discussion on public-private partnerships in the water supply industry should distinguish between big-city problems and small water system problems. For the large municipalities where the need for financial resources is greatest, particularly the older cities in the East such as New York, Boston, Philadelphia...
and Washington, privatization of their water systems should be explored as an option. The burden of providing other services, for example, may be so great for the big cities that privatization makes sense to provide resources for higher priorities. In addition, the aging infrastructure of the older larger cities demands resources at a time when other crises require immediate attention.

For the small systems, it can be a matter of survival. Public-private partnerships can salvage a failing system through contracted services, system interconnections to viable systems and through acquisition. In short, whether large or small, municipalities may be faced with one or more of the following challenges:

a) proliferation of unfunded mandates;

b) the growing demand for other public services;

c) aging, often outmoded, infrastructure; and

d) the increasing need for more skills and expertise.

While the primary driver in true privatization seems to be fiscal crisis, the driving forces behind contract services are mixed. With privatization, for example, benefits include ease to the community, increased tax revenues to local, state and federal governments and the shredding of operational responsibilities. With contract services, a need for operational expertise and/or operational responsibility usually drives the process. In true privatization initiatives, public utility commission oversight assures a high quality, reliable drinking water supply at cost effective rates. In contract services the terms and conditions of the agreement between the public and private partner assures the quality of the services. In many cases, the provision of contract services is the more logical and appropriate course of action to provide services.

By way of example, our Aquarion Management Services unit was hired by a Connecticut municipality to operate its filtration plant. What the municipality needed was the expertise to operate a brand new, high tech, water filtration plant. The advantage of bringing AMS on board was our ability to offer economies of scale by providing access to a wide variety of technical expertise versus what has been proven to be the more costly alternative of hiring or retaining individual skills. While not an example of public-private partnership, AMS demonstrated the strength of contract services when a small, privately owned system asked AMS not only for its expertise, but to sustain its very existence. We were able to operate their system, successfully manage a rate case and generally restore the company’s fiscal health.

You may be asking yourselves, “If public-private partnerships are so successful and make so much sense, why haven’t there been more of them?” The answer can be found in what needs to be done to encourage this kind of activity between the public and private sectors.

The necessary incentives that should be considered include the following:

1. Reinforce Executive Orders on Infrastructure Privatization to forgive repayment by municipalities of the undepreciated portion of any federal monies that financed the construction or purchase of an asset. This would allow more of the proceeds from the sale of these federally funded assets to address more pressing needs of state or local governments.

2. Establish legislation at state and federal levels that would encourage public-private partnerships for utilities in distress. For example, provide a full tax exemption for the private partner earnings for the first three to five years of the system’s operation. Another example is to provide accelerated tax depreciation deductions for the cost of acquiring and/or improving the system in need. And lastly, remove the barriers in the tax code to public-private partnerships.

3. Provide tax exemptions or credits to state and federal income taxes applied over time, for investor-owned water companies that rescue, acquire and improve smaller, troubled systems, based upon the cost of the rescue, acquisition and improvement. At the present time in Connecticut, an Aquarion legislative initiative is being considered that would provide a ten percent direct credit to the state income tax for such activities.

4. Modify legislation regarding state revolving funds to include not only publicly owned infrastructure but private as well. Permitting SRF monies to be used in conjunction with private funds could possibly leverage additional billions. Such a program is not without precedent. The highway bill enacted in 1991 (the Intermodal Surface Transportation Efficiency Act, known as ISTEA) permits up to 50 percent of the funds for construction of toll roads to come from the highway trust fund even if owned by the private sector.

Clearly, there are obstacles that threaten to further stall or even derail the trend toward public-private partnerships. State and local government officials, for example, fear losing control of their facilities, and the municipal workers’ unions fear the loss of jobs for the rank and file. Assets may be transferred and/or services may be contracted out but governance must remain with government. Workforce commitment is important to the success of public-private partnerships and can be achieved through negotiation. In the big picture, this approach is in the best interest of every taxpayer as a major step towards fiscal sanity.

In the book Reinventing Government by David Osborne and Ted Gaehler, it is stated that “Those who still believe government and business should be separate tend to oppose these innovations, whether or not they work. But the world has changed too much to allow an outdated mind-set to stifle us in this way.” Harlan Cleveland writes in The Knowledge Executive, “we would do well to glory in the blurring of public and private and not keep trying to draw a disappearing line in the water.”

Investor-owned public water suppliers stand ready—if only incentives were there—to do more. We are here to solve problems, not create them. Neither are we asking for the moon in return, just an opportunity to show our stuff.

S P R I N G 1 9 9 4 9
The Risk on the Demand-Side: Some Planning and Pricing Impacts Associated with the Demand for Water

by Dr. Sarah P. Voll
Chief Economist, New Hampshire PUC

The water industry, both private and municipal, has become subject to a new, and generally insufficiently recognized, source of risk. Where in the past industry managers needed concern themselves only with the quality and reliability of the supply side of the industry, in the 1990’s new factors have begun to affect the reliability of estimations of customer demands. These demand-side factors pose risks to the financial health of the water service every much as grave as the supply-side considerations of sources and treatment.

Traditionally, public utility standards and practice, regardless of industry or ownership, require managers to take customer demand as a given and ask merely what type of plant will most efficiently fit under the demand curve. The common presumption of the consumer sovereignty of the free market is reinforced—for companies that are public utilities—by the ethos of their “obligation to serve,” a characteristic of their franchise requirements, and the recognition that the product they provide is a necessity.

In the 1980’s, the assumption that the utility’s “obligation to serve” presumed an “obligation to build” began to give way to concepts of Least Cost Planning. The new approach was evident first in the electric industry where, after 1978, utilities were required to purchase from some types of independent (non-utility) power producers. By the mid-1980’s conservation and load management increasingly became desirable options. Together termed “demand-side management,” such programs became an explicit recognition that the utility could serve customers by managing demand as effectively as by expanding supply. By the end of the 1980’s concepts of least cost planning had been considered by the utility commissions in most states for the electrica and were beginning to be introduced in the gas industry.

Such concepts, however, have been slow to come to the water and sewer industries. The presumption lingers that, confronted with projections of increased demand, the water system, whether public or private, has an obligation to expand. Management’s bias is shared by most engineering consulting firms, whose main income comes from their design and construction oversight functions, and is reinforced by mandates from the state agencies, which may automatically require that water and sewer facilities expand when they reach a given level of capacity.

However, the inability of any of the involved parties—the systems management, consulting firms or state agencies—to forecast demand accurately has increasingly put the utility service at risk. Over-estimating demand results in excess plant capacity, the cost of which must be borne by existing ratepayers. An example is the case of Newmarket, NH, which under mandate by the state spent $2.3 million to upgrade its water treatment facility to serve demand that is yet to materialize. The town’s consulting firm which recommended the upgrade in 1988 and subsequently oversaw its construction, now predicts that the plant will not be needed “for at least the next five to seven years.” The plant ran for just 66 hours in 1992, only to assure its operating condition.
Philosophical reluctance to attempt to affect demand growth and poor forecasting methodologies are not the only inhibitions to considering demand-side management. The primary tool for managing demand is rate design, i.e., the crafting of price structures to shape consumption. However, the perceived wisdom in the water industry is that the demand for water is not particularly sensitive to price. The assumption is often a self-fulfilling prophecy as it is used as an excuse to charge fixed rates (preferred in any case by management for the stability of the revenue stream they offer), rather than metered, usage-sensitive prices. With no link between bills and usage, it is not surprising that price has little effect on consumption. Further, demand may well be price insensitive at the low rate levels historically typical of the industry, only to become considerably more responsive as the price per gallon rises.3

Such traditional assumptions are outmoded. They deprive the utility of one of its planning tools, and limit the utility to a high risk “build” strategy in response to expectations of growth. The existence of the risk that usage will decline as prices rise is suggested by numerous studies of price elasticity (the change in the quantity of a product demanded due to a change in price), whose conclusions are reinforced by actual events, which are then often dismissed as anecdotal evidence.

Studies of price elasticity have been conducted for various end uses and types of customers. The results appear to differ geographically, so there is no assurance that the conclusions of a study conducted in Texas, for example, will transfer to New England. However, a review of elasticity studies prepared for the Army Corps of Engineers nearly ten years ago indicated the possible range of response to price increases, and thus the vulnerability of the water utility to the risk of severe reactions to significant increases in price.

Probably even more significant for the utility planner is the range, and therefore uncertainty, of the responsiveness to price exhibited by commercial and industrial customers. Depending on the type of industrial customer and the nature of its water use, every 1.0% increase in price can result in a decline in consumption that is as little as 0.3% or as great as 6.7%. Similarly, the range for commercial customers is a 0.2% to 1.4% decrease in usage for every 1.0% increase in price. The most sensitive reactions are clearly from segments of industry that use process water at several stages in the production process. It is sometimes possible for these industries to reorganize production sequences to re-use water in order to conserve on purchased water; and at some level of price for the utility’s water, such re-organization becomes cost effective. Managers who do not understand the nature of their customers’ industrial processes and therefore their customers long-term options for water use, are putting their revenue streams at risk.

An example of water conservation/reuse by industry is the experience of Bristol, NH. In the boom years of the 1980’s, Bristol was faced with a state mandate on its sewer plant either to enact a moratorium on new hook-ups or to enlarge the plant. At a cost of $940,000, Bristol chose to upgrade its system from 240,000 to 500,000 gallons per day.

In reaction to the price increases and to requests from town officials and developers to conserve, Freudenberg-NOK, the town’s major employer, implemented 30 to 40 conservation measures, chiefly an investment in cooling towers to recirculate non-contact water in the manufacturing process. As a result, their quarterly water bill (and the Water and Sewer Department’s revenue) dropped from $13,700 to $2,000 and their sewer bill fell from $30,000 to less than $10,000. The sewage treatment plant now handles 155,000 gallons per day—only 65% of the capacity of the plant before the upgrade. To cover the fixed costs of the water and sewer departments, sewer rates have been increased 10% and water rates 74%. Reacting to the higher water rates, New England Fish Farm, another major water user, announced its intention to move its Atlantic Salmon smolt-rearing operation to its Solon, Maine, facility. It will ship its stock to Bristol in the fall when the Farm no longer depends on municipal water for cooling.

Freudenberg is an example of internal re-use of water. Other facilities are exploring the potential in the use of treated waste water. Chevron’s oil refinery in Richmond, CA, announced in January 1993 (5) that it will curb consumption of fresh water 45% in early 1994 by using treated wastewater. Moody Gardens of Galveston, Texas, through an Electrodialysis Reversal (EDR) water desalting technology, uses millions of gallons of sewage treatment plant effluent for landscape watering. The EDR plant was manufactured by Ionics, Inc. of Watertown, MA, one of eight companies nation-wide that provide wastewater recycling. Neither the concept nor the technology is particularly new: Ionics has been in business for 45 years and has installed 2,000 similar EDR plants worldwide, 200 in the United States.6

While Chevron and Moody Gardens have chosen recycled wastewater with the full knowledge and approval of their municipal water systems, other water systems have not been as compliant. The Arizona Water Company sued the City of Bisbee in 1991 when it arranged to sell sewage effluent to an industrial plant. It lost—the Arizona Court of Appeals found that the sale was not an encroachment upon or impermissible competition with the franchised water utility. As the Clean Water Act mandates that wastewater treatment standards become increasingly stringent, such opportunities will proliferate, with or without the consent of the local water system.

No water system is exempt from such economic forces; nor should any limit itself to supply-side solutions. Managers must consider very carefully any proposal to increase the capacity of the water and sewer treatment plants, and not unques-

---

**Long-Run Elasticity Range**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Elasticity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td></td>
</tr>
<tr>
<td>Winter</td>
<td>0.00 - 0.10</td>
</tr>
<tr>
<td>Summer</td>
<td>-0.50 - -0.60</td>
</tr>
<tr>
<td>Sprinkling</td>
<td>-0.70 - -1.60</td>
</tr>
<tr>
<td>Combined</td>
<td>-0.20 - -0.40</td>
</tr>
<tr>
<td>Industrial</td>
<td>-0.30 - -0.71</td>
</tr>
<tr>
<td>Commercial</td>
<td>-0.20 - -1.40</td>
</tr>
</tbody>
</table>

Risks, continued

tionally accept mandates from the state or advice from not altogether disinterested consultants. They may well find that measures to limit demand are more cost-effective than proposals to increase supply.

Further, as the water and sewer rates increase, system planners should recognize that the customers themselves will look for ways to reduce their bills. Large users, in particular, may have numerous opportunities to conserve and re-use water that they would explore only after rates reflect the system expansion. Any capacity expansion, and particularly one that would result in increased rates, should therefore be preceded by a careful review of the assumptions underlying the demand forecast. That review must include a thorough investigation and understanding of the nature and extent of the opportunities available to customers to reduce their dependence on the public water system.

Notes

1The Public Utilities Regulatory Policies Act of 1978 required utilities to purchase electricity from qualifying facilities, at least on a short-term basis, at a price that represents the costs the utility can avoid by the purchase. "Qualifying facilities" were defined as co-generators (which produce both electricity and some form of useful heat), and small power producers (which were based on renewable resources like hydroelectricity, wind, wind, or municipal solid waste).

2Susan Nolan, "Fuse of Water is Weighted in Ninth," The Transcript (June 8, 1993), p. 17.

3An important characteristic of response to price in the water industry is that because sewer rates are often based on water usage, demand is as likely to respond to an increase in sewer rates as to an increase in water rates per se.

TJ. Boland, B. Dziwlejewski, D. B. Baumann, and E. M. Optt, Influence of Price and Rate Structure on Municipal and Industrial Water Use, U.S. Army Corps of Engineers, Engineer Institute for Water Resources, Contract Report 84-C-2, 1984. The researchers placed differing degrees of confidence on the various studies they reviewed and therefore the specific results. Generally, they had most confidence in the residential studies and noted statistical deficiencies in the industrial and commercial studies that could lead to errors in the outcomes.


6Elasticity ranges were defined as "most likely elasticity range" or "reported elasticity range" in the report.

7Elasticity range applies to eastern United States.

8Elasticity applies to eastern and western United States.

9Short run elasticity has been measured at 0.00 to 0.30 for combined residential usage.

10Elasticity range applies to individual categories of industrial water use. Elasticities for aggregate industrial use reported as 0.00 to 0.30.

11Elasticity range applies to individual categories of commercial water use.

Welcome to . . .

Our Newest Member Companies

Allied Utilities, Inc.
Tampa, FL

Blue Ribbon Water Co.
Rock Hill, SC

Duck Farms Springs Water Co., Inc.
Medfield, MA

Dykeer Water Company
Pauling, NY

El Camino Water Co., Inc.
Salinas, CA

Lake Placid Utilities, Inc.
Alamontes Springs, FL

O&S Water Company
Kissimmee, FL

Reagan's Mill Water Company
Pawling, NY

Ridgeville Water Co.
Eric, PA

Southeastern Louisiana Water and Sewer Co.
Mandeville, LA

J. Swiderski Utilities, Inc.
New Lenox, IL

Tymbeer Creeks Utilities
Medfield, MA

Utilities, Inc. of Louisiana
Slidell, LA

Our Newest Associate Members

J. B. Correy
ABB Kent Meters
Ocala, FL

Gary Gutrich
The Ford Meter Box Co.
Wabash, IN

Eric L. Hanson
EHC—Environmental Hydrogeology Corp.
Clifton Park, NY

Keith C. Jones
Drumond, Woodsum, Plimpton & MacMahon
Portland, ME

B. J. Lewis
CBI Na-Con, Inc.
Plainfield, IL

David B. Morgan
Pohnpei Utilities Corp.
Pohnpei, Micronesia

Jim Porteous
Romac Industries, Inc.
Seattle, WA

Branco Terzic
Arthur Anderson Economic Consulting
Washington, DC

William Vanderslice
Vanair Mfg., Inc.
New Buffalo, MI

Steven J. Whitman
Bristol Babcock, Inc.
Watertown, CT
Four Items That Managers Need to Know About Giardia and Cryptosporidium

by Dr. Mark W. LeChevallier
Assistant Director of Research
American Water Works Co., Inc.

