

Water company affiliate revives controversial practice

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An affiliate of the state's largest water utility company has sent letters to homeowners, offering to sign them up for an optional insurance program to cover repairs.

American Water Resources Inc., a non-regulated affiliate of American Water Co., is selling \$50 policies that cover up to \$4,000 in repairs to leaking water lines on the homeowner's property.

The proposal brought objections three years ago when the water company, the parent of West Virginia-American Water, sought approval from the West Virginia Public Service Commission.

Billy Jack Gregg, the PSC's consumer advocate, said the utility withdrew its petition in October 2002 after objections were raised.

"But last winter these letters started showing up from this affiliate that is not regulated by the commission," said Gregg.

"These letters come from the same place as your water bill," he said. "It's the same envelope; it has their slogan on it. It looks like it came from the water company, and that's their intention."

But Todd Beane, spokesman for West Virginia-American Water, said the water company had nothing to do with the mailings and he would not answer questions about the letter.

"West Virginia-American is a separate entity than this portion of the business," Beane said. "And this letter is going to lots of water customers, not just those of our company."

Sharon Cameron, vice president of homeowner services for American Water Resources Inc. in Voorhees, N.J., said her company has sold the insurance program to about a half-million people in 11 states over the past four and a half years.

"It's really a warranty program to protect the homeowner in the event of a leak, cut or blockage," she said.

Fine print on the back of the letter explains the coverage does not apply to damage caused by acts of nature -- earthquakes, landslides, floods or sinkholes.

If a customer does suspect an underground water leak -- usually by noticing a dramatic spike in his or her water bill -- the utility will locate the problem. If repairs are needed to a line on the homeowner's property, it is done at the customer's expense.

Under the American Water Resource protection plan, the company would send a contractor of its choice to fix the damage and cover the cost.

Cameron said 25 percent of customers in Pennsylvania and New Jersey signed up for the plan. It's too early to tell what the response in West Virginia is, she said.

Roy Smith, secretary treasurer of the West Virginia State Building and Construction Trades Council, said he objected when the company went before the PSC and he still objects.

"They aren't the first; other utilities have tried the same thing," Smith said. "We almost without exception intervene when they want to do something like this that is out of their arena of business.

"They are promoting a private business and using part of my rate payer money to do it," said Smith. "And they are directing the repair work to certain companies. That's unfair competition, and they are doing something a utility should not be doing."

Smith and Gregg agreed that the protection might seem attractive, or necessary, to many people.

"Not worrying about finding someone to do this kind of work if you need it and that it's prepaid, that can be a consumer advantage," said Gregg. "But this is generally something we don't favor the utilities getting into."

Gregg said it is possible the marketing of the insurance program may be investigated by the PSC.

Smith said the insurance might be a benefit for some people, but certainly not everyone.

"We're the highest-ranked state in the country for retirees. If I'm on a fixed income and living close to the foot of the cross, I'm going to opt for the \$50 rather than worry about maybe having to pay thousands," he said.

"But a water line under good conditions should last a long time," he said. "My house was built in 1951 and I've never had a water line problem."

While no one from the local utility would talk about how often leaks occur on homeowners' property, what factors contribute to them or what the repairs can entail, Cameron did.

"The way they break is from aging, tree roots, soil conditions, a lot of freezing and thawing over time," she said. "And people are often shocked and upset that if the line breaks on their property, they are responsible."

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