

Small Systems Unite



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From simple tasks, such as finding customers who are willing to serve on boards and assist with managing their systems, to more involved responsibilities, such as managing new legal and regulatory mandates, it's no secret that small water systems face big challenges. Diminishing state and federal funding options, combined with swelling population, have placed a lot of stress on small systems that already struggle to meet increasing demand, manage water resources and upgrade aging infrastructure.

Water system consolidation often is the suggested remedy for these challenges. According to a Department of Agricultural Economics, Mississippi State University Extension Service report, "Consolidation activities can range from multiple water systems developing an agreement to share an operator to one water system acquiring ownership and control of another. [And it] can lead to multiple systems physically interconnecting their infrastructure."

The benefits are numerous. Consolidation can create a larger customer base, leading to easier access of funding. Systems can have greater access to capital and thus be able to borrow funds for necessary improvements more easily. There would be greater

access to skilled employees, and customers would enjoy more reliable water sources.

While consolidation can be a useful tool for solving some system problems, it is not a magic pill. It faces political barriers, conflicting management goals, loss of community system independence, design issues and even inheriting debt.

Despite various pros and cons, it is hard to dismiss the fact that consolidation of water systems may be a means to increasing regulatory compliance by eliminating underperforming systems and inefficient management.

It appears that some states are embracing consolidation.

According to a recent *Associated Press* report, Aquarion Water Co. has acquired 57 water systems in Connecticut, many in the western part of the state, over the past 18 months.

Rapidly growing population in the area—up 8% between 2000 and 2010 in the city of Danbury—has elevated the need for more efficient water systems. Another problem is that former farming communities in the area are now large suburbs with no fire hydrants, in need of costly pumping, storage and treatment equipment. Supported by Connecticut regulators, Aquarion has stepped in to buy and consolidate water systems to help meet future population demands. Over the past 15 years, consolidation has reduced the number of private, investor-owned water companies from 30 to 22 in western Connecticut alone, according to the report.

Last month, we asked *Water & Wastes Digest* readers if they deemed consolidation the answer to small systems' challenges, and many responded. One reader comment, however, deserves a mention.

"I believe consolidation offers benefits as a larger system can better afford improvements. However, the private utility system needs to map and manage its assets as does a large, publicly owned system. My direct experience with a few private systems in Western Pennsylvania showed the owners treated the system as a revenue producer with little or no reinvestment in capital assets or management. Those systems were time bombs waiting for the right disaster to create public turmoil in their service areas. Hopefully, Aquarion will do a better job."

While it is hard to predict how quickly the lack of funding, increasing regulations and population demands will drive up system consolidation, some preliminary *Water & Wastes Digest* 2012 State of the Industry survey results indicated that 43% of water and wastewater professionals serve large or very large systems in comparison to 32% of respondents in 2011—an 11% increase in just one year.

I look forward to sharing the final results of *Water & Wastes Digest's* 2012 State of the Industry report in the December 2012 issue.



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