Item #1—Giardia and Cryptosporidium are present in your water supply.

The probability is very high for detecting cysts or oocysts if the analysis is performed properly and frequently.

While published methods are available, they are labor intensive, time consuming, require a high level of expertise, and are relatively expensive.

If you use a commercial laboratory, be sure to ask about their efficiency of recovery (based on how many experiments?).

Item #2—Giardia levels will require more treatment than just 3 logs.

BAD NEWS: The average plant will require greater than 5 logs treatment for Giardia.

GOOD NEWS: Most plants now provide more than 5 logs treatment through effective turbidity reductions and pre and post disinfection.

Be concerned about regulations limiting predisinfection credit—especially under cold water conditions (10-15°C).

Item #3—Optimize particle count reductions to reduce reliance on disinfection.

Optimization could increase particle count reduction credit to 3-4 logs.

Effective coagulation is important.

On-going research will help to interpret particle count data.

Item #4—Invest in personnel.

Training—call EPA regarding training classes

Information—AWWARF reports, AWWA Journal, AEM, WQTC

Representative disciplines—microbiology, chemistry, engineering, environmental sciences

Analytical resources
When the Going Gets Tough, the Tough Get Proactive

by Charlotte St. John
Director of Public Affairs
Southern California Water Co.

Southern California Water Company (SCWC), the fifth largest investor-owned water provider in the nation, recently faced a potentially serious public relations challenge: to communicate the largely negative findings of a management audit initiated by the California Public Utilities Commission (CPUC).

Because SCWC was the first water utility to be audited in the state, the audit had the potential to be a watershed for the company...and for the industry. It could either be an opportunity or a disaster. We decided to make it the former.

The audit had been recommended by CPUC staff during a 1991 rate case. And although the company initially resisted, it was ultimately agreed to with the following parameters:

- The audit would be postponed until 1993, to allow SCWC time to implement previously identified organizational changes;
- The consultant for the audit would be cooperatively selected by the CPUC and SCWC; and
- The scope of the audit would be jointly developed by the CPUC and SCWC.

The company realized that devoting the necessary time and resources would be a major distraction from day-to-day business, but saw this as an opportunity to take an objective look at the entire organization.

After a bid process, Barrington-Wellesley Group, a nationally recognized consulting firm, was selected to serve as auditor. The audit began in May, 1993, and covered literally every aspect of the company’s business, from the composition of the Board of Directors to the procedures for selecting vendors. Over the next five months, interviews were conducted with more than 150 employees, the Board of Directors, community representatives and members of the CPUC staff. It also included review and analysis of almost 300 internal documents, as well as visits to many of the company’s major districts.

The first draft was completed in October, 1993. And although the very nature of a management audit is to identify areas that can be improved, some of the findings were hard to swallow. But the officers decided to look forward, accept the recommendations and move ahead.

The first step was to establish ad hoc employee teams throughout the company with the responsibility to develop plans for implementing each of the 114 recommendations.

This was particularly challenging since we were prohibited from sharing the entire Audit Report with team members. Because the audit was officially a “draft” during this time, the consulting firm and the CPUC required that it remain confidential. Only the officers of the company were allowed to review the various drafts—a fact that caused frustration on their part and suspicion on the part of the employees.

But the officers made a commitment to share it with every employee as soon as possible, once the final document received approval. This was conveyed to employees through verbal presentations and a series of personal letters from the President to each employee.

To meet the challenge of developing the plan, SCWC provided excerpts from the document, namely those specific sections of the report each team was to address. In turn, the teams devoted literally thousands of hours to producing detailed plans and timetable for implementing each of the recommendations presented in the Audit Report.

The result? The Plan for Service Excellence, a document that the company considers a “blueprint” for the future.

We then submitted The Plan for Service Excellence to the CPUC at that same time that Barrington-Wellsley submitted the final Audit Report—a fact that seemed to be well received by the CPUC staff. The Plan for Service Excellence showed our willingness to accept criticism and our ability to respond quickly.

Yet another, more immediate issue remained: how—or even whether—to communicate the Audit Report and The Plan for Service Excellence to the company’s external audiences, such as elected officials, community leaders and the media.

The natural instinct was to want to hide it. Like a bad report card, we wished the Audit Report would just disappear.

Reality, however, dictated otherwise. After all, the audit had been recommended during a rate case, so we knew that the CPUC would send the final draft to the intervenors (in the original rate case from 1991) for comment. And as a regu
lated utility and publicly traded corporation, we had already discussed it in shareholder communications.

We knew the possibility existed for it to become widely publicized... and wrongly interpreted.

After weighing all the issues, the company decided that sharing the report with all of our community stakeholders not only made good business sense, but was simply the right thing to do.

Thus was born an aggressive, proactive communications plan which basically proposed the distribution of both documents to anyone and everyone who might have an interest in the company: employees, elected officials, regulators, community leaders and the media.

Everyone agreed that employees were our most important audience and deserved to receive an “advance” briefing. But the sheer logistics caused some complications: about a fourth of the company’s 491 employees are based at SCWC headquarters in San Dimas and the rest are located in 5 divisions and 22 offices scattered throughout the state, from Calipatria-Niland in the Southern California desert to Clearlake, north of San Francisco.

So, although President and CEO Floyd E. Wicks would have preferred to meet personally with all of the company’s employees and present the results of the audit, we had to take a different approach.

We decided a video of Wicks discussing the Audit and the plan would be produced and shown at employee gatherings around the state. The company’s five division directors would lead the meetings and answer questions following the video. Directors were also given responsibility for identifying and communicating with key stakeholders in each of the communities they served.

In the meantime, SCWC received permission from the CPUC to share the Audit Report with Division Directors, District Superintendents and other managers, who were asked to review both documents and develop lists of anticipated questions. We then used the questions as the foundation for an internal question and answer document. To ensure that everyone was fully prepared to respond, a series of training sessions were held.

Additional materials were drafted including a news release concerning the results of the audit, but also emphasizing The Plan for Service Excellence; a personalized letter from the President to accompany the documents; and a short list of strategic message points to be utilized in all communications. Finally, each executive participated in media and presentation skills training to ensure their ability to handle even the most hostile questions with aplomb.

We wanted to make sure that we spoke with one voice and that we communicated what we considered the most important message—namely, as Wicks put it, that this audit was the “best thing that had ever happened to the company”; that while we did not necessarily agree with all of the findings, that we did agree with the recommendations; and that we had developed detailed plans to address each one.

The next step was to identify, on a district-by-district basis, all of the stakeholders SCWC thought should receive copies of the Audit and the Plan. We reviewed our relationships and identified the key players in each community, including city council members, mayors, city managers, municipal water officials, local business leaders and community activists. Lists were then reviewed to determine who could receive materials by mail and who should be met with personally.

We felt that it was especially important to try to build relationships with those individuals with a history of antipathy toward the company. We wanted to go out of our way to make sure they received both reports and let them know we were available to answer their questions. And, that we were committed to more effective communications.

A major challenge was timing: once we received the final draft of the Audit, we had just 24 hours to copy and distribute 1200 sets of the audit and plan for service excellence to each of our district offices for their further distribution to employees and stakeholders.

At the same time, we delivered 37 sets of the audit and plan, along with our press release, to newspaper offices throughout the state, including some of the largest (the L.A. Times) and some of the smallest (The Intrepid Reporter).

And, we had to get Wicks’ video to each office and schedule employee meetings before distributing the document outside the company. We wanted to make sure our employees were fully informed and had all their questions answered.

Another important decision was also made: to communicate our plans with the CPUC. Personal meetings were held with both the Advisory and Compliance Division and the Office of Public Affairs. We outlined our plans, showed them the president’s video, and even provided them with copies of both documents before they received them internally.

As a result, they agreed to coordinate the timing of their press release to coincide with ours, and to provide us with an advance copy for our review.

As it turned out, the old adage is true: timing is everything.

Not only did Los Angeles manage to have one of the worst natural disasters in history just two weeks before the release of the documents... perhaps distracting the news media... but the CPUC also sent out their (as it turned out—very negative) press release on a Friday afternoon at 5:15PM. Not one newspaper picked it up.

In any event, due to good planning, hard work and probably a little luck, everything went relatively smoothly.

The best news? Community leaders, customers and regulators were universally positive about our openness, our willingness to share the “bad report card,” and our initiative and foresight in the development of The Plan for Service Excellence. Many expressed their appreciation and suggested that management audits might be a good idea for their particular organization. Even our strongest protagonists gave us an “A” for communications effort.

And as for the media: as of March 1, 1994, there had only been a couple of telephone calls and three articles published. We still can’t believe it.

So, with apologies to the Marine Corps, I will repeat: “When the going gets tough, the tough get PROACTIVE!”

ACKNOWLEDGEMENTS: The author would like EVERYONE at Southern California Water Company who had worked so hard to make this enormously time-consuming program work! And special thanks to Fleishman/ Hillard, Los Angeles, for their invaluable advice, fortitude and flexibility during the last four months!
Until recently the topic of risk analysis aroused little interest on Capitol Hill. During floor debate in the United States Senate about a proposal to elevate the Environmental Protection Agency to Cabinet status, Senator Bennett Johnston (D--LA) offered an amendment calling for systematic use of risk analysis in EPA rulemakings. The amendment passed the Senate by a vote of 95-3.

In the House of Representatives, which is now considering whether EPA should be elevated to Cabinet status, questions have been raised about the proper role of risk analysis. One concern is that, in a democracy, environmental priorities should be set by public opinion, not scientists. A related concern is that the public may not be interested in the technical analyses of risks, benefits, and costs required by the Johnston Amendment. The House is expected to debate the risk analysis issue in 1994. The debate may extend beyond the specifics of the Johnston Amendment and include other proposals to expand or restrict the role of risk analysis in environmental policy.

In order to discern public attitudes toward risk analysis and related questions of environmental policy, HCRA commissioned the survey research firm, Market Facts, Inc. of Cambridge, Massachusetts, to interview 1,000 Americans by telephone.

Nuts and Bolts
The survey employed a random digit-dial sampling technique to obtain a representative sample of households in the United States. The interviews were conducted over the weekend of November 5-7, 1993.

The seven statements and the overall numerical results of the survey are displayed on the reverse side of this page.

Basic Results
Like most previous opinion surveys, HCRA's survey found public attitudes to be broadly sympathetic to the need for more governmental activity to protect the public from pollution. Of particular interest to the current Congressional debate are the following findings:

1. A majority of respondents supports elevation of EPA to Cabinet status.
2. A majority of respondents agrees with a core position of the "environmental equity" movement, that more priority should be given to addressing pollution problems that harm low-income and minority groups.
3. A majority of respondents agrees that the government should use risk analysis when setting priorities for environmental spending.
4. A majority of respondents believes that the EPA should inform the public of the benefits and costs of environmental regulations, a key provision of the Johnston Amendment.

HCRA was surprised about the breadth
of public support for risk analysis. It is ironic that the issue with the most public consensus, the reporting of benefits and costs, appears to be the major source of contention in the congressional debates about elevation of EPA to Cabinet status!

Qualifiers
As previous surveys have indicated, the intensity with which the public holds particular viewpoints on environmental policy is not always great. The fraction of respondents who held a viewpoint "strongly" was relatively small on all seven statements. Many respondents probably do not have well-formulated opinions on these issues. This suggests that respondents might indicate a different viewpoint if they were provided more information about these issues.

This initial public opinion survey provides useful baseline information about public attitudes toward the use of risk analysis in environmental policy. As this analytical tool becomes more familiar to citizens in the future, it will be interesting to observe whether public attitudes change.

HCRA'S ENVIRONMENTAL POLICY SURVEY
N = 1,000 Americans in representative sample

(Percent numbers may not add up to 100, due to 1) a small number of people that gave no answer or 2) rounding to whole numbers.)

A. The government is not doing enough to protect people from environmental pollution.
19% strongly agree, 47% agree, 26% disagree, 6% strongly disagree, 2% don't know

B. The job of Administrator of the U.S. Environmental Protection Agency should be promoted to Cabinet status in the White House.
10% strongly agree, 42% agree, 34% disagree, 6% strongly disagree, 6% don't know

C. The government does a good job of using science in the development of environmental regulations.
3% strongly agree, 39% agree, 42% disagree, 10% strongly disagree, 6% don't know

D. The government should use risk analysis to identify the most serious environmental problems and give them the highest priority in environmental spending decisions.
21% strongly agree, 62% agree, 12% disagree, 2% strongly disagree, 2% don't know

E. When adopting an environmental regulation, the government should inform the public of the benefits and costs that are expected to result from the regulation.
37% strongly agree, 57% agree, 5% disagree, 0% strongly disagree, 1% don't know

F. The government should give special priority to solving environmental problems that are more likely to harm low-income and minority groups.
16% strongly agree, 43% agree, 31% disagree, 8% strongly disagree, 1% don't know

G. When scientists are unsure about how harmful pollution is, environmental regulations should be designed to err on the side of safety, even if that make regulations more expensive.
20% strongly agree, 56% agree, 18% disagree, 4% strongly disagree, 1% don't know

Please send more information about NAWC to:
Name __________________________
Position ________________________
Company ________________________
Address _________________________
Telephone _______________________

• Type of business:
  □ Regulated water utility
  □ Under $1 million revenues
  □ Over $1 million revenues
  □ Water service company
  □ Equipment mfr./supplier
  □ Financial services
  □ Consulting
  □ Engineering
  □ Legal services
  □ Other ________________________

• I have particular interests or questions, as below:
____________________________________
____________________________________
____________________________________

Return to:
National Association of Water Companies
Suite 1212
1725 K Street, N.W.
Washington, DC 20006
(202) 833-8383

SPRING 1994 17
At the 1993 NARUC Annual Convention in New York, several speakers presented their views on a variety of topics effecting public utilities. Following are a few excerpts from their presentations.

Speaking on the topic of “Getting Competitive: Creating the 21st Century Electric Utility,” Chairman Robert Gee of the Texas Public Utility Commission indicated that utilities have responded to changing market dynamics in a variety of ways. Among these: staffing reductions, strategic mergers and acquisitions; aggressive efforts to attract and retain large customers; and, in states where retail wheeling is under consideration, defense of their retail service monopoly through legislative and regulatory activities. “Based on what is occurring in the marketplace, and how the utilities are responding, it is apparent that we are indeed entering into a new transition period for the electric utility industry.”

John Rowe, President and CEO of New England Electric System, indicated that NEES is responding by reducing customer costs immediately; reorganizing to deal with future realities; developing a wholesale plan; and developing a retail plan. He also discussed what state regulators should do in the changing environment—“Recognize that we see ourselves in a very competitive environment and are working to become cheaper, leaner, greener and more customer focused. . . Don’t stuff utilities with unneeded capacity. . . Con­fine the formal regulatory review to the point where the utility would build (or purchase). . . Continue bringing in the DSM resources, which are cost effective and green with incentives. . . Look at incentives for purchased power. . . Don’t break the camel’s back with public policy requirements like environmental externalities which do not apply to competitors.” . . At retail, permit sufficient pricing flexibility so that our service is cost effective when it is effective and green. . . Unbundle energy, demand, and background charges so that the interfuel competition is based on real economics, not rate design.”

Howard Hiller, Vice President at Salomon Brothers in New York City and Charles Trabandt of Merrill Lynch & Company in New York City addressed challenges of utility financing in a changing environment. They indicated that the new competitive environment has created uncertainty in the financial markets.

