



PWSA's latest rate proposal

Summary: Due to the Pittsburgh Water and Sewer Authority's (PWSA) long history of mismanagement and rapidly deteriorating infrastructure, the Pennsylvania Legislature, in Act 65 of 2017, placed the PWSA under Pennsylvania Public Utility Commission (PUC) oversight. The PUC must now approve changes to the rates the PWSA charges water and sewer users.

Since 2019, the PWSA has had permission to increase rates twice in order to address the need to fund critical infrastructure repair and modernization. In April 2021, the PWSA submitted a request for additional rate hikes and permission to levy a stormwater fee. The PUC voted to suspend the new rate proposal to allow time to assess the requests. A final decision on the PWSA requests is due by Jan.12, 2022.

PWSA's 2020 rate settlement

The PWSA's current rates were approved in December 2020. In March 2020, the PWSA requested a first-year increase of \$43.8 million along with a follow-up increase of an additional \$12.6 million in 2022. The PWSA's plan would have increased a standard PWSA residential customer's water and wastewater bill by 19.1 percent in 2021 and an additional 6.26 percent in 2022. In the settlement the PUC granted an increase of only \$19 million for 2021 and denied the requested increase for 2022.

PWSA's Average Monthly Water and Sewer Bill, 2018 to 2021

Year	Rates Approved by...	Water	Sewer	Total
2018	PWSA	\$42.07	\$21.55	\$63.62
2019	PUC	\$49.35	\$23.14	\$72.49
2020	PUC	\$49.35	\$23.14	\$72.49
2021	PUC	\$51.77	\$23.79	\$75.56

PWSA rate brochures state "the average residential customer is billed for a 5/8" meter and 3,000 gallons of water." Bill comparisons are based on that definition.

As seen in the table above, new water and sewer rates allowed in 2019 by the PUC caused the average residential customer's bill to rise 14 percent from the 2018 level. A second PUC-approved rate hike lifted the average bill by 4 percent in 2021.

PWSA's funding for infrastructure projects

The PWSA's infrastructure projects require more funding than the rate increases alone can provide. The City of Pittsburgh has proposed giving federal American Rescue Plan dollars to the authority. In the proposal, the PWSA would receive a total of \$17.5 million for lead line replacement projects in 2021 and 2022.

The PWSA has used Pennsylvania Infrastructure Investment Authority (PENNVEST) low-interest loans and grants to fund some of the projects. In October 2018, the PWSA received a PENNVEST loan of \$35.4 million and a grant of \$13.67 million. The 20-year loan has an interest rate of 1 percent. The loan and grant were used to replace 3,000 public lead service lines in 2019. In January 2020, the PWSA received another PENNVEST loan for \$65 million to replace 80,000 feet of water distribution mains, 2,000 publicly owned water service lines, 850 publicly owned lead service lines and small diameter main replacement plan for PWSA service area (according to PWSA there are approximately 965 miles of water lines in the service area).

The PWSA received another \$7.75 million loan at the beginning of 2021 to use for the completion of approximately 7 miles of sewer restoration in Brighton Heights, the South Side Slopes and Hazelwood. In April of this year, the PWSA received another PENNVEST loan of \$35.5 million and a \$3 million grant to replace 25,000 feet of water service lines, replace 59 fire hydrants and approximately 592 lead service lines. While the low-interest loans are beneficial to help PWSA repair and update the deteriorated water system, they must be repaid.

According to the PWSA's 2020 Financial Audit, the authority had \$1.066 billion in loans and bonds, an increase of 38 percent from the \$771.7 million in loans and bonds in 2014. In 2020, the PWSA's operating expenses (direct operating, wastewater treatment, reimbursement for City of Pittsburgh services, etc.) were greater than its revenues by \$261,000. In 2019, the PWSA's revenue exceeded its expenses by \$5.8 million. The authority's revenue decline during 2020 might be due partly to the COVID-19 pandemic.

The question is whether the PWSA will have difficulty paying its rising debt obligations if revenue falls short of spending in the years ahead as it did in 2020. And what does that portend for water and sewer rates?

Comparable water providers

The PWSA provides water to 67 Pittsburgh neighborhoods as well as Millvale and portions of Reserve, O'Hara, and Blawnox, according to its tariff. It provides wastewater (sewer) conveyance for all of the City of Pittsburgh. However, there are numerous water

providers in the Pittsburgh region. Most of the providers use a third party to bill for the sewer portion of the bill.

