

3-11-05

Idaho Public Utilities Comm.

We would like to go on record as opposing the rate hike for United Water.

Why should we have to pay for their added 10,000 customers? Let the new subdivisions & customers pay this cost.

The amount of increase they are requesting is way too high.

People like us living on fixed incomes (\$\$) cannot carry this extra burden.

Please take this into consideration by denying this increase.

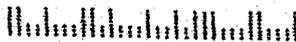
Thank you

Earnest & Marlene Stark

Mr. & Mrs. Earnest C. Stark
1220 Vivian Avenue
Boise, ID 83704



Idaho Public Utilities Comm.
472 W. Washington St.
Boise, Idaho 83720



✓ Men Ack
sent 3/18/05

✓ To AV.

✓ To Comm
FH

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2005 MAR 14 PM 3:16

Sir -

IDAHO PUBLIC
UTILITIES COMMISSION

With reference to the rate increase for United Water - please consider the "Customer Charge" on the bill. Isn't that enough profit for them. Their customer charge is more than the other utilities. You let them raise - the others will want more - where does it stop. Let them charge the developers for the new water mains they put in. If they have 75,400 customers (according to the paper) $\times \$14.57 \times 6 = \$6,591,468$ - and that is over and above what they charge for the water, which is Idaho water for Idaho people.

over

But if you let this
go through - I guess
we can't let our trees
and grass all die -
who in this valley got
a 20% raise. As an a
fixed income sure
didn't.

Thank you for your
consideration on this
matter.

Nancy Litsey
5964E Nahuatl
Baise Idaho
342-1701

✓ Gen Ack
sent 3/18/05

✓ To AV.

✓ To Comm
S. H

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2005 MAR 14 AM 8:56

IDAHO PUBLIC
UTILITIES COMMISSION

MARCH 12, 2005

BASIL CANNADAY
1721 BROXON STREET
BOISE, IDAHO 83705

SUBJECT: UNITED WATER CORPORATION

I AM WRITING IN REGARD TO THE RATE INCREASE UNITED WATER IS ASKING FOR. I FEEL THEIR REQUEST IS FAR TOO HIGH AND IF THEY CAN NOT OPERATE WITH A DECENT BUDGET, PERHAPS THEY NEED NEW MANAGEMENT THAT CAN DO THE JOB WITH IN REASON.

WE ARE RETIRED AND MY PENSION IS THE SAME AS IT WAS WHEN I RETIRED IN 1986. MY WIFE RECEIVED A 1% RAISE FROM THE STATE PERSI AND WE BOTH RECEIVED 2.7% SOCIAL SECURITY RAISE WHICH IS A LONG WAYS BELOW WHAT UNITED WATER WANTS. WE FEEL WE ARE LUCKY TO GET THAT COMPARED TO WHAT SOME PEOPLE WILL BE GETTING. ANY NEW CUSTOMERS SHOULD DO THE PAYING FOR THEIR SHARE OF ADDITIONAL INSTALLATONS.

ANY COMPANY MUST MAKE A PROFIT BUT THIS AMOUNT IS UNREASONABLE. WE DO NOT THINK OUR OPINION IS OUT OF LINE. THANK YOU.

YOURS VERY TRULY,

Basil Cannaday

BASIL CANNADAY

✓ Ack
sent 3/18/05

✓ To Comms
H

Jean Jewell

From: secretary
Sent: Thursday, March 17, 2005 9:33 PM
To: Barb Barrows; Ed Howell; Janet Bahora; Jean Jewell
Subject: FW: United Water rate increase

>-----
>From: Kim Lewis[SMTP:KIMLEWIS7@YAHOO.COM]
>Sent: Thursday, March 17, 2005 9:31:37 PM
>To: secretary
>Subject: United Water rate increase
>Auto forwarded by a Rule
>

I understand that United Water wants to raise our rates by 22% this year. This is outrageous! During the summer, my normal water bill is over \$100 and I don't have an enormous yard. Why should we have to pay more just because United Water isn't fiscally responsible? They are the only water company in this area, so what are we suppose to do about this? Sit back on our laurels and let them take our money because we have no choices?

I just wanted you to be aware of our position on this.

I'm sure you'll be getting more e-mails and letters like this one. Thanks for letting me vent.

Sincerely, Don and Kimberly Lewis

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Yahoo! Small Business - Try our new resources site!

<http://smallbusiness.yahoo.com/resources/>

✓ Gen Ack
sent 3/14/05

✓ To AV.

✓ To Commus
; H

Jean Jewell

From: Ed Howell
Sent: Wednesday, March 16, 2005 9:56 AM
To: Jean Jewell; Ed Howell; Gene Fadness; Tonya Clark
Subject: Comment acknowledgement

WWW Form Submission:

Wednesday, March 16, 2005
9:56:18 AM

Case: United Water Idaho, Inc.
Name: Ronald L. Tuning
Street_Address: 11281 Barden Tower Drive
City: Boise
State: Idaho
ZIP: 83709

Home_Telephone: 208-376-3867

E-Mail: rtuning@hotmail.com

Company: United Water Idaho, Inc.

mailing_list_yes_no: yes

Comment_description: United water is asking for a 22.35% increase. They have absolutly no competition in the market place and their rates are very high for Ada County vs. the old district South County Water. The old district had better water quality and a lot more consistent water presure. Please look at the rate increase very carefully. They need to control their operating costs and pass the new water (inferstructure costs) onto the developers and builders not the old customer base.

