

**House Environmental Resources and Energy Committee
Informational Meeting on SB 597 P.N. 1714**

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Testimony of:

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Good morning, Chairman Metcalfe, Chairman Vitali and members of the House Environmental Resources and Energy Committee. Thank you for your invitation to provide testimony on SB 597 P.N. 1714.

We are testifying on behalf of the Pennsylvania Municipal Authorities Association (PMAA) which has been representing over 700 municipal authorities across the Commonwealth for the past 80 years, the vast majority of which provide drinking water and wastewater treatment services to more than six million citizens. If you live in Pennsylvania, you are likely within the service area of at least one authority. In addition, PMAA has over 500 associate members, such as CPAs, engineers, and solicitors, who provide services to authorities.

To provide some background, an authority, by virtue of the Municipality Authorities Act (MAA), is an alternate vehicle for accomplishing public purposes rather than through direct action of local governments. They may provide services to the community and finance its services by means of user fees. Authorities also commonly serve more than one municipality to provide operational efficiencies and economies of scale with the flexibility to serve beyond political boundaries. Because they are quasi local governments and not for profit, their mission is to provide excellent quality, reliable, and safe services at an affordable cost to the customers of their local community, whether that be large or small. Furthermore, the operation of authority projects and services does not compete with other traditional components and associated costs of local government. For these reasons, the authority model is perfectly suited for providing services on a regional level.

To bolster this viewpoint, it is important to understand the governing structure of a municipal authority. Authorities can be created by any county, borough, city, or township, functioning singly or jointly with one or more other local governments. Once created, the authority manages

all aspects of the authority's operation, freeing the municipality of these critical and complex responsibilities. Authorities are governed by municipally appointed board of directors, and authority meetings are conducted in public, meeting requirements of the Sunshine Act and Right-to-Know Law. It is also important to note that in the MAA, an authority cannot "duplicate or compete with existing enterprises serving substantially the same purposes." These features ensure that authorities act in a transparent manner, separated from local political influences but governed locally with full public access, and operate only in the best interests of the communities they serve.

Aside from the MAA, municipal authorities are governed and regulated under several other state and federal laws including, but not limited to:

- Safe Drinking Water Act
- Clean Water Act
- Clean Streams Law
- Sewage Facilities Act
- Plumbing System Lead Ban and Notification Act
- Terrorism Infrastructure Disclosure Protection Act
- Public Health Security and Bioterrorism Preparedness and Response Act
- Water Resources Planning Act
- Underground Utility Line Protection Law (PA One Call)
- Water and Wastewater Systems Operators' Certification Act
- Storage Tank and Spill Prevention Act
- Construction Code Act
- Municipalities Planning Code
- Procurement Code
- Prevailing Wage Act
- Separation Act
- Public Official and Employee Ethics Law
- Public Employee Relations Act
- Right-to-Know Act
- Sunshine Act
- Municipal Records Act
- Intergovernmental Cooperation Act

In addition to state and federal laws, authorities must meet all current regulatory requirements as well as plan, prepare, and budget for future requirements once identified by state and federal agencies.

SB 597 by Senator Stefano provides for water and wastewater asset management plans as well as

various other provisions. To be clear, PMAA supports the overall concept of asset management plans and cybersecurity plans; however, we do not support overreaching, unnecessary, excessive, and duplicative requirements found in the bill. Based on our strong relationships across the state, PMAA is aware that many of our members already have asset management plans in place. In fact, PMAA provides training and seminars throughout the year on a variety of asset management topics to support our members' efforts in this area. Asset management is not a "one size fits all" program, and the diversity of utilities in Pennsylvania requires a more supportive, less prescriptive approach to maintain water and sewer utility infrastructure. In reality, these plans are sized and scoped appropriately for the nature of each authority, its resources, and the communities they serve.

To provide a bit of history on PMAA's involvement with SB 597, after many amendments, the current printer's number of the bill reflects a good faith effort by many of the interested stakeholders to reach consensus on several provisions. Removing Title 66 (PUC) and placing enforcement under Title 27 (DEP) was the right move. That being said, we believe more work needs to be done. Some of the outstanding concerns our members have include:

- Workable solutions for smaller systems that represent rural communities of 10,000 or less whether that be an increase, from 751 to 3,001 connections, via an achievable compliance schedule, which includes technical support, or a mix of both
- Appropriate measures under the "critical valve inspections and fire hydrant inspections by a water system operator" as well as the "water meters" provisions
- Submission of protected critical asset data in compliance with Homeland Security provisions and America's Water Infrastructure Act

Additionally, another significant issue we have with the legislation, as currently written, is that the prescriptive requirements will drive utilities to increase rates substantially in an attempt to comply, or risk non-compliance. Both of these outcomes place smaller authorities at increased risk for unnecessary acquisition by private investor-owned utilities. PMAA is concerned that this may be the ultimate intent of the legislation, a concern which is bolstered by the requirement to submit detailed asset data to the state, which provides much of the necessary information a private company requires to research the investment value or fair market value of the systems it may wish to acquire.

A related concern is the enforcement action and cost sharing described in this legislation. The proposal includes requirements for plans to be submitted to and approved by DEP, with no specific criteria for approval provided. However, compliance is contingent upon DEP approval of the utility's plan. Failure to achieve compliance results in taking away all public funding that many of these systems have come to rely on, essentially starving them of their resources. The lack of due process is alarming. The consequences of this will be devastating and expensive for

these systems and will result in increased costs to the citizens served by these systems. The consumer would see little if any benefit, especially at a time when inflation is high and municipal systems work to assist customers who are struggling financially.

The immediate implementation of these approaches will result in significant rate increases to citizens in many communities across Pennsylvania, while the benefit of these approaches has not been identified, examined, or quantified in any way. PMAA is also concerned about the timing of the implementation of these requirements. Water and sewer utilities of all shapes and sizes have come under tremendous pressure in the past year or so. In today's operating environment, authorities face significant new challenges, such as:

- New federal regulations for lead service line replacements
- Upcoming water, sewer, and solid waste requirements for handling PFAS
- Tremendous rate pressure and affordability concerns related to implementing plans to respond to these evolving water quality regulations
- Large influx of infrastructure funding that is available at a time when supply chain, workforce, and inflationary pressures are severely straining utilities' ability to move projects forward

Authorities are facing these important challenges head-on, and many are leading the charge to proactively address these issues through innovation and community engagement. Is now the right time to add another requirement through this legislation, and for what benefit?

To reiterate, PMAA believes the intent of this legislation is to pave the way for increased privatization of water and sewer utilities. Authority leaders are already focused on asset management as well as a myriad of other important issues facing our industry today. Authorities are, by their nature and structure, dedicated to ensuring the best interests of the community are served. We believe adding unnecessary layers of oversight, driving costs and rates higher, as well as implementing a "one-size-fits-all" approach will have the intended result – some authorities will struggle to meet this unworkable requirement, forcing more systems into privatization and removing local control of these vital public assets.

Again, thank you for the opportunity to testify before you today. We are happy to answer any questions.