

Clark Fork Coalition Commentary on the Sale of Mountain Water October 3, 2011

Who should control our water? With this precious and essential molecule now *the* No. 1 area of interest for private investment managers, it's a question that is being hotly debated worldwide. Even in Montana, the issue has catapulted into the headlines, as the state's Public Service Commission, or "PSC," reviews the proposed sale of Missoula's privately-owned drinking water system to global investment giant, The Carlyle Group.

Although the task at hand for the PSC is to decide whether or not this sale is in the public interest, Missoula residents have taken it a step further—putting the matter of City ownership front and center at PSC hearings in Missoula last week.

At the Clark Fork Coalition, we believe public ownership and public control of our community's priceless water resources is the direction our community should head—and at full steam. As I said last week in testimony as an intervenor in the PSC process, we are concerned about the ramifications of selling Missoula's water to one of the world's largest investment firms. When the deal between Carlyle and Mountain Water's parent company, Park Water, became public last December, it struck us that there could be an inherent tension between Carlyle's goal to generate superior investment returns under a specific short-term horizon, and Missoula's basic and constant needs for clean, safe, reliable, and affordable water for the long haul. We were also very concerned that a sale to Carlyle could set in motion a "revolving door" of investment buyers with short holding periods and priorities not necessarily aligned with the public good.

There is also the vulnerability of the Rattlesnake watershed to keep in mind, as well. The Mountain Water package includes extremely valuable water rights for use of Rattlesnake Creek and 8 wilderness lakes. The basis for the Coalition's concern here is that the Rattlesnake hits the biological sweet spot for diverse fish and wildlife species, and serves as a recreational and aesthetic anchor for Missoula residents and visitors. Its ecological and community value has everything to do with the water. Under Mountain Water's current management, the creek has remained clean, cold, healthy and flowing. Will this stewardship ethic necessarily survive a change in ownership? It's an uncertainty that has given the Coalition pause.

Which leads to another concern—namely, the long-term security of our community's water supply. Montanans are very fortunate to have protective water laws, making it extremely difficult to divert water out of state. Nonetheless, the state's water laws change and evolve, presenting opportunities for new interpretations and creative arguments that could pry open new loopholes.

Because of all these concerns, the Coalition intervened in the PSC's review of the sale. We went immediately to work on strategies to build responsible

stewardship of our waters and eventual public ownership into this transaction. We identified 3 specific assurances from Carlyle that we wanted to see as outcomes: 1. Designate the Rattlesnake Creek watershed as back-up water supply only. 2. Commit to keeping Missoula water in the Missoula-area watershed. And 3. Grant the City of Missoula the opportunity to buy the system from Carlyle.

On September 22nd, the Clark Fork Coalition entered into an Agreement with Carlyle and the City of Missoula that we believe addresses these concerns. While this is the product of a negotiation process—meaning nobody got everything they wanted—we feel Missoula’s waterways and the campaign for public ownership got what they needed. More specifically, our Agreement secures from Carlyle assurances that the Rattlesnake is safe, that Missoula Valley water stays home, and that the people of Missoula have a legitimate shot at becoming Mountain Water’s next owner.

As our community and the PSC digest all the facts of the proposed sale, some key facts bear repeating.

FACT #1: The PSC cannot order Mountain Water to be sold to the City at this time.

FACT #2: The current owner is **not** willing to sell to the City.

FACT #3: Carlyle **is** willing to the sell to the City.

FACT #4: The agreement signed by the Coalition, the City, and Carlyle gives assurances that a sale from Carlyle to the City can happen.

It’s important to acknowledge that there is something counter-intuitive about asking PSC to approve the sale to Carlyle to achieve City ownership. But that’s exactly the case, as we see it. And between the stipulations in the 3-way agreement, PSC’s regulatory authority to protect the public, and Montana’s strong water laws, there are safety mechanisms in place to ensure Carlyle is a responsible stepping stone on the path to public ownership.

It’s a once-in-a century opportunity to for the people of Missoula to control their own precious water. We hope you stay involved.

For clean water, I’m Karen Knudsen of the Clark Fork Coalition.