Transaction ID: 316956.18

Referred by: <http://www.puc.state.id.us/scripts/polyform.dll/ipuc>

User Address: 67.138.59.154

User Hostname: 67.138.59.154

✓ Gen Ack
sent 3/14/05

✓ To Commms
: H

Jean Jewell

From: secretary
Sent: Monday, March 14, 2005 9:48 PM
To: Barb Barrows; Ed Howell; Janet Bahora; Jean Jewell
Subject: FW: NO TO PROPOSED RATE INCREASE

From: Catsansotta@aol.com[SMTP:CATSANSOTTA@AOL.COM]
Sent: Monday, March 14, 2005 9:46:29 PM
To: secretary
Subject: NO TO PROPOSED RATE INCREASE
Auto forwarded by a Rule

to whom it may concern:

I am thankful the Idaho Statesman published an address to send my response to regarding the proposed rate increase on my water bill.

Why don't you make the developers or new residents pay for this? Why do us long time customers always have to suffer? My income cannot keep up with these rate increases - I am going to get priced right out of my home.

United Water needs to find another way to get money - quit milking us poor home owners dry.

I would attend your meeting but I have to work until 8:00pm at night -

Recover your cost of capital improvements and meet the demands of a growing customer base - some other way - lay off us homeowners.

I guess that's just the easy way isn't it - take it from us. Why don't you work a little harder at it and make the developers and big business pay for once and leave us alone.

Catherine Sansotta

✓ Ken Ask sent 3/14/05 *✓ To Comms : H*

Jean Jewell

From: Front
Sent: Monday, March 14, 2005 8:24 AM
To: Jean Jewell
Cc: CJ Cooper
Subject: FW: Complaint acknowledgement

-----Original Message-----

From: Ed Howell
Sent: Saturday, March 12, 2005 10:21 AM
To: Front; Beverly Barker; Ed Howell; Tonya Clark
Subject: Complaint acknowledgement

WWW Form Submission:

Saturday, March 12, 2005
10:21:29 AM

Name: Ellen Combs
Street_Address: 4880 glenbrook dr.
City: Boise
State: ID
ZIP: 83704
Home_Telephone: (208) 376-6119
Work_Telephone: (208) 376-6119
E-Mail: pmcerc@intergate.com
Home_Business: Home
Business_Name:
Business_Street_Address:
Business_Phone:
Complaint_Company: United Water
Local_Provider:
Contacted_utility: No
Complaint_description: We don't feel there is a need to increase the price of water in Idaho. During hte past ten years our water bill has doubled do to the expense of water going up. Why is there a need for further increase? They have a supposed increase of 21.46%?

Ellen Combs.

Transaction ID: 3121021.29
Referred by: <http://www.puc.state.id.us/scripts/polyform.dll/cons>
User Address: 67.136.153.49
User Hostname: 67.136.153.49

✓ Den Acke
sent 3/16/05

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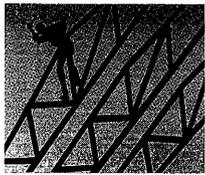
Jean Jewell

From: secretary
Sent: Friday, March 11, 2005 5:45 PM
To: Barb Barrows; Ed Howell; Janet Bahora; Jean Jewell
Subject: FW: Water rate hike

From: Kathryn Burgess[SMTP:BOISEBRATS@EARTHLINK.NET]
Sent: Friday, March 11, 2005 5:44:25 PM
To: secretary
Subject: Water rate hike
Auto forwarded by a Rule

We are against such a large rate increase in water rates. They say because of increased demand , etc., but the demand hasn't increased 20%. We live on a fixed income and we get maybe 2-3 % raise in our social security. Maybe if our utilities are going to continue to rise like this, they need to have a senior discount for necessary items such as water, gas, & power.

Kathryn & Dennis Burgess
boisebrats@earthlink.net
Why Wait? Move to EarthLink.



Thomas
DEVELOPMENT CO.
REAL ESTATE DEVELOPMENT AND CONSTRUCTION

✓ Gen Acct sent 3/18/05 *✓ To A.V.* *✓ To Comm H*

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FILED
2005 MAR 18 AM 8:24
IDAHO PUBLIC UTILITIES COMMISSION

413 W. Idaho, Suite 200
Boise, Idaho 83702
(208) 343-8877
FAX (208) 343-8900
Mail: tdc@thomasdevelopment.com

March 14, 2005

VIA US MAIL:

Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702

RE: United Water request for rate increase

To Whom It May Concern:

Our company owns, operates and manages the following apartment communities within the United Water service area:

Brentwood- 3165 S. Apple, Boise, ID 83706

Shaw Mountain- 670 N. Avenue H, Boise, ID 83702

Landmark- 910 S. Curtis Road, Boise, ID 83705

Westridge- 3097 N. Five Mile Rd., Boise, ID 83713

The request of 21.46% is 4.29% per annum.

Many of our apartment communities around the state including Brentwood are financed through Idaho Housing and Finance Association. As such, the rents are regulated and increases each year are limited to amounts approved by the United States Department of Housing and Urban Development.

Since 2000, HUD approved rents for a 50% Area Medium Income two bedroom apartment (our "standard" profile) and the annual "allowed" HUD rent increases are as follows:

Year	Rent	\$ Increase	% Increase
2000	\$509		
2001	\$533	\$24	4.50%
2002	\$522	\$(11)	-2.11%
2003	\$543	\$21	3.87%
2004	\$561	\$18	3.21%
2005	\$592	\$31	5.24%

The apartment rental market in the United Water service area has not had sufficient demand to allow these rent increases. Low rents have been flat or declining.