Hiller said, “Investor confidence in the traditional ‘fixed income’ interpretation of utility stocks may begin to erode.” He also indicated that because external financing in the industry may become limited, many utilities will find themselves issuing some form of equity to provide the financial strength to deal with this new reality.

Trabandt indicated that the major threat to electrics’ financial condition is that from retail wheeling. He outlined the following steps that can be taken by state commissions to mitigate this threat:

- Phase in a retail wheeling program that limits the amount of wheeling allowable to the growth in demand on the system.
- Condition a multi-year prior notice for renewed service upon the availability of adequate generation and transmission capacity, in order to prevent negative impacts on the remaining customers.
- Require a neighborhood competitor to allow reciprocity on its system as a condition precedent for access to the local system’s customer to ensure fairness and equal competition.

In concluding, Trabandt said, “The progression from wholesale to retail competition in the electric utility industry will lead to financial havoc for many electric companies. This consensus suggests strongly that state officials should consider prudent policies to protect the vital interests of ratepayers and shareholders in a financially sound and viable electric utility system.”
The following is Ms. Maxey's account of her activities during NAWC's Fly-In. For further information about the Fly-In, see Quorum Call, p. 32.

The focus of NAWC's Fly-In was to provide NAWC members with the opportunity to meet with members of Congress to encourage them to co-sponsor H.R. 846 (Matsui) to repeal the Tax on Contributions in Aid of Construction (CIAC) and H.R. 3392 (Slattery/Bliley) Bill to reauthorize the Safe Drinking Water Act (SDWA). Monday, January 24, began with a meeting of members of NAWC who were able to make the fly-in. Our schedules were passed out and we were briefed on how to lobby. The most important advice was to talk about our issues and KISS—Keep it Simple, Stupid.

On Tuesday, January 25, our day started about 9:00AM, and proceeded as follows:

**Professor Julian Dixon** (Representative—Los Angeles, Culver City)

Our first appointment was with Congressman Julian Dixon at 10:30AM. Congressman Dixon was not available. Joe Young (also of Southern California Water Co.) and I met with his Legislative Assistant Sally Johnson in the cafeteria. She seemed to understand issues regarding both CIAC and SDWA. She promised to bring our concerns to the attention of Congressman Dixon. Since Congressman Dixon represents the Culver City area, we left samples showing the effect of the gross up of the taxes on projects in his district, including a school and a redevelopment project.

**Senator Diane Feinstein (California)**

Our next meeting was at 11:15AM with Senator Diane Feinstein. This meeting included other NAWC members from California, along with Joe and myself. We met with Senator Feinstein briefly and took pictures. We were able to explain to her the purpose of our visit and talk about the CIAC Bill. We referenced the prison in Calipatria regarding gross up of tax, which she was quite interested in. We were asked by her to brief her aide and she promised to review our concerns and get back with us. We met with Senator Feinstein's Legislative Assistant, Michael McGill and discussed both issues. Both Senator Feinstein and Michael McGill were quite interested in both of our concerns. Senator Feinstein has since become a cosponsor of S289.

**Congressman Matthew Martinez** (Representative—Monterey Park, San Gabriel, South Arcadia)

Our next appointment was at 2:30PM with Congressman Matthew Martinez. Congressman Martinez was already a cosponsor of the CIAC bill. Joe and I thanked him for being a co-sponsor and talked more about the subject, giving samples of projects we have in San Gabriel and South Arcadia. He confirmed his continued support for CIAC by stating he will write to Congressman Rostenkowski for support to repeal the tax this year. Regarding the Safe Drinking Water Act, Congressman Martinez was just as optimistic and again indicated his support for SDWA as well.

**Congresswoman Lucille Roybal-Allard** (Representative—Los Angeles, Central Basin West)

Our next appointment was at 3:30PM with Congresswoman Lucille Roybal-Allard. She was not available, but we met with her Legislative Aide, Kathleen Singstock. She took time to hear us out. She listened quite attentively, and indicated that she understood the issues and would pass our information on. We left some samples of jobs we have in the Central-Basin West area. By the conclusion of the meeting, we felt comfortable about the Congresswoman sponsoring the CIAC Bill. We are not sure if we convinced her on the Safe Drinking Water Act.

**Senator Carol Moseley-Braun** (Illinois)

We dropped in on Senator Carol Moseley-Braun. We did not see her, but met with Geoffrey Taylor Gibbs, Staff.

Continued on next page
Two Days, continued
Counsel and Legislative Assistant, and a personal friend of Joe Young's, Gibbs was happy to see Joe and to meet with us. We explained why we were in Washington and asked if we could get their support to co-sponsor both CIAC and SDWA. He promised to convey all this information to the Senator and said he will continue to do whatever he can to assist in co-sponsoring both bills.

Congressman Duncan Hunter
(Representative—Imperial County, Calipatria)
We took a chance and dropped in on Congressman Duncan Hunter. He was in and took time to talk with us. We thanked him for co-sponsoring the Safe Drinking Water Act and he expressed his continued support. We talked in depth about the CIAC Bill and gave him samples of projects in our Calipatria area. He assured us that he would gladly be a co-sponsor on CIAC issues as well.

Congresswoman Maxine Waters
(Representative—Los Angeles, Metro)
Our last stop was a visit to Congresswoman Maxine Waters’ office. She was not available, but we did speak to her Legislative Aide, Bill Zavaraello. Zavaraello was to meet with us on Thursday. We explained we were leaving on Wednesday and asked if he could meet with us today. He graciously consented to do so. We asked for their support to co-sponsor the CIAC Bill and SDWA. He confirmed he was familiar with both issues and would look at both H.R. 3392 (Slattery/Bliley) and H.R. 846 (Matsui) and would give both serious consideration.

This ended Day One on Capitol Hill. Day Two, January 26, 1994, began at 9:30AM.

Congressman Michael Huffington
(Representative—Santa Barbara, Santa Maria and Nipomo)
Joe and I met with both Congressman Michael Huffington and Legislative Director Mark Procopio. Both were familiar with H.R. 846 (Matsui) and H.R. 3392 (Slattery/Bliley). Congressman Huffington was quite aware of Congressman Henry Waxman’s position on the issue. He indicated he would look at the issues again very closely before he decides if he would co-sponsor either bill. I left them several projects we have in our Orcutt service area for their review and to assist them in the understanding of CIAC.

Congressman Christopher Cox
(Representative—Orange County, Cowan Heights)
Our next appointment was with Congressman Christopher Cox. Congressman Cox was walking out the door as we were coming in. He asked Joe and I to walk him to the elevator and explain to him our purpose for being there. He apologized for leaving, but said that he had a lunch appointment with Richard Nixon. We were to return to his office after talking to Congressman Cox and then meet with Mr. Uhmann. Uhmann indicated that he would share our concerns with Congressman Cox and that he certainly understood how our developers feel with regards to the taxes since he himself was subjected to something similar when he and his brother tried to develop a piece of property in Texas. Due to cost, he had to abandon his idea. Uhmann was familiar with the H.R. 3392; the Slattery/Bliley Reauthorization Act of 1993. He promised to share his input with Congressman Cox and hopefully convince him to co-sponsor.

Congressman Jerry Lewis
(Representative—San Bernardino, Barstow, Wrightwood and Victorville)
I met with Congressman Jerry Lewis, and his Legislative Assistant, Jeffrey S. Shockley. After introducing myself and the company, I thanked him for co-sponsoring CIAC. I also provided samples of projects we have in the Barstow area. Both were familiar with the Slattery/Bliley Bill and assured me 100% support in co-sponsoring it.

Congressman Elton Gallegly
(Representative—Ventura County, Ojai and Simi)
My next stop was to see Congressman Elton Gallegly. He was out of town on business, but I was able to meet with his Legislative Aide, Don Gilchrest. Congressman Gallegly was also a co-sponsor of the CIAC Bill and I asked Gilchrest to thank him, and to write to either Congressman Rostenkowski or Senator Moynihan with their support for repeal of the CIAC tax this year. Gilchrest was also familiar with the Slattery/Bliley Bill and, although he would not make a commitment to co-sponsor, he indicated he would review the issue with Congressman Gallegly.

Congressman Walter Tucker, III
(Representative—Long Beach, Gardena and Athens Park)
We met with Congressman Walter Tucker and his Legislative Assistant, Robert Sakaniwa. Congressman Tucker was already a co-sponsor for the CIAC bill and we thanked him for his support. Congressman Tucker, although clear on SDWA, expressed interest in our position, but did not necessarily make a commitment to co-sponsor at this time. He promised to review the issue very closely and we left feeling comfortable that we will get his support on this as well.

Congressman Stephen Horn
(Representative—Long Beach, Downey)
Our last meeting was with Congressman Stephen Horn and his Legislative Assistant, Robin Traylor. After introducing ourselves, Congressman Horn indicated he does not believe in co-sponsoring any bills, only because he feels there is no follow-up. Congressman Horn was very interested in our company and our service area, since he had never heard of us before. He took the time to discuss the CIAC issue and asked questions about how much it would cost if passed, and who would pay. Joe carefully explained that H.R. 846 is revenue neutral. I provided samples of projects within the Artesia and Hollydale service area, and provided information to him on the gross up of taxes for projects in his district. He was very much interested and concerned with this. Joe continued the meeting, talking about the Slattery/Bliley Bill. Traylor was very familiar with both bills, and with Congressman Waxman’s position. He helped to explain from a political viewpoint where everyone was on the issues to Congressman Horn, and what and how he felt they should provide their support. Our meeting concluded with Congressman Horn promising to review both issues closely and to give both serious consideration.
In a decision that was lauded by California public water utility officials, the California Public Utilities Commission (Commission) issued a ruling on January 7 that authorized Suburban Water Systems to record the gain on sale of previously sold property to its shareholders, after mitigation of any adverse effect on ratepayers.

The case, which began in 1989 and was only decided after years of lengthy and exhaustive proceedings, was pivotal for the company. If applied in other Commission-pending cases, the decision could have a far-reaching and positive impact on utilities, said Vice President of Revenue Requirements Dan Conway, who spearheaded the case.

"This case has been a real milestone for our industry, because it has reinforced a previous Commission policy for utilities as to how a gain on sale of non-depreciable property (land) should be recorded," he said.

Prior to this decision, the issue was clouded with recent Commission decisions relating to the sale of headquarters office buildings in which all or part of the gain on both land and buildings was allocated to ratepayers.

The Commission’s Division of Ratepayers Advocates (DRA) fervently challenged the utility in the numerous hearings, but failed to invalidate Suburban’s position. The foundation of Suburban’s case rested on the Commission’s own 1955 adopted Uniform System of Accounts for Water Utilities. This accounting system stated that “the gain on sale of land should be credited to a surplus account available for use by the utility or for distribution to its shareholders.” Through a well-researched strategy, Conway was able to successfully demonstrate that there was no reasonable cause to depart from this standard.

He supported Suburban’s position with an extensive compilation of previous gain-on-sale cases, which were used to develop a model. This model proposed that such “gains on depreciable assets (plant) would go to ratepayers and gains on nondepreciable assets (land) would go to shareholders, following mitigation of any adverse ratepayers impact.”

In support of his position was Pacific Gas and Electric Company and San Jose Water Company, as well as the California Water Association (CWA), a trade association representing Commission-regulated water utilities.

CWA appealed to the Commission to “adopt a basic, fundamental gain-on-sale policy which is more or less universally applicable to all factual situations.”

In its decision, the Commission specifically stated that the decision should be confined to the facts of the case, but included the following statement which should be applicable to similar gain-on-sale cases:

“Unless there is some reason to believe that the accounting treatment we require for gain on sale of utility land is inappropriate for ratemaking purposes, it is logical that accounting and ratemaking go hand in hand. If we were consistently to require an accounting practice different from that set forth in the Uniform System, then the Uniform System should be changed. We find no convincing reason in this record to direct that ratemaking treatment of Suburban’s gain on the sale of its Whittier property should be different than the accounting treatment required by the Uniform System of Accounts.”

The case arose when Suburban, under threat of condemnation, sold a piece of property to the Whittier Redevelopment Agency in 1989 for $210,000. As part of the sale, Suburban was granted a permanent easement to maintain and operate its two existing booster pumps on the property.

Following the sale, the Commission ordered hearings to determine the ratepayers' interests, the adverse effects of the sale—if any—and whether the gain on continued on next page
Property Transferred From a Government Agency to a Utility is a Contribution in Aid of Construction

In a recent Private Letter Ruling, the Internal Revenue Service ruled that a transfer of gas distribution property to a utility from a government agency that is an existing customer of the utility is a contribution in aid of construction and therefore includable in gross income (PLR 93344006).

Background
The taxpayer is a regulated public utility that provides natural gas distribution services to its customers. One of its customers is a government agency that through one of its departments provides public housing for low-income residents at a number of multi-family complexes. The utility owns the gas distribution lines to the outlet side of the Agency’s meters and the Agency owns the gas distribution facilities from the outlet side of the Agency’s meters into the complexes.

By virtue of the Agency owning the facilities, the Agency is considered a small gas operator. The state utility commission that regulates the utility is also required to enforce minimum safety standards for small gas operators, including the Agency.

The commission informed the Agency that, as a small gas operator, some of the gas lines owned by it did not meet minimum safety standards, and that they had to bring these lines into compliance. In order to comply, the Agency entered into contracts with the utility to upgrade and repair the lines that weren’t in compliance. The Agency was to pay for the necessary repairs and upgrades.

Ultimately, the Agency paid for the improvements, then for unrelated reasons, transferred the lines to the utility. If the Agency wanted to continue as a small gas operator, it could have retained ownership of the lines. There was no requirement by the utility to have the Agency transfer the lines as a prerequisite for performing the upgrade and repair service.

The utility considered the transfer a contribution in aid of construction and therefore included the value of the property received from the Agency in taxable income. It will claim depreciation over the taxable life of the contributed property. Due to the timing difference between including the amounts in taxable income and getting depreciation deductions over the taxable life, the utility required the Agency to pay a "gross-up" that represents the time value of money on the taxes paid in advance.

The Agency disputes the characterization of the payment associated with the transferred property as being a contribution in aid of construction and therefore includable in taxable income and thus requiring a gross-up. The reason for requesting the ruling is to find out the proper tax treatment of the transaction.

Analysis and Ruling
Section 61 of the Internal Revenue Code requires that gross income means all income from whatever sources unless specifically excluded by law. IRC Section 118(a) provides that, in the case of a corporation, gross income does not include any contribution to the capital of the taxpayer. This exclusion applies to the value of land or property contributed to a corporation by a governmental unit or by a civic group for the purpose of inducing the corporation to locate or expand its business in a particular community.

IRC Section 118(b) provides that contribution to capital of the taxpayer does not include a contribution in aid of construction or any other contribution as a customer or potential customer.

The IRS ruled that the transfer of the property by the Agency is the type of situation that the Congress addressed by adding IRC Section 118(b), therefore the transfer by the Agency of the gas lines to the utility is a contribution in aid of construction (includable in gross income) and does not qualify as a non-shareholder contribution to capital (not includible in gross income).
Beginning with this issue of WATER magazine, a column about the NAWC’s program to encourage and facilitate privatization of water systems will become a regular feature. The column will inform and update member companies about the association’s privatization efforts and alert you of materials and resources we have available to help you on the local level. We also will include in the column tips on effective ways to communicate with decision makers, the public and the media, and share some success stories about member companies’ efforts to expand service (if you have any to share, please forward them to Mike Horner, at NAWC Headquarters).

The program, which was initiated in August 1993, is designed to increase awareness among the general public and the general leadership of government-owned and operated water utility systems of the advantages and opportunities presented by private and/or investor ownership of the systems. The program is in line with a five-year goal of the Board of Directors: To encourage and facilitate privatization of municipal systems and public/private partnerships.