How do water and wastewater conveyance (sewer) rates compare among local water providers? A sample of providers serving municipalities in the Pittsburgh area was selected for comparison. This analysis examined rates for the Hampton Shaler Water Authority (HSWA); West View Water Authority (WVWA); Wilkinsburg-Penn Joint Water Authority (WPJWA); Fox Chapel Water Authority (FCWA); and Pennsylvania American Water (PAWC), as well as PWSA.

Average Monthly Water and Sewer Bill, 2021

Municipality (Water Provider)	Water	Sewer	Total
Pittsburgh (PWSA)	\$51.77	\$23.79	\$75.56
Fox Chapel Borough (FCWA)	\$38.37	\$33.98	\$72.35
Dormont Borough (PAWC)	\$55.97	\$13.50	\$69.47
Mt. Lebanon Twp (PAWC)	\$55.97	\$12.15	\$68.12
Avalon Borough (WVWA)	\$31.37	\$9.61	\$40.98
Bellevue Borough (WVWA)	\$31.37	\$8.16	\$39.53
Churchill Borough (WPJWA)	\$33.08	\$27.00	\$60.08
Edgewood Borough (WPJWA)	\$33.08	\$18.60	\$51.68
Mount Oliver Borough (PAWC)	\$55.97	\$21.36	\$77.33
Shaler Twp (HSWA)	\$23.40	\$9.16	\$32.56
Scott Twp (PAWC)	\$55.97	\$9.00	\$64.97
Wilkinsburg Borough (WPJWA)	\$33.08	\$6.75	\$39.83

Bills based on residential customers using 3,000 gallons of water and a 5/8” meter.

In this group, the PWSA’s water and sewer rates in 2021 are among the most expensive in the Pittsburgh region. Shaler’s rate was the lowest of the sample group and was less than half of PWSA’s combined water and sewer bill. Dormont, a southern suburb using Pennsylvania American Water, and Fox Chapel in the northeastern suburbs using the Fox Chapel Water Authority, have similar rates to PWSA customers. Wilkinsburg and Bellevue have rates that are almost half of the PWSA’s. Clearly, the water rate is wide-ranging among the various water companies and municipalities in the Pittsburgh area.

PWSA’s newest pending rate proposal

The PWSA filed its most recent rate proposal in April 2021. The new proposal has three major components.

First, water rates would increase in each of the next two years. The PWSA proposed an annual operating revenue increase of approximately \$12.6 million (10 percent rise) for 2022 and then approximately \$12.6 million (9.3 percent rise) for 2023.

The second part of the proposal was a decrease for the next two years in the total annual operating revenue for wastewater services. A reduction of approximately \$7.8 million (10.6 percent) through 2022 and \$7.5 million (11.4 percent) through 2023.

The final part of the rate proposal was a request to be allowed to impose a stormwater service fee that would raise annual operating revenue of \$17.8 million in 2022 and \$5.9 million in 2023.

Approval of the PWSA rate proposal is pending until PUC's decision, which is due by Jan. 12, 2022.

Implementing a stormwater fee for PWSA customers

The purpose of a stormwater fee is to fund stormwater infrastructure, lessen sewer excesses and reduce pollution entering waterways. If the stormwater proposal is accepted, PWSA customers will join other municipalities that already levy a stormwater fee such as Dormont, Mt. Lebanon, Monroeville, North Fayette, Plum and Whitehall.

The proposed stormwater fee is based on the impervious surface space of each customer's property and uses one residential unit (ERU) as its measurement standard. One ERU is equivalent to 1,650 square feet (sf) to 2,710 sf of impervious surface space. In 2022 the monthly fee for 1 ERU would be \$5.96 and increase to \$7.95 in 2023. For residents with 0.5 ERU (400 to 1,015 sf) the fee would be a monthly \$2.99 in 2022 and \$3.98 in 2023. Residents with an impervious surface space measurement greater than 2,710 sf or 2 ERU the monthly payment would be \$11.93 in 2022 and \$15.90 in 2023.

What will the PUC decide about PWSA's rates?

The PWSA is not the only water company that has made a recent rate-hike request. Pennsylvania American Water Company's original request in 2020 was for an increase of \$138.6 million over two years. It was reduced to \$70.5 million and a \$10.5 million annualized tax savings credit for 2021 and 2022. Therefore, the company's request was cut by more than half.

Will this be a harbinger of the PUC's decision on the PWSA's most recent rate proposal? PUC's determination will likely take into consideration its oversight of the PWSA due to its notable infrastructure failures.

The PWSA's extended history of failure must be resolved and increased rates may be necessary to fund the many critical infrastructure projects. The PUC's determination will need to balance the demand for the required infrastructure repairs with customer concerns regarding rising rates.

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