We will also note the following Consumer Price Index numbers taken from the U.S. Department of Labor, Bureau of Labor Statistics website (www.bls.gov):

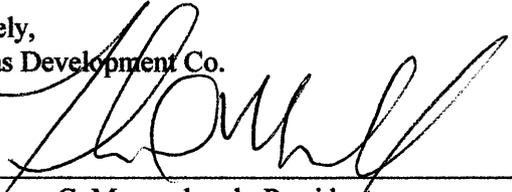
- 2000- 3.4%
- 2001- 2.8%
- 2002- 1.6%
- 2003- 2.3%
- 2004- 2.7%

The above numbers are based on a 12 Month Percent Change, Not Seasonally Adjusted U.S city average.

United Water's request is excessive in our particular circumstances as it exceeds the rental increases allowed under the government regulations we are subjected to and the Consumer Price Index. We urge you to significantly cut back on their request.

Thank you for your consideration.

Sincerely,
Thomas Development Co.

By 
Thomas C. Mannschreck, President

TCM

cc: United Water Co., 8248 W. Victory Rd., Boise, ID 83704

cc: Gerald Hunter, Executive Director, Idaho Housing and Finance Association (via fax)

✓ Men Ack
sent 3/18/05

✓ To A.V.

✓ To Comm
: H

March 11, 2005
Public Utility Commission
472 W. Washington St.
Boise ID. 83720

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2005 MAR 17 AM 8: 21

IDAHO PUBLIC
UTILITIES COMMISSION

REF: United Water Rate Increase

Dear Commission:

This is response to the United Water Co. rate increase submitted to the PUC. I see in the local paper they are including as part of the rate increase costs for capital improvements. Their justification is growth has over taxed the existing system. Having moved from Reno NV which has also experienced a rapid growth and taxed the public service systems the local agencies decided to enforce some new rules.. What the Reno water company decided was that development had to pay its own way without putting a heavy load on to the rate payer. New development rules were put in place which include impact fees, increased capacity costs, connection fees, costs for pump station upgrades, costs for increase storage capacity, and costs to extend the existing system. All of these costs were passed onto the development and the owner of the development had to bond the costs.

The rate payer should not be responsible for the majority of costs to expand the existing system for capacity to service added new growth. United Water needs to start doing business for growth to carry it's own weight.

Thank You



Larry Lindstrom
11873 W. Armga Dr.
Boise ID. 83709

✓ Ken Ack
sent 3/18/05

✓ To AV. ✓ To Commis
: H

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FILED

2005 MAR 14 PM 3:14

IDAHO PUBLIC
UTILITIES COMMISSION

4920 N. Mitchell St.
Boise ID 83704
May 11, 2005

Idaho Public Utilities Commission,

I'm writing concerning the increase in water rates that United Water is requesting. I guess I don't understand why the current rate of return, 6.06 percent is not enough. I wish my savings was earning that much. Our whole economy has been suppressed for the last 4 years. High paying jobs have been replaced with low paying service jobs. Income is down for 80 percent of the working, lower + middle class, people in Idaho. Why should United Water get a larger rate of return than anyone else?

United Water says it has added 10,000 new customers since 2002. How much additional income does 10,000 new customers produce? We all know those 10,000 new customers paid to connect to United Water. How much did the new customers pay?

What is United Water paying their upper management? What was the amount of their raises for the last two years. United Water needs to decrease their overhead and operating expenses.

The cost of capital improvements is the cost of doing business and is ordinary for operation with a growing customer base. This only increases the value of United Water's assets.

We can't afford to pay more for all our utilities. We have to reduce our usage and I'm sure most people will at a 22.3% rate increase. I don't believe United Water has addressed their real problem this year. I would like to see their financial statements.

Sincerely,

Lois J. Hanson

✓ Ken Ack
sent 3/18/05

✓ To A.V.

✓ To Comms
: H

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2005 MAR -9 AM 11: 14

JULIE FANSELOW

IDAHO PUBLIC UTILITIES COMMISSION
1504 COLUMBUS STREET
BOISE, IDAHO 83705
(208) 336-8971
JULIE@JULIEFANSELOW.COM

March 9, 2005

Idaho Public Utilities Commission
472 W. Washington St.
Boise, ID 83702

Dear commissioners:

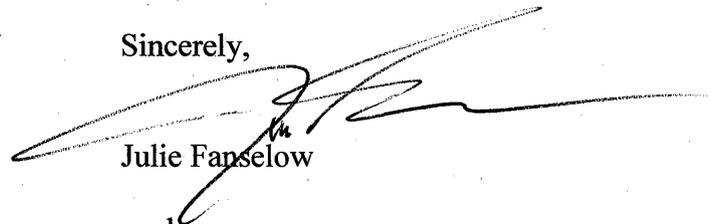
I am writing to register my concern over United Water's proposal for a 22.35% residential rate hike. The increase seems unduly high, much higher than the rate of inflation these past few years. But I have other concerns beyond that. **Mainly, I would like the commission to make United Water prove that it is not seeking to balance its losses elsewhere on the backs of Boise-area water users.**

I have been researching United Water as part of a project for my church, and I have learned the following:

United Water is part of Suez, one of the world's largest water companies. Suez lost \$950 million in 2002. About half of that was attributed to losses in Argentina due to that nation's financial crisis. Suez has subsequently turned its attention elsewhere, including North America via its United Water subsidiary, but the company has run into problems here, too. Only a few years into a 20-year contract with United Water to provide water in Atlanta, the city sought to end the deal due to poor water quality and even worse service. Because of these and other missteps, Suez was \$29 billion in debt in 2002. (I do understand the company's fiscal situation has improved since then; 2004 results will be announced tomorrow.) Please see the attached documents to learn more, if you haven't already read about this.