The NAWC’s Public Information Committee, at the request of the Executive Committee, is coordinating the program. Ryan-McGinn Inc., a public relations firm in Arlington, Va., is working with the Public Information Committee on the project.

As a first step in the program, a written survey was conducted of a cross section of members to obtain suggestions and ideas based on their experience with privatization efforts. The information was very useful, and we appreciate the time everyone took to respond to the surveys. A summary of the key findings is available to anyone who would like a copy.

We learned some very valuable information by talking with company representatives who are responsible for acquisition efforts and deal regularly with the audience we want to reach. We learned their perceptions of who usually makes the final decision on whether to privatize water systems, what makes them interested in purchase by a private water system and what communications methods are effective in convincing them to privatize their water systems. We also learned there are few promotional materials about privatization which are available for member companies’ use, and there is considerable interest in gaining access to other materials.

We used the information gathered in the surveys to develop a communications plan which we have begun implementing. The plan includes the development of information and media packets which will serve as promotional pieces to distribute to government decision makers and the media. The packets include information about the benefits of the private water option, answers to commonly asked questions about privatization, a color-coded map of NAWC’s concentration in the United States, sample success stories and newspaper clippings. We also will be undertaking a proactive approach with the media to place articles and op-ed pieces about the private water option in several key publications. In addition, we will be identifying speaking opportunities which will allow the NAWC to convey to key audiences the benefits of the private water option.

We are excited about the future of privatization in America, and are convinced a program such as this can help attract more interest in privatizing water systems throughout the United State. If you have any ideas for our communications program, or have suggestions for topics for this column, NAWC staff contacts for this project are Mike Horner and Mark Planning.
A little over two years ago, yours truly, during a presentation at a meeting of the industry's senior executives, proclaimed that NAWC had just spent $20,000 on a full-page advertisement in the Washington Post. The advertisement said (in large letters) "IF YOUR WATER ISN'T GOOD IT'S BECAUSE IT'S NOT FROM AN INVESTOR-OWNED WATER UTIL-ITY."

Somewhat to my surprise, the focus of the ensuing discussion was on the choice of the Post as the vehicle for my—NAWC's—message as opposed to challenging my license to spend $20,000 of member funds.

Of course, I had stretched the truth—a lot, and for good reason. The tenure of executive directors who unilaterally obligate $20,000 of their association's funds without appropriate authority, is, I have noticed, remarkable short.

My point, which fortunately was not lost in the dialogue that ensued, was that it was time for the private and investor-owned drinking water industry to consider aggressive marketing, not only of their product but also of their expertise, both in the name of improving drinking water quality and reliability in this country.

Events of the recent past have suggested that perhaps the fictitious ad should become reality. In late January, a local of the American Federation of State and County Municipal Employees (AFSCME) ran a paid advertisement in the New York Times attacking drinking water privatization. The ad "Putting Privateers to the Test" (among other things) enjoins readers to request a free publication that describes the "pitfalls taxpayers need to be aware of ... the first time someone proposes privatizing your public services."

Undoubtedly, occasioned by (first) the Milwaukee incident and (more recently) by Washington, D.C.'s own "boil water notice" and several major main breaks, the headline in the Washington Post "Food Section" (in 5/8 inch letters) asks "ARE YOU WORRIED ABOUT YOUR WATER?" Just in case one misconstrued the headline to address a personal problem, the Post, in heavy black lettering, proclaimed under the headline "Millions Are Turning Off the Tap And Buying by the Bottle."

Add to the above the Natural Resources Defense Council's report "Think Before You Drink—The Failure of the Nation's Drinking Water System to Protect Public Health" and one cannot help but wonder if the decades of service provided by the industry have been for naught.

Three different "attacks," each with their own motivation. The first seeks to sway public opinion against privatization. The second is, in reality, the result of aggressive marketing, aided by human error and aging infrastructure. The third is simply the politics of amending the Safe Drinking Water Act. In combination, however, the industry, and particularly the investor-owned segment, is under siege.

Obviously, it's time for action. This is not the time to circle the wagons. It's time to go on the offense. It's time to enlist the support of consumers, state and local legislators and members of Congress by giving them the truth, proactively, at both the national and local level.

And the industry has started to cast off its "silent service" robes as its leadership becomes more frustrated with unjust accusations. For its part, at the national level, the NAWC is engaged on (at least) three fronts, as well as (less frequently, to be sure) some local skirmishes.

Using the professional services of a public relations firm, the Association's Public Information Committee is in the process of developing a package of information that includes key messages, press releases, draft letters to the editors, sample letters of introduction to political leaders and local government, a brochure detailing the benefits of privatization, etc. While much of this will also be used in media releases in target publications, the real effort to combat opposition to privatization will rest with each of NAWC's members who will be called upon to speak up for the industry, whenever and wherever they can.

In yet another area, the NAWC has been active in reporting to the FTC, misleading advertising and false claims made by both bottled water purveyors and point-of-use device marketing representatives.
Again, however, members have to be involved, both locally and nationally, by bringing violations to the Association’s attention.

The third major effort is NAWC’s involvement, along with AWWA, AMWA, NRWA and MWRA, in a campaign designed to educate the public, and their congressional representatives, about the current Safe Drinking Water Act’s deficiencies and the benefits of adoption of amendments proposed in H.R. 3392. Again, the Association will need member assistance in producing information that can be used to promote H.R. 3392 (examples of how the current Act is impacting communities and the potential benefits if the law allowed greater flexibility) and subsequently, using the information developed, work to have that information addressed by local political leadership and publicized in local media.

Fortunately, in all of these endeavors we enjoy the support of the regulatory community. NARUC has endorsed H.R. 3392 which also has the strong backing of the Association of State Drinking Water Administrators (ASDWA).

The industry can no longer bask in the limelight of its prior successes or by the fact that the United States enjoys the best drinking water in the world. The nation must realize what the industry has “done for it lately” and that requires the involvement of each of this association’s members, at both the local and national levels. Marketing is a key element of private enterprise—the foundation of this country’s democracy. Why not for the water industry?

Finally

About mid-May, NAWC will be losing its Director of Congressional Affairs to California Water Service Co. Jim Good’s abilities and enthusiasm have significantly advanced this association’s government relations program and he will be sorely missed and difficult to replace. Regardless, Jim is moving to a position that will allow him to further expand his experience and provide even greater opportunity to use his considerable talents. In that regard, we share his happiness and wish him “fair winds and following seas” as we look forward to his continuing participation, albeit on a reduced scale, with the NAWC. 

---

**NAWC Fly-In**

As we go to press on the eve of NARUC’s Winter Committee Meetings, it is apparent that there is a growing interest by NARUC in water issues. Not only does the NARUC Water Committee and Staff Subcommittee on Water have a full agenda of regulatory issues, but we see other committees of NARUC, including the Public Information and Finance and Technology Committees, also embracing water issues as part of their program.

NARUC’s Public Information Committee is working on a public education plan on the Safe Drinking Water Act that would help commissions across the country address rate payers concerns about rising water costs. The plan would also suggest public education projects that could be undertaken by commissions or water utilities to increase public awareness of the contributing factors to rising costs. NAWC is working closely with the committee to help define the approach.

Also during the Winter meetings, Representatives from CoBank will be meeting with the NARUC Water Committee and the Finance and Technology Committee to explain NAWC’s small company loan program and help define financing needs and options for small water companies.

NAWC’s Finance Committee Chairman, Jim Gallagher, and Rates and Revenue Committee Chairman, Kent Turner, will be meeting with the NARUC Staff Subcommittee on Water. Topics to be addressed include depreciation; single tariff pricing and conservation rates; fire protection charges; and financing and changing markets.

A special water issues seminar will consider regulatory lag with panels on future test year and incentive ratemaking. Jim Elder, Director of the Office of Ground Water and Drinking Water, will also be on hand to discuss requirements under the SDWA.

As you can see, we are looking forward to a number of very important communication opportunities with regulators from across the country during the NARUC meetings.

REGULATORY HIGHLIGHTS FROM AROUND THE STATES

New Jersey Board of Regulatory Commissioners Allows CWIP Surcharge

In a rate proceeding for New Jersey-American Water Co., the New Jersey Board of Regulatory Commissioners approved a new rate surcharge mechanism to protect the company’s financial position during construction of a new water supply project. Under a settlement agreement approved by the commission the utility can initiate a rate surcharge if its pre-tax interest coverage ratio falls below 2.1, in an amount sufficient to increase the ratio by 0.10.

The commission said the construction work in progress (CWIP) surcharge mechanism should alleviate any negative outlook from bond rating agencies, enabling the utility to finance the project at a lower cost to rate payers. It also noted that under the mechanism, the company will reduce its allowance for funds used during construction and lower the project’s cost.

Utility Deposit Interest Rates Cut by 25% by Idaho PUC

The Idaho Public Utilities Commission has set at 3% the annual rate the state’s utilities must pay on deposits that they require of some customers during 1994. Each year, the commission determines the average rate for the one-year U.S. Treasury bills during the previous November through October period. That rate is rounded to the nearest whole percent to set the interest rate Idaho’s regulated energy, water and telephone utilities must pay on deposits held during the following year. T-bill rates for November 1, 1992, through October 30, 1993, averaged 3.45%, ranging from a high of 3.82% for the week ending December 4, 1992, to a low of 3.18% for the week ending April 23, 1993. Utility deposit rates were 4% during 1993, 6% during 1992, 8% for 1991, 9% for 1990 and 7% during 1988 and 1989.

New York PSC Ties Discounts for Poor to Increase in Utility Rates

The New York Public Service Commission has approved Niagara Mohawk Power Corporation’s proposal to provide 60,000 of its poorest customers discounts on their bills worth about $11.6 million over a 3-year experiment. Last February, the PSC conditioned approval of the plan because of the high rates on the poor. Consolidate Edison and Brooklyn Union Gas Co. opposed PSC approval of the plan arguing that approval should not set a precedent for other utilities. The PSC rejected their position and suggested that other utilities start exploring similar programs. Gerald Norlander, staff attorney with the Public Utility Law Project of New York, who lead the effort to obtain the discounts said that low income groups will...
oppose efforts by Con Edison, LILCO, Brooklyn Union and other utilities to win future rate increases unless they develop plans to cushion the impact of higher rates on the poor.

Niagara Mohawk’s plan will provide a discount of $160 over the three-year period to families eligible for federal stipends under the Home Energy Assistance Program, as long as they meet certain conditions according to the November 10 PSC order. In addition, those families will be eligible to receive as much as $1,500 in forgiveness of arrearages over the three years.

In using eligibility under HEAP as the benchmark for participation under its program, Niagara Mohawk will lower the bills of families that have incomes marginally higher than the federal poverty level. For instance, a family of four is eligible for the Niagara Mohawk plan if its income is less than $27,600. The PSC estimated, in its order, that the low income program will save Niagara Mohawk $11 million through increased payments and reduced collection costs.

New Mexico PUC Seeks Comments on Proposed Rule Amendment on Legal Expenses

The New Mexico Public Utility Commission is asking for comments on a proposed amendment to its rules which will make it easier to determine if a utility’s legal expenses should be included in rates. The proposed amendments would require that legal expenses incurred by a utility be separated from other operation and maintenance expenses. It also specifically states that there shall be no presumption that the litigation expenses a utility seeks to recover are prudent. If the amendments are adopted it will fundamentally change the regulatory process regarding inclusion of legal expenses in rates, shifting a greater burden to utilities to justify these expenses. Previously, legal expenses were treated the same as other expenses which were allowed in rates if they were determined to be prudent in the course of conducting legitimate business.

Wisconsin PSC Determines Milwaukee Metropolitan Sewerage District Can Recover Capital Costs Based on Property Value

The Wisconsin Public Service Commission has determined that the Milwaukee Metropolitan Sewerage District is authorized by state statute to recover capital costs on the basis of property value. In a previous proceeding regarding this matter, the commission reached much the same conclusion. The commission’s decision was just the latest chapter in a long running dispute between MWSD and communities surrounding Milwaukee over how to pay for the cost associated with the construction of a $2.2 billion wastewater pollution abatement project. The communities that use the project contend that the cost associated with the project should be recovered through the traditional cost of service utility rate making principle, rather than on the basis of property value. In reaching their determination the commissioners expressed concern that the parties had lost sight of the larger common good. No one expects the commission’s decision to be the last word on this matter.

NRRI Releases Water Utility Revenue Requirements Report

The National Regulatory Research Institute (NRRI) recently released a report entitled, Meeting Water Utility Revenue Requirements: Financing and Ratemaking Alternatives by Dr. Janice A. Beecher, NRRI Senior Research Specialist, Dr. Patrick C. Mann, NRRI Associate and Professor of Economics, West Virginia University, and Mr. John D. Stanford, J.D., NRRI Graduate Research Associate.

According to the report, water supply is a rising-cost utility industry. Three key forces affecting industry costs and revenue requirements are (1) the need to comply with regulatory provisions of the Safe Drinking Water Act (SDWA), (2) the need to replace and upgrade an aging water delivery infrastructure, and (3) the need to meet growing water demand associated with population growth and economic development.

Copies may be purchased from NRRI by calling 614/292-9425.

Meet Your Regulators

Florida Governor Lawton Chiles has appointed Diane K. Kiesling to the Public Service Commission to fill an unexpired term, and then to a full fouryear term that began in January, 1994. Commissioner Kiesling has also been appointed by NARUC President Keith Bissell to the NARUC Committee on Water.

"Diane Kiesling brings in-depth experience, focus, intelligence and dedication to the PSC," said Governor Chiles. "There is no question about her ability to make excellent decisions and judgments on the very complex issues confronting the PSC."

In accepting her appointment, Commissioner Kiesling said, "I want to thank Governor Chiles for the confidence he has shown in me. He made a difficult decision—one based on the best interests of the Commission and the citizens of Florida and not on political expediency. I will do all I can to show that he made the right decision."

Kiesling has worked since 1984 at the State’s Division of Administrative Hearings as a Hearing Officer responsible for administrative cases involving state agencies and subdivisions. She has been primarily responsible for utility siting cases. In addition to the private practice of law, her career has included working from 1978–81 at the former Department of Administration/Division of Retirement as an Assistant Division Attorney.

Kiesling is a 1976 honors graduate of the College of Law at Florida State University. She earned a Bachelor of Arts degree in Art History from FSU in 1972.

NAWC welcomes Commissioner Kiesling as a new Water Committee member.
Recent Regulatory Decisions

by Stephen B. Genzer and Mark L. Mucci
LeBoeuf, Lamb, Greene & MacRae

Pennsylvania Adopts Statement of Policy on Small Water Systems

On January 8, 1994, the Pennsylvania Public Utility Commission (PUC) published regulations adopted November 10, 1993, which set forth a policy statement of the PUC concerning the viability of small water systems. The PUC defined its overall objective as being to obtain viability for all water systems under its jurisdiction. The PUC defined a viable water system as "one which is self-sustaining and has the commitment and financial, managerial and technical capabilities to reliably meet Public Utility Commission and Department of Environmental Resources (DER) requirements on a long term basis." The PUC set forth its intention to work closely with the DER in order to accomplish its objective.

In its order adopting the regulations, the PUC noted that many of the water systems it regulates are over one hundred years old, and require major reinvestment in the basic infrastructure of their systems. These systems find themselves unable to acquire financing to make necessary improvements, and when such improvements are made there are significant rate impacts. In the new regulations, the PUC states that many of the Commonwealth’s small water systems "are not viable and need to be restructured." The PUC states that it will work with the DER "to substantially restrict the number of non-viable drinking water systems by discouraging the creation of new non-viable small systems, and at the same time, encourage the restructuring of existing non-viable small systems." In addition to encouraging comprehensive water system planning at all levels of government, the PUC states in its regulations that it will encourage and support the physical or administrative restructuring of drinking water systems to form a new larger water system or water authority. The PUC also stated that it would use the rate process to aid in the obtaining of financial assistance to improve systems or to enable restructuring. "The PUC added that it would work for "development of safety net programs to deal with non-viable or abandoned water systems."

