

The ALCOSAN plan: what will it mean for ratepayers?

Summary: The Allegheny County Sanitary Authority (ALCOSAN) clean water plan (plan) to reduce sewage overflows was presented on Sept. 19. The plan is to be completed by 2036 and will cost \$2.0 billion in 2010 dollars.

ALCOSAN is the “exclusive agency for the collection, transportation, and treatment of wastewater” for 83 municipalities, providing full coverage to Pittsburgh and 63 other municipalities and partial coverage for 19 municipalities. ALCOSAN treated 78.8 billion gallons of wastewater in 2018.

According to audits, press releases and news coverage the consent decree between ALCOSAN and regulatory agencies was entered into on Jan. 23, 2008. The plan went to a public comment period in 2012 and regulatory review in January 2013. Soon after ALCOSAN asked for additional time to make changes to the plan.

ALCOSAN is not alone in facing federal action over sewage issues. An Environmental Protection Agency (EPA) summary of consent decrees on combined sewer systems shows there are 44 other cities, counties and/or authorities (including five systems in Pennsylvania) under similar directives.

What will the plan mean for customers in the service area (2010 population of 836,000), whose rates—a charge per 1,000 gallons consumed and a flat quarterly charge for service—are set by a seven-member appointed board (three by the mayor of Pittsburgh and three by the Allegheny County executive, with approval by respective councils, and one jointly)?

When details of the consent decree emerged over a decade ago, the ALCOSAN spokesperson at the time asked rhetorically “Will our rates continue to go up? Absolutely. Will they jump 25 percent in one year? No.” In 2008 ALCOSAN charged \$3.25 per 1,000 gallons and \$6.83 for the quarterly charge. Between that year and 2017 both increased seven times, with five of those greater than 10 percent, the highest at 17 percent from 2013 to 2014.

This year the 1,000 gallon charge is \$7.94 and the quarterly charge is \$16.69. As a result the average customer’s quarterly bill (based on 12,000 gallons consumed) rose from

\$45.83 in 2008 to \$111.97 this year, or 144 percent. Rates are scheduled to rise 7 percent in both 2020 and 2021 under a resolution adopted by the board in 2017.

The plan estimates that total operating and debt service costs will rise from \$140 million in 2017 to \$502 million in 2037 as the clean water projects are developed. In order to pay for the costs “preliminary analysis by ALCOSAN has indicated that annual ALCOSAN rate increases ranging from 6 percent to 8 percent through the implementation of the [plan] may be necessary.”

The impact of those expected rate increases by municipality is determined by dividing household wastewater costs (ALCOSAN charges plus the weighted average of municipal sewer fees) by median household income. This produces what the EPA terms a “residential indicator” which is deemed low (0.9 percent or less), mid-range (1 to 1.9 percent) or high (2 percent or greater), the latter score considered burdensome to a ratepayer.

In 2017 with \$700 in wastewater costs (\$390, or 56 percent, attributed to ALCOSAN) and household income of \$54,000 the service area residential indicator was 1.3 percent, a mid-range score.

Projecting the methodology to 2037 the plan estimates wastewater costs rising to \$1,746 (\$1,292, or 74 percent, attributed to ALCOSAN, with \$668 from the implementation of the plan) and household income to \$87,600, resulting in a residential indicator of 2 percent in the service area, producing an overall high score.

Municipalities in the service area would see quite different results. Of the 83 municipalities nine, including Thornburg (0.6 percent, the bottom of the indicator scale) and Fox Chapel (0.7 percent) would have a low score, 29, including Mt. Lebanon (1.2 percent) and North Fayette (1.7 percent) in the middle range and 45, over 50 percent of those in the service area, including Pittsburgh (2.4 percent) and Rankin (4.1 percent, the top of the indicator scale), with a high score.

Going forward, the Institute will monitor the actions taken by ALCOSAN under the consent decree as they relate to infrastructure and rates in the service area.

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