I strongly suspect some significant part of United Water's rate request in Idaho will **not** go to improve service and infrastructure here. Commissioners, as you consider United Water's request, please be sure Idahoans don't become a "cash cow" to underwrite Suez's global finances. Thank you.

Sincerely,


Julie Fanselow

enclosures

Suez

A Corporate Profile

A special report by Public Citizen's
Water for All program.



Photograph by Maj Fiil-Flynn

August 2003

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This document can be viewed or downloaded
www.wateractivist.org

This report is available at www.citizen.org

WATER
FOR ALL

CAMPAIGNING TO KEEP
WATER AS A PUBLIC TRUST

Water for All Campaign
215 Pennsylvania Ave. S.E.
Washington, D.C. 20003
tel: 202.546.4996
fax: 202.547.7392
cmep@citizen.org
www.wateractivist.org

Water for All Campaign, California
1615 Broadway 9th floor
Oakland, CA. 94612
tel: 510.663.0888
fax: 510.663.8569
california@citizen.org
www.citizen.org/california/water

Public
Citizen

Public Citizen, founded in 1971, is a non-profit research, lobbying and litigation organization based in Washington, D.C. Public Citizen advocates for consumer protection and for government and corporate accountability, and is supported by over 150,000 members throughout the United States.

Suez - A Corporate Profile

The only thing worse than being a shareholder is being a customer

2003

Part I: The Background

see footnotes at end

It's \$29 billion in debt. It posted a \$950 million net loss in 2002.¹ It just bungled huge, high-profile contracts in Atlanta, Buenos Aires, and Manila. Its stock has lost two-thirds of its value in the last year.² It's Suez, one of the biggest private water corporations in the world, and it isn't pretty. And that's just if you're a shareholder.

It's decidedly worse if you're one of Suez' 125 million water service customers in one of the roughly 130 countries where Suez operates. Suez has been scrambling to do whatever it takes to turn its financial fortunes around. That means that as water divisions Ondeo and United Water grab control of a city's water system, a top priority is cutting costs, because low costs mean higher revenues. So Suez slashes water system staffs to inadequate levels, fails to perform necessary maintenance, tries to delay or avoid altogether any costly infrastructure investments, screams for higher rates, more money from government or both, and blames public officials, or just the public, for all the company's problems. Customers end up paying more for less.

Whether they're industry executives drawing a bloated salary, government officials depositing an industry bribe, ponderous ideologues sucking their thumbs in market worshiping think tanks, or silk-tied silver-haired masters of all they survey cloistered in international financial institutions like the World Bank, privatization's apologists and promoters trot out corporations as The Big Answer for a developing world that so desperately needs safe, drinkable water. Business will come to the rescue, the world is told. Suez, however, is in the water business, not the rescue business. As far as Suez is concerned, there's one big reason the company lost \$900 million in 2002: Argentina.³ How could Suez possibly collect money from its Argentine water customers amid that

nation's enormous fiscal crisis and the collapse of the nation's currency? It couldn't. Suez took a financial bath, writing off \$500 million. And Suez has had enough.

Unveiling the New Corporate Strategy

In January 2003, Suez unveiled its "action plan" designed to rescue the corporation from its colossal debt and chart the path back to profit. Key among those action items is reducing by one-third the company's exposure in "emerging countries."⁴ Suez instructs its companies to reach profitability within three years of operation pulling a potential of 27 years of profitability on its lease and concession contracts.⁵

Among other "problems" within the Suez emerging countries portfolio, weak currencies led to a "specific refusal/impossibility to increase water rates, in compliance with contracts, to compensate for devaluation of depreciation effects."⁶ In Manila, Buenos Aires and other cities, Suez discovered there were limits on how far government regulatory structures would succumb to corporate demands. Even weak regulatory bodies created to "partner" with corporate interests, had limits in their political ability to burden consumers with continuous rate hikes in order to compensate for currency de-valuations or other corporate misfortunes. As such, the company is reducing investments in those risky "emerging markets" and shedding assets.⁷

The Suez action plan to de-emphasize investment in developing nations flatly contradicts the prevailing corpo-



rate/government mantra that the private sector will provide safe and affordable water to nations that most need assistance. On the contrary, the more troubled a region or its economy, the less likely privatization's prospect for delivering anything but empty promises. Instead of making needed investments and applying private sector efficiencies to increase access to water services at affordable rates, Suez openly acknowledges that it can't cut it financially in the developing world, and certainly can't afford to make infrastructure investments in a "market" that can't support the water company's profit expectations.

So, the Suez corporate strategists took a new look around the world and decided to refocus their competitive grab for market share on (1) Europe – especially France, Belgium and to a more limited extent, Eastern Europe, and (2) North America, including Mexico, with a focus on expanding the foothold of United Water. These markets tend to have more complex and developed legal and regulatory structures protecting the environment, labor and consumers, a definite disadvantage from the corporate viewpoint. On the other hand, they house a population of relatively stable middle-class consumers capable of generating a secure revenue stream. Which is to say Suez is applying the Willie Sutton strategy; Sutton, when asked why he robbed banks, famously replied, "that's where the money is."

