

1 PUBLIC
2 INFORMATIONAL MEETING
3 regarding the
4 EPA CONSENT DECREE
5 and Sewer Overflows

6 *****
7 David L. Lawrence Convention Center
8 1000 Fort Duquesne Boulevard
9 Pittsburgh, PA 15237

10 *****
11 October 16, 2007
12 10:00 a.m - 12:20 p.m.

13 *****
14 Presentation by:
15 Arletta Scott Williams,
16 Executive Director of Alcosan

17 *****
18 Reported by:
19 Nancy E. Frost,
20 Court Reporter

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1 PROCEEDINGS

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3 MS. SCOTT WILLIAMS: Good morning,
4 folks. Welcome to the presentation. I'm Arletta
5 Williams, the Executive Director at Alcosan. I
6 appreciate everybody coming out today, taking that
7 5-mile hike to get here. I have no idea, of course,
8 how many people have been lost along the way and are
9 out there waiting for the Saint Bernard to come.
10 Hopefully a few more people will join us, but we
11 appreciate you being here.

12 Just so I get a feel for my audience, how
13 many engineers do I have with me today? (Hands were
14 raised.) How many elected officials? (Hands were
15 raised.) How many just concerned citizens who want
16 to know more about this particular issue? (Hands
17 were raised.)

18 Again, welcome to everybody. I've got quite
19 a bit of information to cover. I have a lengthy
20 presentation. I would appreciate it if you would

21 hold your questions until we get to the end of the
22 presentation. Please feel free to make notes. We
23 will take as many questions as necessary. There is
24 no cap on the time we have available for
25 questioning.

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1 When we get to the point of taking
2 questions -- you'll see we have two microphones here
3 in the center aisle -- I need you to step to the
4 mike, identify yourself, first and last name. I
5 need you to spell your last name. All of this
6 formality is because we have a stenographer with us
7 here trying to keep track as best we can of all of
8 the information that is coming to us through this
9 effort. Your input is very important. While we
10 could have numerous hands out there taking notes,
11 this is the most effective and efficient way to do
12 it. So, again, identify yourself, who you are
13 representing or where you live and spell your last
14 name.

15 What are we going to be talking about today?

16 Today, for those of you who are not familiar with

17 Alcosan, I'm going to talk about the authority, who
18 we are, what we do. I'm going to talk about the wet
19 weather issue itself. We are all here because of
20 the consent decree. The consent decree is the
21 framework for a solution. A solution to what? If
22 you really don't understand what the wet weather
23 issue is in the first place, I really can't jump
24 right into the consent decree. So we will go over
25 the wet weather issues and talk about the consent

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1 decree.
2 And then I'm going to briefly talk about
3 financial concerns. I want to make it clear right
4 now that I'm not going to give you rate projections
5 for the next 10 years, for the next 20 years for the
6 duration of the program. I'm not going to give you
7 rate projections for the next 3 years. We are not
8 in a position at this time to be able to do that.
9 Costs were projected many, many years ago. Those
10 costs are going to need to be revised as much as the
11 basis of those estimates are going to need to be
12 revised. All of that will be taking place as we go
13 through the program. Right now I can't give you

14 that level of detail. Of course, we are going to
15 respond to questions.
16 Who is the authority? Who is Alcosan? The
17 word Alcosan is the acronym for the Allegheny County
18 Sanitary Authority. We are your waste water
19 treatment provider, waste water treatment service
20 provider. We treat sewage. We do not treat potable
21 water that comes to your home. We treat the waste
22 that leaves your home, that leaves industry,
23 commercial establishments. That's the service we
24 provide. And we attempt to do it in a very cost
25 effective manner, being environmentally conscious,

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1 and always doing everything we can so that there can
2 be adequate reuse of three natural resources; air,
3 water, soil. Air, along with waste water treatment,
4 there are some odors associated with it. Air is as
5 important as the water and the soil.

6 Just as a guess on some people's parts, how
7 long has Alcosan been providing this service? Does
8 anybody have an idea? And I don't want to hear from
9 my consultants obviously. Does anybody have any

10 feel for how long waste water treatment has been
11 available in Allegheny County?

12 UNIDENTIFIED SPEAKER: 50 years.

13 MS. SCOTT WILLIAMS: Anybody else? Are
14 we going with 50? All right. Sold to the woman
15 with 50.

16 In 1945 the State Water Board issued orders
17 to 102 municipalities in Allegheny County and 90
18 industries, saying, "You are going to have to stop
19 polluting the waterways." And stop polluting the
20 waterways meant you're going to have to stop
21 discharging raw sewage to the streams, rivers,
22 creeks of the Commonwealth.

23 Discharging raw sewage, up until that point,
24 that's exactly what was happening. Everything that
25 was being generated, all sewage was being discharged

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1 directly to the waterways of the Commonwealth. So
2 when these municipalities and industries received
3 these orders, the orders very specifically said,
4 "You have to have plans in place by June 1946,
5 construction plans of what you are going to put in
6 the ground to deal with waste water treatment."