New York Public Service Commission Initiates Proceeding on Long Term Strategic Planning for Large Water Companies

In an order issued February 4, 1994, the New York Public Service Commission (PSC) instituted a proceeding for comments on a proposed policy concerning the institution of a long term strategic planning process for large water companies. That order was accompanied by a copy of a memorandum from the PSC's Staff, and a discussion draft of a long range strategic planning handbook.

In its order, the PSC noted its concern with the increased costs to be incurred in meeting the water quality requirements of the Safe Drinking Water Act (SDWA), requiring significant additional revenue. The PSC stated that the traditional rate case process involves a short term review of one to three years, and is not conducive to long term planning. The PSC's Staff recommended the institution of a proceeding to establish a policy regarding long term strategic planning for large water companies. In that regard, a draft guide entitled "Building a Long Range Strategic Plan" was issued in conjunction with the PSC's order, for a sixty day comment period. As described in the PSC's order, the major components of the draft guide are a ten year planning horizon, identification of ten year construction and operation and maintenance budgets, ten year income statements and other financial assessments, major SDWA and other regulatory impacts, identification of the most probable case scenario for the utility, and identification of appropriate actions in order to mitigate possible significant rate impacts.

In the Staff memorandum released in conjunction with the PSC's order, the PSC's Staff discussed its concerns with the increased financial requirements which could come about as a result of compliance with the SDWA. Increased costs due to water quality would have significant rate implications on customers. The Staff stated in its memo that, under the circumstances, "a longer term perspective of the companies' planning process, in terms of construction, O&M, financial, environmental effects and any associated corrective actions is essential." The Staff reported that it had received support for a long term strategic planning process in its meetings with the senior management of New York State's large water companies. Those companies had hired a consultant to help formulate the requirements of such a process, and to draft a proposed long term strategic planning format to be distributed for comments. The draft prepared by that consultant is the document which the PSC has released for public comment.

The long term strategic planning guide is intended to be utilized by investor-owned water utilities with more than 10,000 customers, and systems with between 1,000 and 10,000 customers when specifically requested by the PSC. Plans would be submitted each year, to reflect each company's most likely scenario for a succeeding ten year period. The draft breaks the planning process into three parts. First, the utility would provide certain factual data such as a map of its service territory, a summary of its current services, and "base line" financial information. Second, the utility is to list key variable and assumptions for the upcoming ten year period, including best, most likely, and worst case scenarios. As stated in the draft, the purpose "is to identify the magnitude of a change in assumption and to isolate it so that all parties to the planning process can readily comprehend..."
its significance." In this regard, the PSC Staff indicated that the New York Chapter of the National Association of Water Companies has indicated that it will agree among its members on certain common factors, such as inflation factors, changes in water quality standards, and other key variables. The third part of the proposed planning process would bring all the data and assumptions together into a "single most likely financial projection" for the ten year period.

**Indiana Commission Rejects Challenge to Fair Value Rate Base Method**

On December 1, 1993, the Indiana Utility Regulatory Commission authorized Gary-Hobart Water Corporation to increase its rates by over $1.4 million. The authorized net operating income level of $3.38 million was determined by multiplying the company's fair rate value base of $64,000,000 by a fair rate of return of 5.287%. The authorized net operating income exceeded by over $140,000 the product of the company's original cost rate base and the company's cost of capital, determined by the Commission to be 7.75%. A common equity cost rate of 11.50% was used to derive the cost of capital rate of 7.75%.

The Commission expressly rejected the position of the Office of Utility Consumer Counselor that Gary-Hobart's earnings requirement should be based on the original cost rate base method, finding that the Indiana Court of Appeals has previously determined that this approach is improper. The Commission agreed with the company that "a fair rate of return on fair value does not reach the same result as the original cost rate base method" and that "in jet original cost, although easy to determine, is not reflective of the value of the property today." The Commission also recognized the tendency of the discounted cash flow model to underestimate the cost of common equity, particularly when market prices for utility and non-utility stocks are significantly above book value. The Commission further found that it was necessary and prudent for the Commission to reflect the business risks faced by the company in determining its cost of capital which risks include escalating federal and state water quality standards, significant sales to wholesale and industrial customers which are more risky and uncertain than sales to residential and small commercial customers, and competition from other nearby water utilities (including municipal utilities) which were actively promoting their systems in competition with Gary-Hobart. In evaluating these risks, the Commission pointed out that since its last rate case, Gary-Hobart spent about $1 million protecting its intake facilities from zebra mussel infestation and that the Company's cost conscious steel company customers have the ability to displace the Company with their own lake water resources.

**Florida Court Reaffirms that Utilities should be Compensated for CIAC in Eminent Domain Proceedings**

In a condemnation case involving General Development Utilities, Inc. (GDU) in Charlotte County, Florida, the Supreme Court of Florida has let stand a decision by a Florida Appellate Court which, in turn, reversed a lower court ruling. The lower court had ruled that GDU should not be compensated for contributions in aid of construction in an eminent domain proceeding brought by Charlotte County. Both the National Association of Water Companies and the Florida Chapter of the NAWC had filed amicus curiae briefs in support of GDU.

The proceeding involved the condemnation by Charlotte County of GDU's water, sewer and LP gas utility system. The trial court had issued an order which excluded all contributed property from the determination of the amount of compensation to be paid to GDU. An interlocutory appeal was taken from that order by GDU. The appellate court, the Second District Court of Appeal, ruled that the trial court's determination was directly contrary to a twenty year old Florida Supreme Court decision, Dade County v. General Water Works Corp., 267 So. 2d 633 (Fla. 1972).

The County had cited more recent cases to the appellate court, cases which addressed the rate-making treatment of contributed property. The appellate court rejected the County's arguments, noting the following ruling from the General Water Works case: "The condemnation of utility property is entirely different from the rate-making process. The complete dissimilarity between rate-making concepts and the just or full compensation standards which govern eminent domain have resulted in rejection of attempts to equate rate-making with eminent domain as a basis for determining fair market value." By Order of December 14, 1993, the Florida Supreme Court unanimously denied a motion for rehearing filed by Charlotte County.

**California Commission Allows Utility Shareholders to Realize Gain on Sale of Property**

In a January 7, 1994, decision, the California Public Utilities Commission (PUC) ruled on the accounting, for rate-making purposes, of the gain realized by Suburban Water Systems (Suburban) on the condemnation of Suburban's property by the City of Whittier. The PUC determined that the gain on a non-depreciable asset (in this case, land) should be allocated to Suburban's shareholders. The PUC emphasized that its decision in that case was confined to the facts of that case, and the PUC stated that the decision should not be regarded as precedent for other gain-on-sale cases.

Suburban had initiated the proceeding for approval of its sale to the City of Whittier Redevelopment Agency for $210,000. The city had exercised its power of eminent domain over Suburban's property. The property sold to the city contains two booster pumps utilized by Suburban in providing utility service, and the city has agreed that Suburban would retain an easement to operate the booster pumps and continue to utilize them in providing service. The land was part of a larger parcel which Suburban's predecessor had purchased in 1939 for $529. The portion of the land had been previously sold off, leaving the parcel in question, which had a book value of $436.

The California Division of Ratepayer Advocates (DRA) had argued that Suburban's ratepayers should realize the gain on the sale of the property. The DRA argued that since the utility had sold an asset which had been utilized to serve the public, the gain on sale should remain in utility operations by reducing Suburban's rate base by the pre-tax gain on the sale of $209,325.

Suburban argued that due to the retention of the easement for the booster pumps...
Recent Regulatory Decisions, continued

pumps on the property, the only utility use of the land continues unchanged. Suburban argued that the uniform system of accounts for water utilities prescribed by the PUC in 1955 directs that the gain on sale of land should be credited to a surplus account available for use by the utility or for distribution to shareholders. The California Water Association joined with Suburban, and urged the PUC to adopt a generic gain-on-sale policy.

The PUC ruled as follows: "We conclude on this record that shareholders have the right to the gain in this sale of land because it is they who bore the risk of capital loss." The PUC noted that while Suburban's customers bore the financial burden of operation of the two booster pumps on the property, that utility service continued unchanged after the sale. The PUC noted that, while ratepayers had paid a return on the land for fifty years, the land value in rate base was only $436. In contrast, shareholders had given any return on the appreciated value of the land, and had borne the risk that the land could decline in value. The PUC also noted that, unlike in other cases where a utility may sell land, Suburban was not required to acquire new property to take the place of the utility property sold.

At the request of the DRA, in comments responding to a draft of the PUC's decision, the PUC stressed that its decision would be confined to the facts of Suburban's application. "We are dealing essentially only with the gain on a non-depreciable asset (land) where, through an easement, the utility use to which the land was put (operation of two booster pumps) continues without a change."


NARUC President Keith Bissell of the National Association of Regulatory Utility Commissioners (NARUC) has announced the appointment of NARUC Vice President Edward H. Salmon of New Jersey as chair of the newly formed ad hoc committee "Washington Action."

The committee will work closely with the chairs of NARUC's standing committees and the Executive Committee to increase NARUC's influence and stature on the Hill and in the White House.

"I believe that there is no other Association in the country which has a better grasp of the current regulatory and economic issues and understanding of their impact on our country than the NARUC," Bissell said. "To help us make sure that our voices are heard even more clearly in Washington in the future, I am establishing a special ad hoc committee "Washington Action' under the able leadership of Vice President Ed Salmon."

According to Bissell, "'Washington Action' will be a politically and geographically balanced committee and will build on the positive reputation and resources which have made NARUC successful in this arena in the past."

"I am honored to serve as chairman of the 'Washington Action' committee and look forward to working with the committee members from across the country and the NARUC leadership in this effort," Vice President Salmon said. "I believe that through this enthusiastic organization, NARUC can become an even more effective voice on national policy issues."

"Washington Action" will be made up of the NARUC officers, two representatives from each of the regional associations and at-large members.

In addition to the appointment of Second Vice President Salmon as chairman, President Bissell also appointed the following NARUC members to serve on the committee:

Commissioners Mary Clark Webster of Massachusetts and Paul Hanaway of Rhode Island, representing the New England Conference; Commissioners David Johnson of Ohio and Lisa Crutchfield of Pennsylvania, representing the Great Lakes Conference; Commissioners Don Storm of Minnesota and Ruth Kretschmer of Illinois, representing the Midwest Conference; Commissioners Jim Sullivan of Alabama and Irma Dixon of Louisiana, representing the Southeastern Conference; and Commissioners Norm Shumway of California and Nancy McCaffree of Montana, representing the Western Conference. The at-large members of the committee are Commissioners Scott Neitzel of Wisconsin, Sam Bratton of Arkansas and Harold Crumpion of Missouri.
How does cost benefit and risk assessment analysis fit into the Safe Drinking Water Act (SDWA) and how much support does the idea have within the Clinton Administration?

Cost-Benefit/Risk Assessment Analysis

Before addressing the role of cost-benefit and risk assessment analysis in the SDWA, it is helpful to understand what EPA can and cannot do when setting national primary drinking water standards. Under the SDWA Amendments of 1986, the administrator of EPA establishes a standard, or maximum contaminant level (MCL), by factoring together three items: (1) the health goal, or maximum contaminant level goal (MCLG); (2) the effectiveness of treatment technologies in removing contaminants; and (3) the level of treatment that is affordable for the largest public water supply systems. The MCL must be set at a level which is as close to the MCLG as possible using the best available treatment technology for the largest water supply systems.

Under current law, cost can only enter into the judgement of the administrator in defining which treatment technologies are to be considered best available technologies.

NAWC is participating in a broad-based lobbying effort to improve the SDWA by supporting HR 3392, the Safe Drinking Water Act Amendments of 1993. This legislation, also known as the Slattey/Billey bill, contains a provision that would amend the Act to require EPA’s administrator to consider public health risk reduction benefits in addition to cost and technology when setting MCLs. This will allow the administrator to compare the increases in health benefits achieved by progressively stringent MCLs to the additional costs of treatment required to meet these MCLs. The bill also defines best available technology for three sizes of public water systems instead of one: those serving fewer than 1,000 people; those serving 1,001 to 10,000 people; and those serving more than 10,000 people.

The Clinton Administration

What is the position of the Clinton Administration with regard to cost-benefit and risk assessment analysis? More importantly, what is EPA’s position regarding HR 3392’s risk assessment requirement for setting drinking water standards? The answers, you may have guessed, vary, depending on who you ask.

On September 30, 1993, President Clinton issued Executive Order 12886, which states that in setting regulatory priorities, each federal agency should take into account both the costs and benefits of the intended regulation, and the degree and nature of the risks posed by various substances. Agencies are also directed to compare the risks a regulation is intended to address to other risks within the agency’s jurisdiction. This Order, while it does not have the force of law, does govern the internal management of the federal government. Nevertheless, it is not expected to achieve the level of cost-benefit/risk assessment analysis needed for several reasons.

First it will be difficult to calculate “costs” when cost-benefit analysis is applied under the Executive Order because a great deal of emphasis is placed on non-quantitative “benefits,” such as “environ­mental justice” and “distributive impacts and equity.” Such benefits are difficult to assign dollar values to, resulting in inconsistent and overly subjective applications of cost-benefit analysis. Second, the Executive Order only allows the White House to review regulations designated as “significant.” This will dramatically decrease the number of rules which can be reviewed. Finally, and most significantly, the Order states that agencies “should” conduct cost-benefit and risk assessment analysis of their regulations. The effect of this language, rather than making cost-benefit analysis mandatory, is to give EPA total discretion to apply or totally disregard the principles all together.

This raises the central issue: What does EPA think of cost-benefit and risk assessment analysis? Robert Perciasepe, the Assistant Administrator for Water, told a meeting of state drinking water officials in January that he might support, as part of the SDWA reauthorization, a more risk-based approach for selecting drinking water contaminants. However, when asked about supporting HR 3392’s risk assessment requirements for standard setting, he said he was not looking to address this issue at the present time.

More to the point, EPA Deputy Administrator Robert Sussman told the agency’s Science Advisory Board that EPA views any risk assessment or cost-benefit amendments to the bill elevating the agency to Cabinet status, as counterproductive. Interestingly, congressional leaders’ refusal on February 3, 1994, to include such an amendment prevented the EPA Cabinet bill from coming to the floor of the U.S. House of Representatives for a vote.

Conclusion

NAWC supports the intent behind Executive Order 12866’s language urging EPA to conduct cost-benefit and risk assessment analysis of its regulations. Regrettably, however, the Order’s specific details—at least those articulated to date—will not by themselves solve the crisis in this country brought on by years of regulation without consideration of the cost of decreasing risk.

The regulatory climate is changing. EPA is under increasing pressure from Congress and the public to find real solutions to the problems created by unfunded federal mandates. As the debate continues, expect to see and hear a lot more about cost-benefit and risk assessment analysis. Both principles represent meaningful solutions that make a lot of sense.
Those of you who are regular readers of this column and NewsFlow know that the NAWC has been successful in pursuing and protecting the interests of the investor-owned water industry before Congress. Successes include defeat of redundant lead legislation; adoption of a moratorium on the radon in drinking water rule; and passage of legislation establishing manufacturing standards for plumbing fixtures.

Our voice has also been heard on a number of pending issues including repeal of the CIAC tax; reauthorization of the Safe Drinking Water Act; changes in the Clean Water Act providing a uniform definition of wastewater treatment facilities based on purpose rather than ownership and the establishment of a federal conservation clearinghouse; and authorizing funding for D/DBP health effects R&D.