Improving the global "investment climate"

Clearly influenced by the Suez strategy, leaked documents from the European Union (EU) showed that the EU requested the United States, Mexico, Canada and Switzerland to commit their water sectors under the World Trade Organization (WTO) negotiations on the General Agreement on Trade in Services (GATS). After substantial pressure placed by US civil society organizations, US trade negotiators publicly stated in March 2003 that they rejected the EU's request that water "collection, treatment, distribution" for human use be opened up to foreign competition under highly favorable GATS rules. However, the persistent push from Suez and other

corporations, coupled with a trail of closed-door meetings reflecting pronounced corporate access to and influence over decision makers with international trade organizations and financial institutions, suggests assurances from the US trade team may be, at best, changeable, or less charitably, a cynical hoax. US fair trade activists will remain vigilant as WTO negotiations proceed.

Suez played a major role in shaping the EU GATS requests as evidenced by a letter from the EU trade commission to Suez stating: "One of the main objectives of the EU in the new round of negotiations is to achieve real and meaningful market access for European services providers for their exports of environmental services."⁸ This statement was sent along with a questionnaire asking major water corporations for their wishes on market liberalization. Suez's interest in the GATS negotiations includes (1) proposals to abolish 'restrictive fee setting' – policies that governments may use to protect low-income consumers, (2) concerns about overburdensome licensing requirements and national regulations ensuring high environmental standards and drinking water quality, and (3) restrictions requiring foreign investors to enter with local business partners. Suez had an open door to the trade commission while civil society was shut out.

Suez does not officially take part as a non-governmental organization (NGO) in the World Trade Organization events, but the European Services Forum (ESF) participates on behalf of its two members from the water sector, Suez and Veolia (formerly Vivendi), and exercises substantial influence in the negotiations. In fact, at the WTO meeting in Seattle, ESF was an official member of the EU delegation. Over 50% of the accredited NGOs registered for the September 2003 Cancun Ministerial in Mexico are so-called BINGOs (Business Initiated Non-Governmental Organizations), leaving little doubt that the behind the scenes activities are left out of reach for ordinary citizens.

While Suez is eager to get a larger foothold in the North American market and claims it will reduce its "exposure" in the developing world over the short-

term, there can be no doubt that the longer term plan is to reform the institutional, regulatory and legal environment in order to maneuver in those “emerging country” markets with less risk and more profit. Part of this reform plan is evidenced in the requests made by the EU asking 72 countries to commit their water sectors under the GATS. More than 70 percent of the EU requests were made to developing countries, despite the EU’s previous assurances that there were no requests made to those nations.

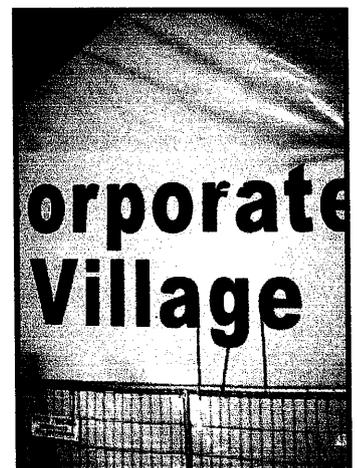
Another key part of the Suez reform agenda directed at developing country markets is reflected in the report of the World Panel on Financing Water Infrastructure chaired by ex-International Monetary Fund (IMF) Managing Director Michel Camdessus. Suez Vice President Gérard Payen sat on the panel which argued for new credit, risk insurance and guarantee programs from the public coffers of the World Bank, IMF, export credit agencies and multilateral banks to protect the earnings of the global water companies in risky markets.⁹ Other members of the panel included representatives of the World Bank, Citibank, US Ex-Im Bank, European Bank for Reconstruction and Development, the Inter-American Development Bank, the African Development Bank, the Asian Development Bank, and others.¹⁰ If implemented the programs proposed in the Camdessus report would ensure corporate profit with publicly funded guarantees on everything from earthquakes to fluctuation of international exchange rates. The Camdessus report was unveiled at the 3rd World Water Forum in Kyoto, Japan in March 2003. The World Water Forum is organized by the World Water Council and Rene Coulomb, a former Suez vice-president is one of its three founding members.

The IMF and the World Bank thought they had scored a victory when the major global water companies committed to a “partnership” in the Bank’s campaign to promote the private sector as the solution to the lack of access to potable water in the developing world. Gérard Mestrallet, CEO of Suez, gloated about this partnership as the keynote speaker

at the World Bank’s annual staff exchange conference in June 2002. In his speech, Mestrallet presented the Suez program created at the end of 2001: “Water for All” (co-opting Public Citizen’s campaign slogan). The speech, titled “Bridging the Water Divide,” claimed that Suez can supply excellent water services at affordable prices that the poor are willing to pay. The background music preceding his statement was John Lennon’s “Imagine”. Mestrallet further claimed that the concession in Buenos Aires was a huge success – effectively putting the CEO’s cluelessness on blazing display. The concession in Buenos Aires was in big trouble at the time of the speech and suffered major losses.

