



CWA Chester Water Authority

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April 2, 2021

VIA EMAIL

Michael T. Doweary
Receiver for the City of Chester
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RE: Misstatements About the Chester Water Authority

Dear Mr. Doweary:

We understand that you recently held a meeting with a number of municipal officials from the towns surrounding the City of Chester. At that meeting, you apparently told these officials that the Chester Water Authority is somehow profiting from customers in the City of Chester. This is false – the Authority does not “profit” from any of its customers.

The Authority is a non-profit organization. The Authority’s rates are very carefully calibrated to cover the cost to responsibly run the system, and nothing more. The rates cover (1) the cost to make and deliver clean and affordable water to customers and (2) the amount the Authority must put in reserve for future capital improvements to infrastructure. Through these two channels, monies that customers pay go back into the system.

The Authority is able to charge dramatically lower rates than IOUs like Essential (the gas company that subsumed Aqua) for several reasons. Among the most important are that the Authority has no shareholders to which it must send profits; it does not pay exorbitant salaries or bonuses to executives, especially those tied to growing share value, dividends or earnings; it is not sitting on a growing pile of retained earnings; and it has no corporate jet or extravagant offices.

Indeed, the Authority goes through a great deal of effort to ensure that the rates customers pay accurately reflect the cost of service, and that one portion of the service area is not subsidizing another. To that end, the Authority has two rate zones, each reflecting a different cost of service. They are known as Village Green East and Village Green West. The rates are slightly lower in Village Green East because that part of the service is lower in elevation. Water can flow from the treatment plant to Village Green East by gravity, reducing delivery costs. By contrast, pumping pressure must be added to send water to Village Green West, increasing delivery costs slightly for that area. The tailored rates reflect this difference in cost of service. The City of Chester is in Village Green East – the area with slightly lower rates.

In sum, the authority is not profiting off of any customers. The Authority is not charging more than the cost of service. And the Authority is not using customers in one location to subsidize customers in another. This is true for all customers, including those in the City of Chester. Whoever is telling you otherwise is wrong.

This is not the first time you have made material public misstatements about the Authority. For example, just days before oral argument in the City’s dispute with the Authority, you filed a report with the Court on November 2, 2020. In your report, you stated that the City faced imminent insolvency. You openly wondered: “Can Chester even get through the next year?” You said the City’s police pension fund “is projected to fully run out of money by the beginning of the second quarter of 2021.” You then falsely stated that the Authority is somehow profiting off of City customers by \$6.5 million per year. You wrote that these supposed profits should be channeled back to serve as the City’s salvation. You called this a “monetization” of the Authority. You even went so far as to say that “if this [monetization] does not occur, Chester will not be viable as a City.”

Once the oral argument concluded, however, you drastically changed your tune. On December 2, 2020 you filed another status update with the Court in which you stated that the City’s police pension would **not** imminently fail. You also proposed a balanced City budget for 2021 **without** including any funds from a supposed “monetization” of the Authority. Then on March 5, 2021, you submitted another status report to the Court going even further. You stated that the City now had enough money to make the required minimum pension and debt payments for 2021 and to “fund all obligations to sustain vital and necessary services during 2021.” These totally contradicted your dire report from November 2, 2020.

Interestingly, in your December 2, 2020 report to the Court, you again misstated that the Authority was profiting off of customers in the City of Chester. The Authority sent you a letter the very next day stating unequivocally that you were wrong – the Authority does not profit from customers in the City or elsewhere. The Authority’s letter gave you a detailed explanation and asked you to correct your misstatement to the Court. You did not.

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In total contrast to the misstatements that the Authority is profiting off of City residents, the Authority is a longstanding pillar of the community. The Authority's rates are among the lowest in the region. The Authority employs many City residents. The Authority has gone through great effort to sustain uninterrupted operations during the COVID-19 pandemic. The Authority is a recognized environmental steward. And the Authority even offered to help the City apply for grant funding to help combat a string of murders last year.

Whatever the source of the misinformation you are repeating, stop tarnishing the Authority's hard-earned reputation for excellence. We hope that as a fiduciary you will provide the Court and the other municipal officials with whom you met the correct information about the Authority and retract your misstatements immediately.

Respectfully yours,

/s/ Francis J. Catania

Francis J. Catania, Esq.
Solicitor, Chester Water Authority