For an industry of our relatively small size, this is an impressive agenda. How has the industry been able to produce this enviable string of victories? How can this streak be maintained? The answer is simple—through your excellent government relations work.

**Contact With Elected Officials**

Government relations is no mystery. Cut through the mystique most people believe surrounds Congressional activities and you will find politics practiced there as it is everywhere else in this country. Politicians want to help their constituents. They also want to retain their popularity with at least 51 percent of the voters. Combine these understandable and natural desires and you get people who follow the path of least resistance in all but the most deeply felt issues (which is how most people conduct their lives on a daily basis).

Naturally, if Congress is not aware its actions will harm an industry, they won’t hesitate to proceed. Likewise, they will do little to help an industry if they don’t know what is important to it. This is why personal contact is so important. Believe it. Congress wants to hear from you. Most Congressmen will freely admit their knowledge of issues affecting our industry is limited at best. You can be an invaluable resource to them as they formulate their position on relevant issues. How do you become such a resource?

Fortunately, you have the NAWC to help. The week of January 24, we held the Second Annual Fly-In. Fifty of our company representatives braved cold and icy conditions to visit 130 Representatives and 34 Senators. These visits helped boost support of both CIAC bills (S. 289/
TABLE 1
1994 Congressional Schedule
Congressional recesses are in boldface type
Dates are inclusive.

<table>
<thead>
<tr>
<th>SENATE</th>
<th>HOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 25</td>
<td>Jan. 25</td>
</tr>
<tr>
<td>Feb. 12–21</td>
<td>Feb. 12–21</td>
</tr>
<tr>
<td>Feb. 12</td>
<td>Feb. 12</td>
</tr>
<tr>
<td>Feb. 21</td>
<td>Feb. 21</td>
</tr>
<tr>
<td>March 26-April 10</td>
<td>March 26-April 10</td>
</tr>
<tr>
<td>March 27</td>
<td>March 27</td>
</tr>
<tr>
<td>April 3</td>
<td>April 3</td>
</tr>
<tr>
<td>April 15</td>
<td>May 27-June 7</td>
</tr>
<tr>
<td>May 28-June 6</td>
<td>May 30</td>
</tr>
<tr>
<td>May 30</td>
<td>July 1-10</td>
</tr>
<tr>
<td>July 2-10</td>
<td>July 4</td>
</tr>
<tr>
<td>July 4</td>
<td>Aug. 13-Sept. 6</td>
</tr>
<tr>
<td>Aug. 13-Sept. 11</td>
<td>Sept. 5</td>
</tr>
<tr>
<td>Sept. 5</td>
<td>Sept. 5</td>
</tr>
<tr>
<td>Sept. 6</td>
<td>Sept. 6</td>
</tr>
<tr>
<td>Sept. 15</td>
<td>Sept. 15</td>
</tr>
<tr>
<td>Oct. 7</td>
<td>Oct. 7</td>
</tr>
<tr>
<td>Oct. 10</td>
<td>Oct. 10</td>
</tr>
<tr>
<td>Nov. 8</td>
<td>Nov. 8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SENATE</th>
<th>HOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senate reconvenes</td>
<td>House reconvenes</td>
</tr>
<tr>
<td>Senate not in session</td>
<td>District work period</td>
</tr>
<tr>
<td>Lincoln’s Birthday</td>
<td>Lincoln’s Birthday</td>
</tr>
<tr>
<td>Presidents Day</td>
<td>Presidents Day</td>
</tr>
<tr>
<td>Passover</td>
<td>District work period</td>
</tr>
<tr>
<td>Easter</td>
<td>Passover</td>
</tr>
<tr>
<td>Senate not in session</td>
<td>Easter</td>
</tr>
<tr>
<td>Senate not in session</td>
<td>Memorial Day</td>
</tr>
<tr>
<td>Senate not in session</td>
<td>Independence Day</td>
</tr>
<tr>
<td>Senate not in session</td>
<td>Labor Day</td>
</tr>
<tr>
<td>Memorial Day</td>
<td>Rosh Hashana</td>
</tr>
<tr>
<td>Independence Day</td>
<td>Yom Kippur</td>
</tr>
<tr>
<td>Labor Day</td>
<td>Adjournment target date</td>
</tr>
<tr>
<td>Rosh Hashana</td>
<td>Columbus Day</td>
</tr>
<tr>
<td>Yom Kippur</td>
<td>Election Day</td>
</tr>
</tbody>
</table>

SOURCE: Senate Majority Leader, House Majority Whip

H.R. 846) as well as the Slattery/Bliley bill reauthorizing the Safe Drinking Water Act (H.R. 3392). Many of our members were recognized from their visits of last year—recognition that shows interest in the industry and its concerns.

The Association does all the work for the Fly-In, from the preparation of materials to the scheduling of appointments. All you have to do is show up. We’ll repeat this successful activity again next year, and we urge all of you to attend.

Contact does not stop with the Fly-In. It is a year round effort. It means writing to your Senators and Representatives about issues. But it also means inviting them to your plant for a tour or a lunch with management and workers. It can mean serving on a campaign committee. There are so many ways to work with your federal elected officials.

Why not start by inviting your Senators and Representatives to your treatment facilities for a tour? It doesn’t take long, and it will give you a captive audience to discuss relevant issues. Table 1 is a list of Congressional recesses for 1994. These are the best times for scheduling local meetings. Many Mondays and Fridays are also good. Just call or write to the office of the person you would like to invite, and they’ll let you know which dates are best.

NAWC-PAC
Personal contact is by far the most effective way to communicate with your elected officials, but it is by no means the only way. Another communication vehicle is the NAWC’s Political Action Committee or PAC.

A PAC is a federally chartered organization which provides the industry a way to focus the contributions of its members to those candidates who support the industry. Any exempt employee of an authorized member company may contribute up to $5000 a year to a PAC. PAC funds are distributed to candidates based on the recommendations of the PAC Committee.

Table 2 lists 1994 company goals for NAWC-PAC. If you’re not sure whether or not your company has been authorized for solicitation, call the NAWC at 202/833-8383 for confirmation. If it has been authorized, executive and administrative personnel are eligible to voluntarily invest in the NAWC-PAC. If your company is not yet authorized for solicitation, urge your CEO to authorize solicitation today.

Only You Can Make the NAWC a Winner
You now have seen there is no mystery to a successful government relations effort. It simply requires your active participation in both key aspects of the political process: contact and contributions. These two ingredients—mixed with tenacity—will bring additional victories to the investor-owned water industry. Neglect will bring defeat. So make NAWC a winner. It will benefit your company, your community and you. ☞
## TABLE 2
### 1994 PAC Goals

<table>
<thead>
<tr>
<th>Aff.</th>
<th>Company Name</th>
<th>Company Goal</th>
<th>Aff.</th>
<th>Company Name</th>
<th>Company Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>AM</td>
<td>Kentucky-American</td>
<td>1,000.00</td>
<td>CS</td>
<td>Consumers Maine</td>
<td>200.00</td>
</tr>
<tr>
<td>AM</td>
<td>Maryland-American Water</td>
<td>50.00</td>
<td>CS</td>
<td>Consumers Illinois</td>
<td>350.00</td>
</tr>
<tr>
<td>AM</td>
<td>Tennessee-American Water</td>
<td>800.00</td>
<td>CS</td>
<td>Garden State Water Co.</td>
<td>350.00</td>
</tr>
<tr>
<td>AM</td>
<td>Virginia-American Water</td>
<td>550.00</td>
<td>CS</td>
<td>Inter-State Water</td>
<td>200.00</td>
</tr>
<tr>
<td>AM</td>
<td>West Virginia-American Water</td>
<td>1,550.00</td>
<td>CS</td>
<td>Masury Water Co.</td>
<td>50.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total Southern Region</strong></td>
<td><strong>3,950.00</strong></td>
<td>CS</td>
<td>Ohio Water Service Co.</td>
<td>950.00</td>
</tr>
<tr>
<td>AM</td>
<td>Connecticut-American</td>
<td>300.00</td>
<td>CS</td>
<td>Pennsylvania Water Co.</td>
<td>50.00</td>
</tr>
<tr>
<td>AM</td>
<td>New Jersey-American Water</td>
<td>3,750.00</td>
<td>CS</td>
<td>Roaring Creek Water Co.</td>
<td>200.00</td>
</tr>
<tr>
<td>AM</td>
<td>New York-American Water</td>
<td>150.00</td>
<td>CS</td>
<td>Shenango Valley Water Co.</td>
<td>200.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total Eastern Region</strong></td>
<td><strong>4,200.00</strong></td>
<td>CS</td>
<td>So. New Hampshire Water</td>
<td>100.00</td>
</tr>
<tr>
<td>AM</td>
<td>California-American Water</td>
<td>1,250.00</td>
<td>CT</td>
<td>Citizens Util. Home Water</td>
<td>50.00</td>
</tr>
<tr>
<td>AM</td>
<td>Paradise Valley Water</td>
<td>50.00</td>
<td>CT</td>
<td>Citizens Util. of CA</td>
<td>700.00</td>
</tr>
<tr>
<td>AM</td>
<td>New Mexico-American Water</td>
<td>150.00</td>
<td>CT</td>
<td>Citizens Util. of Illinois</td>
<td>300.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total Western Region</strong></td>
<td><strong>1,450.00</strong></td>
<td>CT</td>
<td>Citizens Util. of OH</td>
<td>100.00</td>
</tr>
<tr>
<td>AM</td>
<td>Illinois-American</td>
<td>1,800.00</td>
<td>CT</td>
<td>Sun City Water Co.</td>
<td>350.00</td>
</tr>
<tr>
<td>AM</td>
<td>Indiana-American</td>
<td>1,100.00</td>
<td>ET</td>
<td>Elizabethtown Water Co.</td>
<td>2,150.00</td>
</tr>
<tr>
<td>AM</td>
<td>Iowa-American Water</td>
<td>650.00</td>
<td>ET</td>
<td>Mount Holly Water Co.</td>
<td>150.00</td>
</tr>
<tr>
<td>AM</td>
<td>Missouri-American Water</td>
<td>600.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AM</td>
<td>Ohio-American Water</td>
<td>450.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total Mid American Region</strong></td>
<td><strong>4,600.00</strong></td>
<td>GN</td>
<td>Bloomsburg Water Co.</td>
<td>50.00</td>
</tr>
<tr>
<td>AM</td>
<td>Pennsylvania-American Water</td>
<td>4,600.00</td>
<td>GN</td>
<td>Boise Water Corp.</td>
<td>600.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total PA Region</strong></td>
<td><strong>4,600.00</strong></td>
<td>GN</td>
<td>Capital City Water</td>
<td>100.00</td>
</tr>
<tr>
<td>AM</td>
<td>Hampton Water Works</td>
<td>100.00</td>
<td>GN</td>
<td>Dauphin Consolidated</td>
<td>350.00</td>
</tr>
<tr>
<td>AM</td>
<td>Mass-American Water</td>
<td>200.00</td>
<td>GN</td>
<td>Gen. Waterworks Corp. of AR</td>
<td>250.00</td>
</tr>
<tr>
<td>AM</td>
<td>Salisbury Water Supply</td>
<td>50.00</td>
<td>GN</td>
<td>Gen. Waterworks of CT</td>
<td>50.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total Other Subsidiaries</strong></td>
<td><strong>350.00</strong></td>
<td>GN</td>
<td>Gen. Waterworks of PA</td>
<td>50.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total American Companies</strong></td>
<td><strong>19,150.00</strong></td>
<td>GN</td>
<td>Hoosier Water Co.</td>
<td>100.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GN</td>
<td>Jacksonville Suburban</td>
<td>300.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GN</td>
<td>Lincoln Water Corp.</td>
<td>50.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GN</td>
<td>Mechanicsburg Water Co.</td>
<td>100.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GN</td>
<td>New Rochelle Water Co.</td>
<td>350.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GN</td>
<td>Owego Water Works</td>
<td>50.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GN</td>
<td>Rio Rancho Utilities</td>
<td>150.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GN</td>
<td>Toms River Water Co.</td>
<td>500.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GN</td>
<td>Virginia Suburban Water</td>
<td>50.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GN</td>
<td>Wakefield Water Co.</td>
<td>100.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GN</td>
<td>West Lafayette Water</td>
<td>50.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GN</td>
<td>Wilmington Suburban</td>
<td>350.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total General</strong></td>
<td><strong>3,600.00</strong></td>
<td>HC</td>
<td>Bridgeport Hydraulic</td>
<td>1,300.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>HC</td>
<td>Stamford Water Co.</td>
<td>250.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total Aquarion Co.</strong></td>
<td><strong>1,550.00</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aff.</td>
<td>Company Name</td>
<td>Company Goal</td>
<td>Aff.</td>
<td>Company Name</td>
<td>Company Goal</td>
</tr>
<tr>
<td>------</td>
<td>---------------------------------------</td>
<td>--------------</td>
<td>------</td>
<td>---------------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>IN</td>
<td>Adelphia Water Co.</td>
<td>50.00</td>
<td>IN</td>
<td>Ridgefield Water Supply</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>Alco Water Services</td>
<td>50.00</td>
<td>IN</td>
<td>Rotonda West Utility</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>Aloha Utilities</td>
<td>100.00</td>
<td>IN</td>
<td>Rural Water Co., Inc.</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>Arizona Sierra Utility</td>
<td>50.00</td>
<td>IN</td>
<td>San Jose Water Co.</td>
<td>2,550.00</td>
</tr>
<tr>
<td>IN</td>
<td>Artesian Water Co.</td>
<td>650.00</td>
<td>IN</td>
<td>Santa Clarita Water Co.</td>
<td>250.00</td>
</tr>
<tr>
<td>IN</td>
<td>Beckley Water Co.</td>
<td>200.00</td>
<td>IN</td>
<td>Saratoga Water Services</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>Bermuda Water Co.</td>
<td>50.00</td>
<td>IN</td>
<td>Shorelands Water, Inc.</td>
<td>100.00</td>
</tr>
<tr>
<td>IN</td>
<td>Birmingham Utilities, Inc.</td>
<td>100.00</td>
<td>IN</td>
<td>South County Water Corp.</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>California Water Service Co.</td>
<td>4,500.00</td>
<td>IN</td>
<td>South County Water Co.</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>College Utilities</td>
<td>50.00</td>
<td>IN</td>
<td>South Haven Water Works</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>Columbia Water Co.</td>
<td>50.00</td>
<td>IN</td>
<td>South Sound Utility Co.</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>Connecticut Water Co.</td>
<td>750.00</td>
<td>IN</td>
<td>Southeastern LA Wtr. &amp; Sewage</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>Consolidated Water Util.</td>
<td>50.00</td>
<td>IN</td>
<td>Southern California Water</td>
<td>2,950.00</td>
</tr>
<tr>
<td>IN</td>
<td>Decca Utilities</td>
<td>50.00</td>
<td>IN</td>
<td>St. John’s Service Co.</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>Del Este Water</td>
<td>250.00</td>
<td>IN</td>
<td>Sussex Shores Water Co.</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>Dominguez Water</td>
<td>450.00</td>
<td>IN</td>
<td>Tidewater Utilities</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>Duke Power Co.</td>
<td>50.00</td>
<td>IN</td>
<td>Torrington Water Co.</td>
<td>100.00</td>
</tr>
<tr>
<td>IN</td>
<td>Elk Grove Water Works, Inc.</td>
<td>100.00</td>
<td>IN</td>
<td>Unionville Water Co.</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>Fayson Lake Water Co.</td>
<td>50.00</td>
<td>IN</td>
<td>Valencia Water Co.</td>
<td>200.00</td>
</tr>
<tr>
<td>IN</td>
<td>Fishers Island Water Works</td>
<td>50.00</td>
<td>IN</td>
<td>Waikoloa Resort Utilities</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>Fruitridge Vista Water Co.</td>
<td>50.00</td>
<td>IN</td>
<td>Whittinsville Water Co.</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>Gordon’s Corner Water Co.</td>
<td>150.00</td>
<td>IN</td>
<td>York Water Company</td>
<td>500.00</td>
</tr>
<tr>
<td>IN</td>
<td>Grandview Waterworks Corp.</td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Gulf Utility Co.</td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Harbor Water Co., Inc.</td>
<td>100.00</td>
<td>IT</td>
<td>Palm Coast Utility</td>
<td>100.00</td>
</tr>
<tr>
<td>IN</td>
<td>Heritage Hills Water Works</td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Hillview Water Co.</td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Hydraulics, Ltd.</td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Indianapolis Water Co.</td>
<td>2,650.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Industrial Utilities</td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Intercoastal Utilities, Inc.</td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Jamaica Water Supply</td>
<td>1,500.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Jewett City Water Co.</td>
<td>50.00</td>
<td>SW</td>
<td>New Mexico Utilities</td>
<td>50.00</td>
</tr>
<tr>
<td>IN</td>
<td>Kapalua Water Co.</td>
<td>50.00</td>
<td>SW</td>
<td>Suburban Water Systems</td>
<td>800.00</td>
</tr>
<tr>
<td>IN</td>
<td>Logan Wells Water Co.</td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Mesa Crest Water Co.</td>
<td>50.00</td>
<td>TG</td>
<td>Heater Utilities</td>
<td>150.00</td>
</tr>
<tr>
<td>IN</td>
<td>Middlesex Water Co.</td>
<td>650.00</td>
<td>TG</td>
<td>Southern States Utilities</td>
<td>1,300.00</td>
</tr>
<tr>
<td>IN</td>
<td>Milford Water Co.</td>
<td>100.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Moongate Water Co., Inc.</td>
<td>50.00</td>
<td>UH</td>
<td>Baton Rouge Water Works</td>
<td>1,350.00</td>
</tr>
<tr>
<td>IN</td>
<td>New York Water Service</td>
<td>550.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Newtown Artesian Water Co.</td>
<td>100.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>North Gualala Water Co.</td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Park Manor Waterworks</td>
<td>50.00</td>
<td>UI</td>
<td>Utilities Inc.</td>
<td>900.00</td>
</tr>
<tr>
<td>IN</td>
<td>Parkway Water Co.</td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Pennichuck Water Works</td>
<td>250.00</td>
<td>UT</td>
<td>San Gabriel Valley Water</td>
<td>900.00</td>
</tr>
<tr>
<td>IN</td>
<td>Penns Grove Water Supply</td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Pennsylvania Gas &amp; Water</td>
<td>1,600.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Peoples Water Service Co.</td>
<td>200.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Pequest Water Co.</td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Philadelphia Suburban</td>
<td>3,050.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Plainville Water Co.</td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN</td>
<td>Rainier View Water Co.</td>
<td>50.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Independent** 26,950.00