The World Bank, the G-8 governments, and the major water multinationals had a great public relations strategy. They traveled the world grandstanding about how the United Nations Millennium Development Goals (MDGs) on water and sanitation could be fulfilled through public/private partnerships.¹¹ The implication, of course, was that the only way water and sanitation services could be expanded to serve the poor in the developing world (and meet the MDGs) was with the involvement of the major water corporations. The World Bank told governments around the world that private sector water companies would bring significant investment as part of the new public/private partnership model.

But a funny thing happened on the way to the public-private paradise. Suez has changed its mind. Actually, the company is not willing to invest. Suez, along with the other multinational water companies, is calling the World Bank’s bluff. This is quite damaging to the Bank’s already suffering credibility. But, Suez and the other global water companies have some pretty clear suggestions on what the World Bank could do to get them back on board.



Specifically, the companies are pinning their hopes on the proposals in the Camdessus report, proposals that would shield the companies from risks and wrap them in a protective financial cocoon of public handouts from multinational banks. It remains to be seen whether the World Bank and other financial institutions will acquiesce to the corporate demands.

In the meantime, the new Suez corporate strategy includes avoiding the risky developing country markets and focusing on the quickest cash flow generating contracts. The strategy also requires unloading debt and, most importantly, avoiding new investment. Suez wants to view itself as an "information" company. The company doesn't want to sink real money into the real nuts, bolts and pipes that make a water system sound. This has forced Suez to back out of some potentially lucrative deals in Germany and Vietnam where investment requirements were just too hefty. And, it has meant selling 75 percent of its shares of Northumbrian Water in order to reduce its debt by £1 billion. The Northumbrian deal releases Suez from the substantial new investment requirements demanded by the British regulator OFWAT under the UK regulatory framework.

Suez is scrambling to streamline its operations to please investors and shareholders. It is a company in the midst of what one industry publication dubbed a "major makeover."¹² Even its much-touted focus on North America is floundering. In June 2003, United Water walked away from a privatization bid process in New Orleans, La., fearing a requirement that any contract must be approved by voters.¹³ And, as described in more detail below, city officials in Atlanta, Ga., recently told United Water that the party was over and they should start packing.

Part II: Case studies of Suez in communities around the world

Defeat in Atlanta, Georgia USA

The failure of Suez to effectively operate a water system is by no means confined to developing nations with battered currencies struggling to fend off economic collapse. One of the corporation's most spectacular fiascoes recently came to a head in what is generally considered the most successful, stable and structurally sound economy in the world, the United States.

In 1998, the city of Atlanta signed a 20-year, \$428 million contract with United Water, the then-recently-acquired U. S. subsidiary of Suez, to operate Atlanta's water system. It was the biggest privatization contract in the U. S., and its signing was celebrated by victory-declaring water corporations. Atlanta would be the "model" for other communities, gushed privatization's promoters and apologists.¹⁴ Taxpayers and customers would save money and systems would be improved, as privatization proved itself the win-win situation for the 21st century. Atlanta was going to show the way.

Or so the story went.

But even before Suez' U.S. arm took over the system in 1999, there were suspicions that the company had vastly overstated the amount of money it could save, and vastly underestimated—at least publicly—the amount of work required to operate the system. When the company assumed the system's operation, suspicion turned to remorse as Atlanta discovered the ugly realities of the "model" for privatization:

- United Water more than halved the number of employees, and slashed the amount of training provided to remaining employees to levels far below training requirements called for in the contract.¹⁵
- A backlog of work orders and maintenance ballooned for virtually every portion of the system, from main breaks and facility maintenance to meter installation, hydrant repairs and fleet maintenance. Not only was the company failing to address the growing

backlog of work orders, it couldn't even keep competent records of the backlog. A broken water line could take as much as two months to fix; maintenance projects hovered at a 50 percent completion rate.¹⁶

- Almost immediately, United Water started hitting up the city for more money, and tried to add \$80 million to the contract.¹⁷

- The city found that United Water was improperly billing the city. For instance, routine maintenance was billed to the city as "capital repairs." And the city discovered that United Water personnel, on Atlanta's dime, were working on United Water projects outside of Atlanta, including efforts by the company to land contracts in other cities.¹⁸

- The city repeatedly complained that United Water was uncooperative and less than forthcoming when the city requested information from the company. Trust in the company eroded to the point that the city spent \$1 million to hire inspectors to verify United Water's reports.¹⁹

- Even after slashing the workforce to inadequately low levels, failing to fulfill maintenance and repair duties called for in the contract and successfully billing the city for millions more than the annual contract fee, the much-vaunted savings from privatization didn't materialize, and the promise that a rate hike could be averted through savings turned out to be empty. Sewer rates went up every year United Water had the contract (17 percent in 1999; 11 percent in 2000; 3 percent in 2001; and 15 percent in 2002). The combined monthly water and sewer bills for average residential customers in Atlanta rose from \$46.34 when United Water took over the system to \$56.47 by 2002.²⁰

The promoters of privatization were absolutely right when they claimed the Atlanta contract would be a model for the privatization of water services. In that model, as so powerfully illustrated in Atlanta, the company makes promises it knows it can't keep, with the expectation that the city can simply be billed for additional charges later. While the extra charges are designed to boost the revenue side of the equa-

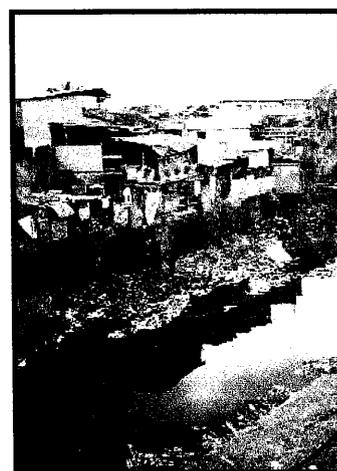
tion, the company attempts to dramatically cut its own costs by reducing the workforce to inadequate levels and failing to perform maintenance and repairs. The company is emboldened to pursue such an anti-consumer strategy because it has secured a long-term contract designed to hold consumers captive to the company's monopoly for decades.