7 These municipalities, these industries went
8 to the county and said, "We cannot handle this by
9 ourselves. You need to form an entity to be able to
10 deal with this on a county wide basis so we are not
11 all out there swinging by ourselves. We need a
12 single entity." That certainly made sense.

13 At the same time, the county responded by
14 forming the authority in 1946. So a lot of work was
15 done in a short amount of time, and it put the
16 municipalities and the communities in a position
17 where they could be in compliance with those state
18 orders.

19 By the time the authority was formed, only
20 56 of those communities came in. The others felt
21 that they had other options available to them and
22 they pursued those options. You can see that the
23 system wasn't actually placed in operation until
24 1959. So you are right on track there. It's been
25 about 50 years that Allegheny County has had waste

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1 water treatment services available to it. And
2 that's not a long time if you think about it. I

3 think we have a mature audience here. Most of us
4 can appreciate that 50 years is really not a long
5 time for that level of service.

6 The plans were to provide interceptor and
7 treatment plant operation. The municipalities that
8 had been discharging this sewage were going to
9 retain responsibility for the sewer collection
10 systems within their boundaries. What was being
11 requested was simply the large conveyance pipes to
12 intercept. We're a football town in Pittsburgh,
13 right? Are you with me? Here we go...

14 So we were tasked with these large pipes to
15 intercept the flow to bring it to the treatment
16 facility. So we have responsibility for the
17 interceptors and the treatment system.

18 Are we governed? Who is responsible for us?
19 The Allegheny County Sanitary Authority leads people
20 to believe that we are a county department, that
21 we're a county agency. That's not the case. We are
22 an independent municipal authority. We are governed
23 by our Board of Directors. In 1946 when the
24 authority was originally formed, there were 5 board
25 members, obviously appointed by the county because

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1 the county was responsible for the agency at that
2 time. By 1956 the City of Pittsburgh joined the
3 authority. When they joined they brought \$2.5
4 million in a contribution. We can all appreciate
5 the value of \$2.5 million today. I'm sure you can
6 get a sense of what it was worth in 1956. It was
7 worth enough to get 3 of those board seats out of
8 the 5. Two were retained by the county, but clearly
9 the city had the lion's share of accountability and
10 the ability to direct things.

11 By 1988 the board was completely
12 reconfigured so that there was equal representation
13 from the city and the county. Three board members
14 were appointed by the county, 3 board members were
15 appointed by the city, and 1 joint appointment.

16 When I say appointments by the city or the county,
17 the appointments by the city are made by the Mayor
18 of the City of Pittsburgh with concurrence of City
19 Council. At that time the county appointments were
20 made by the County Commissioners. Now, of course,
21 they are made by the Allegheny County Chief
22 Executive with concurrence of County Council.

23 The joint appointment, although it was
24 established in 1988, it was not filled for the first
25 time until 1996. And that was Jim Roddy. He was

1 our first consensus candidate.

2 As I said, we're an independent municipal
3 authority. We receive absolutely no tax monies. We
4 are supported solely by user fees. We did have some
5 state funding available to us over the majority of
6 our history, but that was eliminated back in 2003.
7 So we are supported solely by user fees.

8 When I say we are a self-contained operating
9 entity, in many areas of the country, the city or
10 the county is responsible for the waste water
11 treatment services. And because of that, the
12 technical function itself resides with whatever
13 entity that provides the service. All the ancillary
14 services like engineering, IT services, human
15 resources, all those services can be provided by the
16 city or the county. Again, that's in other parts of
17 the country.

18 Here, because we are an independent agency,
19 an independent municipal authority, we have all of
20 those services in-house. And even with that, we are
21 very lean with 326 employees right now. We are the
22 largest treatment facility in Allegheny County. I

23 would not want you to get the impression that we are
24 the only treatment facility in Allegheny County.
25 There are upwards of 20 treatment facilities, but by

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1 far we are the largest. If you look at the next
2 largest in line, we are at 200 million gallons a day
3 of treatment capacity. McKeesport is at 11.5.
4 Duquesne is 2-. So one, two, three below us it
5 drops down pretty quickly. We are a very, very
6 large facility. We are one of the largest in the
7 Ohio Valley.

8 The service area, who are we providing
9 treatment to? We started out with those 56
10 communities. We now provide service to 83
11 communities within Allegheny County. Obviously that
12 is not the entire county. Those 83 communities, of
13 course, include the City of Pittsburgh. We have
14 about a 310-square mile service area and provide
15 service to a little under 900,000 people and about
16 122 industries.

17 These are the components of waste water
18 treatment. I want you to think of the
19 responsibility in terms of these three components.

20 I will refer to this pie chart a few times. You've
21 got collection. Collection is what's happening
22 within the municipal boundaries. The collection is
23 taking place in those municipal sewers. The
24 municipalities are collecting the sewage that is
25 coming from your homes, businesses, industries.

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1 They have collection responsibility. Conveyance,
2 again, it's those large interceptors that collect,
3 intercept the flow that used to go to the rivers,
4 the streams. That's the conveyance. That's our
5 responsibility. And, of course, the treatment, the
6 treatment plant itself. You have to have these
7 three bases covered. If you don't, you do not have
8 true waste water management.