**Total ITT Corp.** 100.00

**Total Park Water** 550.00

**Total Suburban Water** 850.00

**Total Topeka Group** 1,450.00

**Total Utility Holdings** 1,350.00

**Total United Water Resources** 2,900.00
Senator Diane Feinstein (D-CA) is pictured here with (left to right) Ray Taylor and Stan Ferraro of California Water Service Company, Dan Conway of Suburban Water Company and Emma Maxey and Joe Young of Southern California Water Company.

Representative Norm Mineta (D-CA) with Dick Balocco of San Jose Water Company.

As with last year, our Florida companies were well represented. From left to right: Bill Lee (Dolomite Utilities), Jim Perry (Palm Coast Utilities), Karla Olson Teasley (Southern States Utilities), Senator Connie Mack (R-FL), Bob Todd (Sunray Utilities), Gerald Allen (Avatar Utilities) and Paul Bradtmiller (Florida Cities Water Company).

Representative Cal Dooley (D-CA) and Stan Ferraro.

Bob Todd and Karla Olson Teasley are seen with Representative Cliff Stearns (R-FL).

Left to right: Jim Perry, Bob Todd, Representative Tillie Fowler (R-FL) and Karla Olson Teasley.
Meeting with Representative Porter Goss (R-FL) are from left to right Karla Olson Teasley, Paul Bradtmiller, Bob Todd, unidentified staff, Representative Goss and Gerald Allen (with back to camera).

In a meeting with the senior member of the Florida Congressional Delegation, Representative Sam Gibbons (D-FL), are Bill Lee, Karla Olson Teasley, Paul Bradtmiller, Gerald Allen and Bob Todd.

Left to right: Bill Lee, Karla Olson Teasley, Representative Dan Miller (R-FL), Gerald Allen and Paul Bradtmiller.

What a surprise! Bob Dole (ironically on the far left) drops in on a visit between Senators Larry Craig and Dirk Kempthorne (R-ID) with Wayne Booe (Boise Water Company) and Bill Linam (Vice President of General Waterworks' Atlantic Region).

Another all Idaho visit between Wayne, Bill and Representative Mike Crapo (R-ID).

Lane Evans (D-IL) poses for a shot with Bob Shierry (Northern Illinois Water Company).
Gene and Hays Owen are pictured here with Senator John Breaux (D-LA).

Gene and Hays again, this time with Louisiana's senior Senator J. Bennet Johnston.

Senate Majority Leader George Mitchell (D-ME) is seen here with Peter Haynes and John Isacke of Consumers Water Co.

A relaxed Representative Ike Skelton (D-MO) meets with Wayne Booe of General.

Joe Simunovich and Don Correll (United Water Resources) stand to the right of Senator Frank Lautenberg, while to his left stands Henry Patterson III (Elizabethtown Water Co.) and Rich Tompkins and Dennis Sullivan of Middlesex Water Company.

Bill Linam and Wayne Booe flank Senator Jeff Bingaman (D-NM).
Bill Linam, Senator Pete Domenici (R-NM), Joe Dysard (Vice President of General's Central Region) and Wayne Booe have their attention diverted by a member of the Senator's staff.

Representative Mike Oxley (R-OH) is seen here with Wilkes Coleman.

Terry Rackocy (Ohio Water Service Company), Senator John Glenn (D-OH), Wilkes Coleman (Ohio-American Water Company) and Lou Kreider (also Ohio Water Service) pose for a picture.

Representative Ted Strickland, a Democrat, listens intently while Wilkes Coleman explains the adverse impact of the CIAC tax on investor-owned water utilities.

Here's Wilkes with Representative John Boehner (R-OH).

Gregory Watt (General Waterworks) meets with Representative Bob Walker (R-PA).
At the NAWC Conference held in Williamsburg in October, the Tax Committee had an early morning breakfast meeting. At first, many of us had trouble getting our eyes open, but the hot coffee (and hotter tax topics) quickly got us all down to business. There were two primary reasons for our meeting: reviewing the Mission Statement for our Committee and drafting goals to guide our activities in the new year.

But before we dug into our work for the morning, we had one other important item of business, thanking the outgoing Chairman of the Tax Committee. For the last three years, Phil Marblestone, a partner in the St. Louis office of Coopers & Lybrand, has served the member companies of NAWC very capably as Chairman of the Tax Committee. Phil has relocated to Coopers’ Washington office and will remain an active member of the Tax Committee. I, and the other members of the Tax Committee, thank Phil for his capable leadership. While I assumed the duties of Chairman for the coming year, Jim Lathrop, the Controller of Indianapolis Water Company, was elected Vice Chairman by the Tax Committee.

**Committee Mission Statement**

The Mission of the Tax Committee is an extension of the Tax Committee’s Statement of Purpose and is as follows:

1. To provide a forum for the NAWC member water companies, through their Tax Committee representatives, to discuss tax issues of mutual interest and decide what action, if any, should be taken on behalf of our industry.

2. To provide a vehicle for evaluation of the impact on member water companies of changes in tax laws and other tax "events" (court decisions, IRS announcements, etc.); and

3. To provide a cohesive industry voice to proactively seek changes in tax laws that will benefit our member water companies and our customers.

So it is important that you, as members of NAWC, feel free to contact any member of the Tax Committee when confronted by a tax issue of interest to our industry. Along with the industry representatives, the Tax Committee is fortunate to have as members very capable representatives from five of the "Big Six" accounting firms.

So it is important that you, as members of NAWC, feel free to contact any member of the Tax Committee when confronted by a tax issue of interest to our industry. Along with the industry representatives, the Tax Committee is fortunate to have as members very capable representatives from five of the "Big Six" accounting firms.

**1994 Objectives**

So what do we see as our primary goals for the new year? The following:

1. **Helping to Solve the Problem of Troubled Water Systems**—The ever increasing complexity of environmental regulations weighs heavily on smaller municipal and private water systems. The professionally-run member companies of NAWC can help solve these problems by taking over such problem systems and spreading the costs of compliance over a much wider base of customers. But there has to be an effective incentive provided to our member water companies to encourage their participation in solving these troubled water system problems, and one way is through the Federal tax system, by offering tax credits, accelerated depreciation and similar provisions. But to make sure those incentives are effective, they need ultimately to benefit the shareholders of our member companies. And this will require us to work closely with the National Association of Regulatory Utility Commissioners (NARUC) to devise such a system.

2. **Taxation of Advances and Contributions in Aid of Construction**—We continue to feel strongly that taxation of "A&C" is wrong. Although it may provide the Federal government some small measure of tax revenue in the short run, it encourages the formation of smaller, poorly run water systems. Developers try to avoid paying a tax gross-up on the contribution of water assets to member water systems by forming their own "water companies." But these small, poorly managed "water systems" are the seeds of environmental problems and regulatory problems for years to come. Further, taxation of A&C places our professionally-run member water
companies at a competitive disadvantage relative to municipal water systems. With privatization widely recognized as a way to help government become more efficient, this tax issue runs counter to privatization efforts in many parts of the country.

3. Consolidated Tax Adjustments (CTAs)—In many states, member companies with non-regulated affiliates are unfairly penalized in the rate making process if one or more of those non-regulated affiliates have tax losses. Our Tax Committee needs to work with NARUC, and with other regulated industries, to (i) devise a tax approach that solves the CTA problem and is fair to all parties and (ii) is acceptable to the Internal Revenue Service and Congress.

Unfortunately, the above issues have been around for a while. With annual Federal budget deficits in the hundreds of billions of dollars, it is very difficult to get relief from onerous tax legislation that unfairly puts our industry at competitive disadvantages. It is generally recognized that we must first offer alternative sources of revenues to replace those lost in providing tax relief to our industry. And those alternative sources of tax revenue had better come from within our own industry, because Congress does not take kindly to one industry offering up another on the sacrificial tax altar! But even where we were able to do so, as was the case as regards our efforts to reverse the taxation of advances and contributions by offering longer tax lives on other utility assets, we have yet to meet with success. Those budget deficits have also been a major roadblock in our working to devise an effective incentive for member companies of NAWC to take over troubled municipal and private water systems.

But we will continue to strive to find solutions to these stubborn problems, and welcome suggestions from our member water companies, from NARUC and from others who work within our industry. So, remember these objectives, and if you get a glimmer of an idea as to how the problems they address may be solved, please contact a member of the Tax Committee so we can explore your ideas. 

Joseph G. Pope Dies

Joseph G. Pope, former executive vice president-finance of Hackensack Water Co., died on December 27, 1993, following a battle with cancer. He was 71. He is survived by his wife, the former Geraldine Dwyer, and his sister, Helen Palahunic of Delray, Florida.

A native of Cleveland, Ohio, Pope resided for 25 years in Stamford, Connecticut, and recently moved to Palm Coast, Florida.

He earned a bachelor's degree in business administration from John Carroll University, and attended graduate school at the University of Minnesota.

After serving with distinction in the U.S. Army, Pope spend 17 years as a certified public accountant with Arthur Andersen & Co. In 1963, he joined ITT Corporation as vice president and treasurer of Puerto Rico Telephone Company, and in 1968 he became vice president of ITT World Directories.

In 1969, Pope rejoined New Jersey-based Hackensack Water Company, where he advanced to positions of increasing responsibility, serving as executive vice president-finance at his retirement in 1987.

"Joe played a leading role in structuring the financings to guide our company through one of the most significant expansion programs in our history. He was well respected for his knowledge of Wall Street," said Donald L. Correll, president and chief executive officer of Hackensack Water Co.

Pope served on the board of directors of the National Association of Water Companies, the Bergen/Passaic (NJ) Chapter of the National Multiple Sclerosis Society and the Hudson Hamilton Council, Boy Scouts of America. He was an advisory director of First Jersey National Bank and a member of Ridgewood (NJ) Country Club.

Funeral services took place in the Cleveland area on December 30 and 31. The family would welcome memorial contributions in his name to Hospice Care, Inc., 461 Atlantic St., Stamford, CT 06901; or Hospice of Volusia-Flagler County, 4 Office Park Dr., Palm Coast, FL 32137.
Walter M. Higgins has been named Chairman of the Board, President and Chief Executive Officer for Sierra Pacific Resources, a diversified utility holding company headquartered in Reno. He succeeds Austin W. Stedham, who is retiring, but will remain on the company’s board of directors.

"I am honored to have been selected by the Board of Directors to lead this fine corporation," Higgins said. "My goal is to help our employees make Sierra Pacific the best energy and utility company in the country."

Higgins, 49, was named President and Chief Operating Officer in November as part of a planned management transition. He will assume his new duties immediately.

In announcing the management change, Sierra’s Board of Directors commended Austin Stedham for his capable leadership as chairman and CEO. The Board also praised Stedham for positioning the company for a strong future and thanked him for his many contributions during his nine years with Sierra.

Higgins graduated with distinction from the United States Naval Academy, Annapolis, MD, and served as a commissioned Naval Officer in nuclear submarines and later as a nuclear engineer. After his Navy work, he was project manager and assistant to a director of the U.S. Nuclear Regulatory Commission. He is a graduate of Stanford University Graduate School of Business Executive Program, and the University of Idaho Public Utility Executive Course.

The Executive Committee of IWC Resources Corporation’s (IWCR) Board of Directors has elected J. A. (Jay) Rosenfeld as executive vice president of IWCR and the Indianapolis Water Company (IWC), according to James T. Morris, chairman and chief executive officer.

Rosenfeld joined IWCR in October 1992 as senior vice president and treasurer, a position he also held with IWC prior to his promotion. Rosenfeld also serves as an officer and director of all IWCR subsidiaries.

Prior to joining IWCR, Rosenfeld provided financial consulting services to the corporation. Previously, he served as president of MSA Realty Corporation, where he continues to serve as a director; and executive vice president and chief financial officer of Melvin Simon & Associates, Inc.

"Jay Rosenfeld has done an outstanding job since joining IWCR, and his efforts are being properly recognized by the board of directors," Morris said. "His experience and knowledge will continue to provide vision and leadership for IWCR and its subsidiaries."

A graduate of Syracuse University, Rosenfeld is a certified public accountant.

B. Kent Turner has been elected Vice President, Rates and Operations Analysis of St. Louis County Water Co. "We are pleased to have someone of Kent Turner’s abilities to be in charge of this area of responsibility at County Water," said Charles A. Buescher, Chairman of the Board.

Turner joined Missouri Water Company, a sister company of County Water, in 1985, and in 1986 he joined County Water as Manager of Corporate Accounting. Turner graduated from Lincoln University with a B.S. in Accounting in 1975, and received a M.S. in Taxation from Fontbonne College in 1993. Turner is a Certified Public Accountant.