Atlanta managed to get out—though the contract dissolution agreement attempts to muzzle Atlanta officials from criticizing Suez and its performance.²¹ The city now faces the daunting task of taking back its water system and performing needed upgrades that were neglected during United Water's tenure.

Supporters of privatization, meanwhile, in a desperate if audacious stab at spin control, blame Atlanta for all of the company's bungling. Although corporations out to privatize water services routinely boast about superior technical expertise backed by hard-headed business acumen, United Water whined that the realities of operating Atlanta's system were much larger than anticipated, and the city should have told United Water what the company was getting into.²² Apparently, when United Water showed up in Atlanta, it left all its vaunted expertise and acumen stashed away somewhere in Suez' Paris headquarters.

In a shameless yet incredible display of nerve, privatization's apologists brazenly claim that the Atlanta lesson is still a model for other communities considering privatization. "*Just do everything completely the opposite of what Atlanta did,*" suggested one of privatization's promoters from the think tank ranks.²³

He's absolutely right. Whereas Atlanta signed its public water system over to a private company, other cities should do completely the opposite, and keep public resources under public control.



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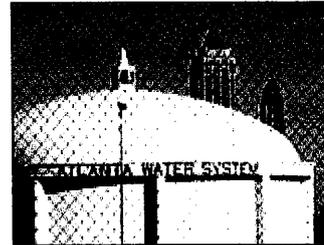
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No silver bullet Water privatization in Atlanta, Georgia – a cautionary tale

Frank Koller, CBC Radio | Feb. 5, 2003



Atlanta, Georgia is one of the largest cities in the United States. When it transferred the management of its municipal water system to the private firm United Water, many saw it as a beginning of a new trend. Supporters believed Atlanta would lead the way for many more privatized water utilities in the U.S.

No one believes that any more.

United Water, a wholly owned subsidiary of the water giant Suez, is no longer running the show, and privatization has left a sour taste in many people's mouths.

Listen to Frank Koller's report

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In the distance loom the skyscrapers of downtown Atlanta, the economic and political powerhouse of the deep south. Just across Howell Mill Rd. sits a big white tower with the words "Atlanta Water System" in black letters across the top.

1999

Four years ago, the City of Atlanta turned over day-to-day operations of its water system to United Water, the American subsidiary of the Paris-based water corporation Suez. The 20-year contract was worth \$420 million US to United Water.

2003

But two weeks ago, Atlanta's Mayor Shirley Franklin called a press conference to announce that the deal was dead.

"I stand here today with Mr. Michael Chesser, chairman and CEO of United Water Services, to announce that the City of Atlanta and United Water have jointly agreed to dissolve the contract under which United Water has run

WATER FOR PRO

This report is part of a special series on the privatization of water, which is a collaboration with *Barons*, an international investigative journalism project which is a project for Public Integrity.

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the city's water system since January 1, 1999."

The mayor said Atlanta will once again run the water system itself, safely.

"I want to reassure all of Atlanta that your water system is in good hands," she said.

"The water department had been a poster child for government inefficiency, where politicians would dump their friends and relatives when they needed a job."

When United Water won the water contract four years ago, many in the city government didn't think the public-run water system was in "good hands." Lee Morris, a lawyer and accountant, sat on Atlanta's City Council when the deal was made.

"I personally agreed with the concept of turning it over to a private operator because the water department had been a poster child for government inefficiency, where politicians would dump their friends and relatives when they needed a job," says Morris. "It was not a well-run department and it was a very costly department."



Felicia Moore, an Atlanta city councillor

Now, with the deal cancelled, it's hard to find anyone in Atlanta who thinks privatizing the water system was a good idea. And many people, like Morris, just shake their heads that so much has gone wrong.

"It's a cautionary tale because quality has been jeopardized,"

says Morris. "In my old councillor district particularly there have been a dozen or more instances where people had brown water running through their faucets and advisories to boil it before you drink it. In a large world-class city like Atlanta, that just should not happen. It might happen in third-world countries, but it should not happen in Atlanta."

With three kids living at home, Lamar Miller's washing machine goes through a lot of water. Miller has lived in the comfortable middle-class neighbourhood of Buckhead for decades.

Over the years, she's had water problems from time to

around the world

VIEWPOINT

SEND YOUR THOUGHTS

What do you think about the issue of water privatization? Write to us at water@cbc.ca.

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Read some of your letters.

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WALKERTON
In May 2000, several people in Walkerton, Ont. fell sick from drinking contaminated water

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How scientists measure water quality

time, but nothing like last summer.

"When you turn on the water, you expect to have water come out of your faucet," she says. "This summer we had, multiple times, when you would turn on the faucet and nothing would happen, sometimes for a couple hours, sometimes for a couple days. And then when the water comes back, it looks like dirty creek water. It clogs up all the filters in your refrigerator, it destroys your laundry, and there's no warning when you're going to get these discolourations."

