



State Legislature Weighs in on Pittsburgh Water and Sewer Authority

Summary: The plight of the Pittsburgh Water and Sewer Authority has caught the attention of the Pennsylvania Legislature. The State House has unanimously passed a bill which would place the PWSA under the oversight of the state Public Utility Commission. The bill would require the PWSA to bring their operating system under PUC compliance and put together a long-term plan to address long-standing infrastructure issues.

A *Policy Brief* (Volume 17, Number 14) from April outlined the troubles of the Pittsburgh Water and Sewer Authority (PWSA), specifically its aging infrastructure and the trouble they have with high debt levels which may preclude them from seeking help from a private operator as proposed by the Mayor. That *Brief* also noted an engineering report from 2012, commissioned by the PWSA, which had inventoried the entire system and gave recommendations on how to begin to a replacement program at a cost of \$2.51 billion (in 2011 dollars). Other recent estimates put the replacement at four to five billion dollars. The *Brief* noted that the engineering report recommendations have largely been ignored by the PWSA at its own peril.

It turns out that the State House has also paid attention to the issues of the PWSA and has unanimously passed HB 1490 that has now been sent to the Senate. This bill places the PWSA under the oversight of the Pennsylvania Public Utility Commission (PUC). HB 1490 adds a new chapter (Chapter 32) to Title 66 of the Pennsylvania Consolidated Statutes (Public Utilities) giving the PUC some limited power over the PWSA.

Chapter 32 will compel the PWSA to do two things: 1) bring their operating system into compliance with the rules and regulations of the PUC, and 2) put together a long-term infrastructure improvement plan for the replacing/upgrading of their distribution system.

The first point is fairly self-explanatory. The bill states that the PWSA would have 180 days from the effective date of passage to file a compliance plan which would "...bring an authority's existing information technology, accounting, billing, collection and other operating systems and procedures into compliance with the requirements applicable to jurisdictional water and wastewater utilities..." This is a great first step as the City Controller recommended in an audit from earlier this year that the PWSA needs to

improve their asset management capabilities so they will know what assets need repair and to prioritize them.

The second point is perhaps the most important—putting together a long-term plan to fix the aging system.

In the same section that orders the PWSA to put together a compliance plan for their management system (3204b), comes another directive to “...include a long-term improvement plan in accordance with subchapter B of Chapter 13...” Title 66, Chapter 13, subchapter B (§ 1352a) outlines what the long-term improvement plan needs to include: a general description of what needs to be repaired, where it is located, and an initial schedule of the planned repairs or replacements. Furthermore the subsection requires projected annual expenditures to implement the plan and how the repair/replacement will ensure and maintain safe, reliable, and reasonable service. If the PUC deems the plan to be insufficient, it can order a new or revised plan.

Section 1353 would allow the PWSA to implement a service charge to pay for the repairs/replacements. “[A] utility may petition the commission, or the commission, after notice and hearing, may approve the establishment of a distribution system improvement charge to provide for the timely recovery of the reasonable and prudent costs incurred to repair, improve or replace eligible property....”

To do so, the PWSA would have to submit information about the base rate charged to customers called the “initial tariff” which the PUC will consider when setting/allowing the distribution system improvement charge. The PWSA would then have to justify the improvement charge by demonstrating that it is in the public interest and will help finance the long-term plan. The PWSA would be allowed to update the charge quarterly as appropriate. It would also have to let customers know the about the charge and if adjustments have been made through their bills.

If the PWSA is granted a distribution system charge to pass along to customers, it will have to file an annual asset optimization plan (§1356). This will require the PWSA to file an annual plan that must include a description of all eligible property that had been improved or replaced within the previous year as well as a description of work to be done over the next year. This requirement should hold the PWSA’s feet to the fire and compel them to get the necessary repairs/upgrades done.

Of course a distribution system charge will not sit well with PWSA customers, or even the City’s elected officials. Past administrations and councils have been reluctant to raise water rates on city customers, a major reason the water department was spun off to its own authority. Thus, placing the PWSA under PUC oversight and direction should go a long way to push the authority to do what everyone knows must be done but that heretofore has been the proverbial can being kicked down the road. With HB 1490 requirements, local politicians can blame Harrisburg for higher rates.

PUC oversight will come with a price. HB 1490 subsection 3207b allows the PUC to “...impose an assessment on an authority based on the authority’s proportional share of the commission’s expenses relating to the commission’s utility group...on an annual basis...” Considering that the PWSA currently operates with thin margins and may not be able to absorb this cost internally, this may be another addition to customers’ bills.

However, the PWSA will retain most of its autonomy and nothing in the proposed bill will prevent an audit by the City Controller.

The problem with aging infrastructure has been known for quite some time but the urgency to take the necessary steps is just now getting the attention it deserves. At a cost of over \$2.5 billion (or more) upgrading the PWSA’s water and sewage conveyance systems is going to be very difficult to accomplish. Decades of neglect are finally being addressed seriously by the Legislature. It is unfortunate that local political games playing have forced the State Legislature to take action to prevent major water and sewer system disasters.

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