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Calling the PWSA to account

By Colin McNickle

The long financially troubled and often politically hacked Pittsburgh Water & Sewer Authority (PWSA) faces a challenging road ahead as it attempts to cleanse its operations of past failures and meet new state oversight mandates, concludes an analysis by the Allegheny Institute for Public Policy.

"(T)the scope of the PWSA's necessary infrastructure work is daunting, as will be the cost associated," says Elizabeth Miller, a research associate at the Pittsburgh think tank (in *Policy Brief Vol. 20, No. 15*). "Additionally, the PWSA must make an honest effort to become compliant under PUC oversight."

Act 65 of 2017 gave the Pennsylvania Public Utility Commission jurisdiction over the PWSA beginning in 2018. That was spawned by the authority's seemingly perpetual high debt levels, its aging and poorly maintained infrastructure and unmetered accounts.

The oversight also came because of the political machinations of a city government that too often used the supposedly independent authority as something of a piggybank over the decades.

After much delay, the PWSA submitted, in September 2018, a plan of corrective action to the PUC. Just last month, the commission approved a partial settlement of the plan. But major issues still must be resolved.

Among them, the PWSA's capital improvement plan, covering fiscal years 2020 through 2024, is estimated to cost $1.29 *billion*. It's to be funded with $1.27 billion in revenue bonds, $134 million in cash and $28.2 million in grant money from PENNVEST.

"This new bond debt will be a massive addition to the more than $700 million of outstanding bond debt already carried by the authority," says Miller. "Sharply climbing costs arising from principal and interest payments will undoubtedly require increased revenue from ratepayers."

But without the added revenue**,** the PWSA could face a financial crisis.

One of the highest hurdles facing the PWSA is the 1995 Cooperation Agreement with the city in which the PWSA has paid the city an annual fee of $7.15 million for services such as vehicle leases and fleet maintenance.

The PUC scotched a provision in which the city was receiving 600 million gallons of unmetered water per year without charge. There is no way to know if the city exceeded that amount. But the PUC says the PWSA has lost at least $11.4 million in annual revenues.

The PUC also has overruled the PWSA's plan to phase in the billing increases through 2025 and to begin metering and charging for water usage. Further, the administrative law judge ruled that the city and PWSA should invoice all services provided to one another at a fair-market cost.

"The administrative law judge reiterated that the PWSA was not responsible for whether the city could pay its water bills," Miller noted. "The authority's responsibility was to meter and then immediately bill the full usage amount for all customers**,** including the city."

The PWSA filed its most current progress report on Jan. 31, 2020. While it demonstrates some of the authority's progress, it also reveals the sluggish pace of the PWSA's efforts, such as fire hydrant replacement and meter testing.

But on a positive note, the authority now will follow the Municipal Authorities Act, which requires projects costing more than $20,600 to be competitively bid.

"In summary (the PWSA) … will likely incur large amounts of debt and begin to raise the rates on customers," Miller says. "The sooner the authority establishes its independence from the City of Pittsburgh**,** the sooner it can begin to operate more efficiently and deal with its problems more effectively.

"The time is far past for the PWSA to operate as an independent authority and not a political arm of the city," Miller concludes.

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