



Business

Aqua Pennsylvania exits Bucks sewer talks after county officials snub sale

Aqua Pennsylvania said it was "surprised and disappointed" by Bucks County's rejection of its \$1.1 billion offer.



Bob Harvie, chairman of the Bucks County Commissioners, explains his opposition to a proposed \$1.1 billion sale of the Bucks County sewer system to Aqua Pennsylvania. **Read more**
ALEJANDRO A. ALVAREZ / Staff Photographer

by Andrew Maykuth
Updated Sep 8, 2022

David McMahan, an opponent of the [proposed \\$1.1 billion sale of the Bucks County](#) sewer system to Aqua Pennsylvania, set up a folding table Wednesday outside the Bucks County Courthouse, upon which he placed hot coffee, doughnuts, and anti-privatization buttons and signs. But

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victory celebration on Wednesday, the day after all three members of the county commission pre-empted the rally and

[announced their opposition](#) to Aqua's proposed purchase of the county's wastewater system. The deal for the Bucks County Water and Sewer Authority (BCWSA) sewer system, which would have been the largest U.S. water or wastewater utility privatization ever, crashed to a halt.

For activists such as McMahon, the months of shouting were essentially over.

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“This is such a big conspicuous pushback against privatization, that we can take the advantage of this moment,” said McMahon,



Lest there be any lingering doubt, Aqua Pennsylvania later on Wednesday

[announced that discussions with Bucks County](#) were halted in light of opposition statements from the three commissioners and John Cordisco, the BCWSA board chairman. Aqua is a subsidiary of Essential Utilities Inc. of Bryn Mawr.

“While we were surprised and disappointed by the sudden turn of events yesterday, we respect the opinions of the Bucks County elected officials and have offered to remain a resource to them,” Christopher Franklin, the chairman and chief executive of Essential Utilities, said in a statement. “The professionalism of the staff at the BCWSA was exemplary and we hope to continue those collegial relationships as we work together to solve the water and sewer challenges in our region.”

Ryan M. Connors, an influential water industry analyst for Northcoast Research Partners, on Wednesday called the Bucks decision a “major blow” in a note to investors and reduced his target price for Essential Utilities stock from \$62 a share to \$54. Its stock [closed at \\$48.81 on Wednesday](#), down 77 cents, or 1.6%.



Aqua's biggest deals remain unclosed

The unexpected collapse of the deal is a significant setback for Aqua, which worked behind the scenes for nearly two years in its quest to acquire BCWSA's sewer assets. Aqua is one of several private water utilities that have been aggressively expanding in Pennsylvania and other states that adopted "fair-market valuation" legislation, which in Pennsylvania is known as [Act 12, approved in 2016](#).

Such laws encourage public water and wastewater systems to consolidate under private owners by allowing buyers to recover from ratepayers the higher "fair market" value of a system, rather than the lower "book value." The law has led to [escalating prices paid](#) for municipal utilities, and an influx of cash for towns, but often at the expense of water and wastewater customers paying higher rates.



Essential's Aqua companies have seven signed purchased agreements in three states for systems totaling \$364.5 million, Franklin said, the largest of which is the \$276 million acquisition of the [Delaware County Regional Water Quality Control Authority](#). The DELCORA system serves 165,000 customers in Delaware and Chester Counties — it's bigger than the Bucks County system, which has 100,000 customers. But the DELCORA sale has been hung up in court for three years and has not closed.

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While Aqua has closed acquisitions for several systems around Philadelphia — in East Norriton, New Garden, Cheltenham, East Bradford, Limerick, and Lower Makefield — its inability to close the big deals such as DELCORA, Chester Water Authority and now Bucks County has not gone unnoticed by investment analysts, who cite growing public opposition.

“While this is a major blow for Essential specifically, the ramifications are momentous for the water utility sector as a



The Bucks County transaction was regarded as a “critical test” of fair-market valuation, Connors said. “Despite many aspects of the deal being in Essential’s favor, including the company’s local connections, supportive authority board leadership, and a sizable price tag, the deal fell through in less than two months.”

Franklin on Wednesday said that privatization continues to appeal to some local officials who face expensive challenges to repair neglected systems, highlighted by the [recent problems with the public water system in Jackson, Miss.](#)

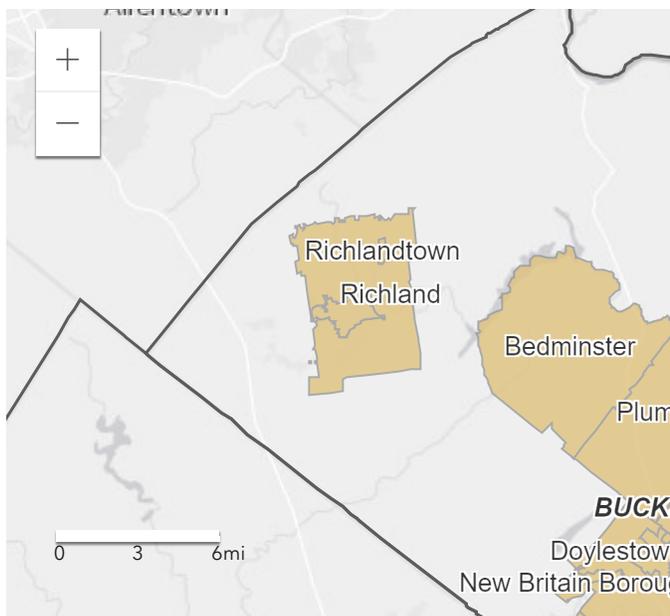


An Offer to Buy Bucks County's Sewer Utility

The Bucks County Water and Sewer Authority (BCWSA) serves about 100,000 households in 31 towns in Bucks, Montgomery, and Chester Counties. The authority announced on July 13 that it was considering a formal offer of \$1.1 billion from Aqua Pennsylvania to buy its sewer system, which makes up about three-quarters of BCWSA's customer base. If the sale had been approved, the remaining BCWSA entity would have served only drinking water customers.

Click on the map for more information.

Type of service: Sewer Water Water and sewer





Looking ahead

BCWSA currently charges about \$48 a month for residential wastewater service, compared with Aqua's \$88 a month for most residential customers. Sale opponents argued that Bucks County customers would eventually see their rates increase to match Aqua's rates.

The Bucks County authority faces an estimated \$250 million in repairs and upgrades in the coming decade for its aging sewer system, one of the reasons why sale proponents argued for selling the system to Aqua. Bucks County will now have to find the money and do the upgrades itself, which likely will result in higher rates.

“We should have spent the last six months on that problem instead of working on this sale,” said Dennis Cowley, a member of the BCWSA board who opposed the

privatization. He attended Wednesday's rally



The sale also would have generated \$700 million for Bucks County's treasury after

setting aside money to retire the sewer debt and to provide temporary rate relief.

"You know, \$700 million is attractive," said Bob Harvie, the chairman of the Bucks County Commission. "But when you weigh it against everything else, we didn't think it would make a lot of sense."

Meanwhile, the water industry will likely turn its attention elsewhere.

Connors, the investment analyst, said in an Aug. 15 report that more than 100 Pennsylvania municipal water systems with more than 10,000 customers are potential acquisition targets, including 12 in Bucks County, five in Montgomery County, and one each in Chester and Delaware Counties. The largest include the Chester Water Authority,



aggregate population of over four million, Connors said, even excluding Philadelphia and Pittsburgh, which have “huge urban systems where privatization would likely be bitterly opposed.”

Published Sept. 8, 2022



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