E. D. Roberts has retired after 43 years of service as the Treasurer and Chief Financial Officer of The Baton Rouge Water Co. Roberts still actively serves as a Director for the Corporation. He served on the Finance Committee, and was active in other areas of NAWC for a number of years.
Consumers Water Company Announces New VP and Treasurer

Peter L. Haynes, President of Consumers Water Company, announced that Robert Ervin has assumed the position of Vice President and Treasurer of Consumers. The position has been vacant since Judith Accounting Manager and Treasurer of Ervin has assumed the position of Vice President of Consumers Water Company, announced that Rob­tember of 1993.

Ervin previously held the position of Accounting Manager and Treasurer of Inter-State Water Company, a subsidiary of Consumers in Danville, Illinois. He had been employed by that company since 1987. Ervin has been involved in the accounting field for some time, and earned

a B.S. degree in Accounting from Eastern Illinois University.

Conrad Named IWC Director of Market Development

Jeb A. Conrad has been named IWC Resources Corporation’s (IWCR) director of market development, announced by Alan R. Kimbell, IWCR’s vice president of marketing. IWCR is the holding company for the Indianapolis Water Company (IWC) and six other subsidiaries.

Conrad, who has served as the Water Company’s director of corporate communications since 1989 assumed his new responsibilities April 4 according to Kimbell. Conrad’s role will focus on making IWCR’s expertise in water-related services available to broader markets. These areas include billing and computer services, water utility acquisition and management, wastewater treatment management, and water utility consulting services.

A 1982 graduate of Indiana University, Conrad served as director of governmental and community relations of Melvin Simon & Associates from 1983 to 1989. He is active in many civic activities, which include serving as chairman of the Governor’s Council on Physical Fitness, vice chair of the Indianapolis Public Schools Education Foundation, chair of the Police, Fire, and Deputy Sheriff Community Recognition Luncheon, and president of the Indianapolis Public Relations Society.

Sinclair Named IWC Director of Corporate Communications

Barbara Sinclair has been named the Indianapolis Water Company’s (IWC) director of corporate communications, announced by James W. Shaffer, executive director of corporate affairs.

Sinclair assumed her new position April 4, 1994, replacing Jeb A. Conrad, who was named director of market development of IWC Resources Corporation (IWCR), the holding company for IWC and six other subsidiaries. Sinclair will be responsible for the Water Company’s media relations, public relations and communications programs, and serve as its primary spokesperson, according to Shaffer.

Sinclair joins IWC after serving as Indiana Farm Bureau Insurance Company’s manager of corporate communications since 1989. She served as law enforcement liaison under former Indianapolis Mayor William H. Hudnut III, and director of media relations, public relations and spokesperson for the Indianapolis Police Department from 1985–89. Sinclair’s media experience (1974-85) includes serving as a radio/television reporter/anchor with WFMS Radio, WIBC Radio, and WTTV in Indianapolis, and WSMJ Radio in Greenfield, IN. She also became the first woman sportswriter for The Indianapolis News in 1974.

Kimbell Named Vice President of Marketing

Alan R. Kimbell has been promoted to vice president of marketing at IWC Resources Corporation (IWCR). James T. Morris, chairman and chief executive officer, announced that the company’s board of directors elected Kimbell to the position at its regularly scheduled meeting on January 21, 1994. Kimbell, formerly IWCR’s director of marketing, also will continue his responsibilities as president of IWC Services, Inc., a company subsidiary offering water-related services to contractors and other water and wastewater utilities.

SPRING 1994
BHC Announces Management Appointments

Bridgeport Hydraulic Company, a subsidiary of Aquarion Company, has announced that Peter J. DeBona, manager of customer service, has been named to the newly created position of manager, business improvement. Succeeding him is Lisa P. Oswald, who was previously manager of Public Relations for BHC.

In his new role, DeBona, “will lead and direct BHC's effort toward continuous improvement in every facet of our enterprise,” said Charles V. Firlotte, vice president, operations. His efforts will include working closely with employees and managers at all levels of the organization to identify better, more cost-effective ways of doing business.

DeBona joined BHC in 1969 as data processing manager and subsequently was appointed to the customer service area. He has represented BHC in key positions for state and national water utility industry associations, and recently won recognition from industry executive and state regulators for his leadership in the State of Connecticut’s water conservation efforts.

DeBona attended Fairfield University and Westchester Business School. A member of the Bridgeport Lions Club, he has served as president of the Connecticut Water Works Association and as a member of the customer service committee of the National Association of Water Companies. He also was chairman of the conservation committee of the Connecticut section of the American Water Works Association.

Oswald joined BHC in 1992 following 12 years experience managing corporate, marketing and employee communications programs for several Fairfield County companies, including People’s Bank and U.S. Surgical Corp. As customer service manager, she will be responsible for BHC’s full range of policies and programs to ensure prompt and efficient service delivery to the entire customer population.

“Since joining BHC, Lisa has demonstrated competence and commitment in managing a broad range of communications and public relations programs, including customer communications and media and government relations,” Firlotte noted. “She is eminently qualified to provide leadership to the customer service function, an area that will remain crucial to our success in 1994 and beyond.”

New Manager Named

On April 1, Roy W. Mundy II assumed the position of Vice President and Manager for Kentucky-American Water Company. Mundy replaced Robert A. Edens upon his retirement from the American Water System.

Eden’s replacement was announced by Robert J. Gallo, Kentucky-American Water Company President and Regional Vice President of the American Water Works Service Company.

Mundy is presently serving as Manager of New Jersey-American Water Company’s Monmouth County operations with headquarters located in Shrewsbury, New Jersey. He has 21 years of experience with the American Water Works System.

A native of Charleston, West Virginia, Mundy began his career in 1973 with West Virginia-American Water Co. He held management positions in the Charleston Division before his promotion to District Manager of West Virginia-American’s Southern Division in 1980. In 1983 Mundy went on to serve as manager of Virginia-American’s Hopewell District. From 1986 until his promotion to his present position in 1988 he served as Vice President and Manager of West Virginia-American’s Huntington Division.

Mundy received a Bachelor’s Degree in Civil Engineering from the West Virginia Institute of Technology and a Master’s Degree in Engineering Management from the University of West Virginia College of Graduate Studies. He is a professional engineer registered in the states of West Virginia, Virginia, and New Jersey.

During his five years in the Monmouth County community, Mundy has been active in civic and charitable organizations. He served on the Board of Directors for the American Red Cross, the Monmouth County United Way, the Eastern Monmouth Area Chamber of Commerce and the Advisory Board for the Monmouth County Council of Boy Scouts. He and his wife, Karen, have one daughter, Monteia.
American's Johnstone Cited for Leadership

George W. Johnstone, president and CEO of American Water Works Company, was cited by Financial World Magazine in March for his leadership and achievement in 1993.

Johnstone was among 213 CEO's in 71 industry categories honored by the magazine in its annual "CEO of the Year" edition. Larry Bossidy, president and CEO of Allied Signal, was selected as CEO of the year at a black-tie dinner in New York on March 10.

The honorees were chosen from among 3,309 CEO's of companies with at least $100 million in revenues who qualified for consideration. They were selected by a panel of judges including business and financial analysts on the basis of their companies' performance.

Johnstone, an engineering graduate of Pennsylvania State University, has been with American Water Works since 1966. He was elected president and CEO in 1992.

CDM Chief Robert C. Marini Receives Prestigious Engineering Award

Robert C. Marini, chief executive officer and chairman of the board of the international environmental engineering firm Camp Dresser & McKee Inc. (CDM), has received the prestigious New England Award from the Engineering Societies of New England (ESNE). ESNE presents the annual award which began in 1940, to the engineer and resident of New England who merits recognition "because of outstanding achievement . . . and for personal accomplishments and character." Marini received the award during the Engineers Week celebration in Boston earlier this month.

As CDM's chief executive, Marini is responsible for managing a firm with 2,200 employees located in more than 80 offices worldwide and with annual billings of close to $300 million. He has served CDM in various management roles for more than 35 years, helping to guide the firm to international leadership status. In addition, he has long been an ardent supporter of engineering academia through his professional and advisory associations with Northeastern University, Harvard University, the University of Massachusetts, and Worcester Polytechnic Institute.

Marini, a registered professional engineer in 20 states, is president-elect of the American Academy of Environmental Engineers, as well as a member of numerous environmental and engineering associations. Marini's many honors include belonging to the National Academy of Engineering, being named Man of the Year by the New England Public Works Association in 1981, and receiving the Distinguished Eagle Scout Award from the Boy Scouts of America in 1986. He received a B.S. in civil engineering from Northeastern with honors in 1954, an M.S. in sanitary engineering from Harvard in 1955, and he completed the Advanced Management Program at the Harvard Business School in 1985.
Chardavoyne to Head New York Chapter

David E. Chardavoyne, president and chief operating officer of Jamaica Water Supply Company and Sea Cliff Water Company, was elected chair of NAWC’s New York Chapter at the organization’s annual meeting on December 9. The election took effect on January 1.

Commenting on the election, Chardavoyne said, “New York’s water utilities, like those across the nation, are dealing with water quality, customer service, and cost issues that are changing the way we have traditionally operated. I am honored and pleased to be able to serve the New York water industry as we strive to implement new water quality regulations, meet customer expectations, and maintain the viability of our businesses.” New officers also include James M. Perry, president of New York-American Water Co., as vice chairman, and Mark D. Rothenberg, vice president and general manager of Spring Valley Water Company, as secretary/treasurer.

Chardavoyne’s career in the water utility industry spans 18 years. He previously held positions as vice president of water and wastewater operations for Citizens Utilities Company of Stamford, Connecticut, with responsibilities nationwide, and as a project manager for Stearns and Wheeler, Cazenovia, New York, a consulting firm specializing in water and wastewater planning issues. A graduate of the University of Wisconsin with a Bachelor of Science degree in civil engineering, Chardavoyne also holds a Masters of Science degree from Cornell University and a Masters of Business Administration from the University of Connecticut. In addition to his affiliation with the NAWC, Chardavoyne’s professional associations include the Water Utilities Executive Council, and the American Water Works Association.

Advanced Metering System Trial

Approximately 400 residents in the Idle Hour neighborhood of Kentucky-American Water Company’s service area will be participating in an Advanced Metering System Trial to be conducted by the company in 1994. The Advanced Metering System Trial consists of installing a water meter with a radio transmitter. The meter is then read by a radio receiver. The study will not affect water service other than a brief interruption while the meter is being changed. This process should only take a few minutes. All work will be done at the meter box, which is usually located in the utility strip. In addition to reading the water meters with the radio receiver, the meters will be read more frequently in the traditional manner by opening the meter box. This will allow Kentucky-American to compare the radio receiver readings to the visual manual readings for accuracy.

Customer bills will not be based on radio receiver readings. The meter will be manually read at normally scheduled times for billing purposes. Kentucky-American Water Company is one of four trial sites in the American Water System to study the feasibility of Advanced Metering Systems (AMS). The American Water System is comprised of water companies throughout the United States, such as Kentucky-American, owned by the American Water Works Company.

The combined results of the American Water System trials will determine the feasibility of modifying Kentucky-American’s entire service area and which type of AMS technology is most suitable. AMS has the potential to be more cost-effective than traditional meter readings because it is less labor intensive.

CORRECTION

This photograph of the presentation of a Management Innovation Award made at the 1993 Annual Conference was incorrectly captioned in the Winter edition of WATER. The caption should read: Jack McGregor (l) presents Management Innovation Award to Ray Worrell of California Water Service Co.
**Dates to Remember 1994**

**NAWC**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAWC Pennsylvania Chapter BoD Meeting</td>
<td>April 21</td>
</tr>
<tr>
<td>CWA Spring Meeting</td>
<td>May 2-4</td>
</tr>
<tr>
<td>NAWC New England Chapter Meeting</td>
<td>May 5</td>
</tr>
<tr>
<td>NAWC Executive Committee/BOD Meeting</td>
<td>May 10-11</td>
</tr>
<tr>
<td>NAWC Eastern/Midwestern Customer Service Conference</td>
<td>May 16-18</td>
</tr>
<tr>
<td>NAWC Pennsylvania Chapter BoD Meeting</td>
<td>May 19</td>
</tr>
<tr>
<td>NAWC New Jersey Chapter Meeting</td>
<td>May 20</td>
</tr>
<tr>
<td>Pennsylvania Chapter Legislative Reception</td>
<td>June 1</td>
</tr>
<tr>
<td>Pennsylvania Chapter Annual Meeting and Dinner</td>
<td>June 2</td>
</tr>
<tr>
<td>Florida Chapter Meeting</td>
<td>June 8</td>
</tr>
<tr>
<td>CWA BoD Meeting</td>
<td>June 9</td>
</tr>
<tr>
<td>CWA BoD Meeting</td>
<td>July 14</td>
</tr>
<tr>
<td>NAWC Pennsylvania Chapter BoD Meeting</td>
<td>July 21</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>CWA BoD Meeting</td>
<td>August 11</td>
</tr>
<tr>
<td>NAWC Pennsylvania Chapter BoD Meeting</td>
<td>August 18</td>
</tr>
<tr>
<td>NAWC Executive Committee Meeting</td>
<td>September 7-8</td>
</tr>
<tr>
<td>CWA BoD Meeting</td>
<td>September 8</td>
</tr>
<tr>
<td>NAWC Florida Chapter Meeting</td>
<td>September 14</td>
</tr>
<tr>
<td>NAWC Pennsylvania Chapter BoD Meeting</td>
<td>September 15</td>
</tr>
<tr>
<td>NAWC New Jersey Chapter Meeting</td>
<td>September 23</td>
</tr>
<tr>
<td>NAWC Annual Conference</td>
<td>October 2-6</td>
</tr>
<tr>
<td>CWA Annual Meeting</td>
<td>November 11</td>
</tr>
<tr>
<td>CWA Annual Meeting</td>
<td>November 16-18</td>
</tr>
<tr>
<td>NAWC Pennsylvania Chapter BoD Meeting</td>
<td>November 17</td>
</tr>
<tr>
<td>CWA BoD Meeting</td>
<td>December 8</td>
</tr>
<tr>
<td>NAWC Florida Chapter Meeting</td>
<td>December 14</td>
</tr>
<tr>
<td>NAWC Pennsylvania Chapter BoD Meeting</td>
<td>December 15</td>
</tr>
</tbody>
</table>

**NARUC**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>13th Annual Western Utility Rate Seminar</td>
<td>April 25-30</td>
</tr>
<tr>
<td>17th National Conference of Regulatory Attorneys</td>
<td>May 22-25</td>
</tr>
<tr>
<td>Southeastern Association of Regulatory Utility Commissioners</td>
<td>June 11-15</td>
</tr>
<tr>
<td>72nd National Conference of Regulatory Utility Commission Engineers</td>
<td>June 12-16</td>
</tr>
<tr>
<td>Mid-American Regulatory Commissioners</td>
<td>June 19-22</td>
</tr>
<tr>
<td>New England Conference of Public Utilities Commissioners</td>
<td>June 26-29</td>
</tr>
<tr>
<td>53rd Western Conference of Public Service Commissioners</td>
<td>June 26-29</td>
</tr>
<tr>
<td>39th Great Lakes Conference on Public Utilities Commissioners</td>
<td>July 12-15</td>
</tr>
<tr>
<td>NARUC Summer Committee Meetings</td>
<td>July 24-28</td>
</tr>
<tr>
<td>NARUC Annual Eastern Seminar on Regulation of Water Utilities</td>
<td>October 16-21</td>
</tr>
<tr>
<td>NARUC Annual Convention</td>
<td>November 14-17</td>
</tr>
</tbody>
</table>

**AWWA**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>AWWA Annual Conference</td>
<td>June 19-23</td>
</tr>
<tr>
<td>AWWA Distribution System Symposium</td>
<td>September 11-13</td>
</tr>
</tbody>
</table>