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Small-Town Sewers Are Getting Tech-Like Premiums.

The money to be had for selling water systems to private operators can seem too good to ignore. But these deals often have unintended consequences for taxpayers.

Biotech, social media and cryptocurrencies are the usual hotspots for crazy asset prices. This year, though, one of the highest valuations offered in any US acquisition is for the sewer system of a tiny township in Pennsylvania.

NextEra Energy Inc., the world's biggest utility by market capitalization, announced in June it was buying the wastewater system of Towamencin township, a community of some 18,000 people about 30 miles north of Philadelphia. The price, $115 million, made it pocket change for a company valued at $169 billion. But at 21 times revenue, NextEra offered a higher multiple than all but two US deals announced this year, both of which were in biotech. 1

This raises questions. Why is an electricity and renewables powerhouse paying a tech-like premium for roughly 8,000 sewer accounts in some patch of Pennsylvania? And why is this township selling its biggest asset in the first place? The answers blend strategy, state privatization laws and small-town politics — and the profits to be made in water.

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Bloomberg Opinion

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