One day, Miller loaded more than a dozen of her husband's white dress shirts into the washing machine. Thirty minutes later, they weren't white.

"During the summer when the water pressure was going down we were getting a lot so you could actually see it coming out of the faucet," she says. "You're hair would start to get orangey-red highlights in it, like you had Irish blood in you."

"The City cannot wash its hands of the responsibility of supplying water."

Last summer, a severe drought forced Atlantans to follow strict water rationing. However, when a fire hydrant at the foot of Walda Lavroff's driveway broke a leak like a gusher, Lavroff says it took 10 days of constant phone calls to United Water to get it fixed. By then, pavement was washing away.



Walda Lavroff beside the fire hydrant that broke a leak. It took 10 days for the water company to come and fix it despite the fact that residents were asked to follow strict water rationing due to a drought

On other occasions, she received notices from United Water to boil her water, days after breaks in water lines created health concerns. Lavroff says she didn't have these problems when the City ran the water system.

"When water pipes and valves had broken in this neighbourhood, there was a boil advisory out for water and we didn't get the advisory until a day or two later," she says. "(This) is serious business because if the water is not safe to use as they said for baby formula or for elderly, ill people and so on, we should be notified at once not a day or two later. The City cannot wash its

water is safe

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NO SILVER BULLET

CBC's Frank Koller reports on Atlanta, Ga. water privatization but that \$500-million contract back the utility to residents

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TOP

hands of the responsibility of supplying water."

Despite repeated requests, United Water wouldn't talk to me when I was in Atlanta just before the City killed the water contract. The company had said publicly that the City of Atlanta hid the true health of the pipes from contract bidders. The company complained it only realized after winning the deal how bad things were when brown water started flowing.

Howard Shook, who represents Buckhead on Atlanta City Council, says he was drowning in complaints.

"I spend way too much of my time acting as a grief counsellor for bereaved United Water customers," he says. "We have raised property taxes 50 per cent, and we have done all sorts of things poorly that have aggravated the citizens, but I have never run into anything that has aggravated my constituents more than the inability to provide clean tap water every time they reach out and turn that tap."

Atlanta's city government was also disappointed with United Water because the company failed to deliver on promises to save the City money. A recent audit of United Water's performance ordered by the mayor revealed uncollected bills, demands for even more money from the City, and delayed repairs.



Clair Muller

Clair Muller, who chairs the City's Utility Commission, says those problems were all supposed to end when the private company took over the system.

"It was said at the time that we would save \$20 million per year of the 20 years," says Muller. "Even people who believed in this privatization buzz word were calling me saying even the city can't be doing that bad a job that you'd save \$20 million. And indeed they were right, we've saved about eight."

When Atlanta decided to privatize its water system, the world's water management companies flocked to Georgia. This was the largest water privatization deal yet in the United States. Winning it was seen as a toehold into a huge untapped market. Competition was fierce.

Five major bidders spent millions on public relations campaigns, lobbyists and lawyers courting City politicians. In the end, United Water, owned by Paris-

based Suez, won with the lowest bid.

Lee Morris, then chair of the Utilities Commission, said he and his other elected colleagues knew the Atlanta contract was a highly valued prize.

"We certainly heard that it was important to all of these large companies, that this was going to be the first one, the toe hold if you will, and it was important for them to land it even if it meant they did not necessarily make a lot of money or maybe even any money," says Morris. "So certainly it took deep pockets."



A new house being constructed in what's often called the fastest growing big city in the U.S. - Atlanta, Ga.

Atlanta is often called the fastest growing big city in the U.S. But it is still a very old city, and its water pipes are old and leaky.

Harold Cunliffe, a major real estate developer in Atlanta and chair of the City's Urban Design Committee, believes United Water shouldn't be blamed for all the current

problems. He says the City made it very hard for United Water to run the system the way the company wanted.

"United Water was basically handicapped when they came into this arrangement with the City of Atlanta."

"I believe that United Water was basically handicapped when they came into this arrangement with the City of Atlanta," says Cunliffe. "All the contractors that bid on this were required to have a certain minority participation content and to hire city workers, so it is unfair to say that this is an unfettered privatization."

Cunliffe believes Atlanta should have given United Water a free hand, not kill the contract. He has no time for arguments that water is too important to be in private hands.

"I can think of a lot of other things that are more [?] important than water, like food and housing, and we've managed over the years to privatize those two necessities of life," says Cunliffe. "Nevertheless, they're operated perfectly well in a free entrepreneurial system."

Atlanta will soon resume running a downtown water treatment plant. There were fears of multi-million dollar lawsuits lasting for years if the contract was killed. But in the end, the City and United Water say they parted on friendly terms.

Standing with the mayor, company CEO Michael Chesser said he was disappointed.

"I'm convinced that if we were to start over today, with the spirit of partnership that we have and what we've learned, we would be able to craft a successful process, so we wish the city all the best of luck."

"My inner conservative no longer worships at the altar of privatization."

One thing's for sure about Atlanta's experiment with water privatization, City Councillors Howard Shook and Claire Muller say they've learned a tough lesson.

"My inner conservative no longer worships at the altar of privatization as I might once have done. That is for sure," says Howard Shook. "Sometimes it is the best answer but I now know that it is not always the answer, and we have to be very careful about it."

"Water is something very important to everybody," says Claire Muller. "And I do think that we got a little carried away four years ago with the hype of this being the silver bullet that was going to solve all our problems. We went down the wrong path."

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