9 As I made the comparison to other cities and
10 how we are a self-contained entity, in other cities
11 there's another distinction as well, a much more
12 important distinction. In most other cities all
13 three of these components are handled by one agency,
14 whether that be the city, an independent entity, the
15 county, whatever it is, all three are under one

16 roof. It certainly makes the whole waste water
17 management issue much, much simpler to have it under
18 one roof. That's not the case here.

19 We, again, have responsibility for the
20 conveyance and treatment system, that interceptor
21 system, and the plant. We have 90 miles of those
22 big interceptors that are collecting that flow from
23 the municipalities. We have 316 diversion
24 structures. Diversion structures are a built-in
25 mechanism to relieve flow from the system.

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1 Relieving flow is an overflow. So you've got these
2 huge pipes that I told you are collecting this huge
3 flow from the municipalities.

4 When it's raining and when there's a lot of
5 flow in the pipe, dilute flow, not sewage, folks,
6 there are gates on the side of those lines that open
7 and allow that flow to come out into the rivers, the
8 creeks, the streams. They are designed and built
9 that way to protect the treatment facility at the
10 downstream end of the process because the treatment
11 facility was neither designed nor built to treat all
12 of that flow. So these diversion structures are a

13 built-in mechanism to release this flow. Again, we
14 have 316 of them within our system. That's quite a
15 bit of opportunity for overflow.

16 If you look at this picture here
17 (indicating), this is an original boring of one of
18 those interceptor tunnels. Obviously it was many,
19 many years ago in the '50s. The municipal systems,
20 there's about 4,000 miles of municipal sewer
21 systems. As I said, municipalities have complete
22 responsibility for those systems. Our diversion
23 structures, those opportunities to open and let flow
24 out, control to a large extent how much of that flow
25 gets into our system.

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1 You are starting to get a better
2 appreciation for how the system was designed, how it
3 was designed to permit these overflows. I don't
4 want you to think that the overflow issue is
5 something that is specific to Allegheny County, to
6 the Alcosan system. It is not. It is a national
7 problem, and it has been ongoing for some time.

8 In 1972 the Clean Water Act put forth

9 regulations to guide how all discharges to waterways
10 across the country were to be managed. It's
11 everything that is discharging from a system that
12 has to be managed per the Clean Water Act.

13 By 1987 there were amendments to the Clean
14 Water Act saying, "Okay. You've done a good job
15 with waste water issues, just plain waste water
16 treatment issues. You've done a good job coming
17 into compliance with the requirements that we set
18 forth back in 1972. So now we want you to do a
19 better job of dealing with these overflows." So now
20 there are regulations incorporated to deal with the
21 overflows because, of course, wherever the bar is,
22 once you meet the bar, the bar is going to move and
23 it's going to move again and again.

24 By 1993 we at Alcosan are seeing the impact
25 of these amendments in our permit. Our permit is

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1 what is issued to us by the state, by the
2 Pennsylvania DEP, to regulate what we discharge from
3 the plant, how we discharge, and what is discharged
4 from the interceptor system. So as a national
5 issue, everybody is being affected by it. By 1993

6 we were certainly anticipating that we would see
7 this particular issue.

8 Exactly what is an overflow? We've been
9 talking a lot about overflows. You know the consent
10 decree deals with the whole overflow issue.
11 Specifically what is it? It's a discharge of
12 untreated sewage. As you see here, we're indicating
13 it could be an SSO or a CSO or it could come from a
14 broken pipe which certainly falls into the category
15 of overflow.

16 Now we are going to talk more specifically
17 about the two types of overflows that you see here.
18 What is a CSO? What is an SSO? This is shown as a
19 CSO (indicating). This is that gate that I've been
20 talking about, that design point to open and release
21 flow. Once again, that is only when there is excess
22 water in the system. So that's dilute sewage. You
23 are not going to see pure sewage spewing out like
24 that.

25 This is an SSO (indicating). This is in a

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2 out, bubbling over.

3 Combined sewer overflows, CSO, we are going

4 to get into the details of what the CSO is.

5 Combined sewer communities are older communities,

6 communities that had systems designed to capture the

7 sewage and the rain water within one pipe. If you

8 look at this, notice that lovely brown shading.

9 That is sewage discharging from the home. The rest

10 of this, of course, is rain water, clean water

11 coming into the system. You see how they both hit

12 the same line. They come down, of course, to

13 Alcosan for treatment.

14 When you only have sewage and it's just the

15 brown coming down, you have plenty of capacity

16 available to get to the treatment facility. It's

17 not until you have this excess flow that it is then

18 discharging. Once again, this is the way systems

19 were designed. They were permitted. They complied

20 with regulations, and they are still complying with

21 regulations. We just have to manage them a little

22 better than we have in the past. And they are

23 legal. Combined sewer overflows are legal.

24 A sanitary sewer system -- as I said, the

25 combined systems are in the older communities.

1 Sanitary sewer systems, separate sewage systems are
2 in the new communities built after the '40s where
3 there's a distinction in the treatment or the lines.

4 You've got sewage coming out into one line.

5 You've got rain water coming into the other line.

6 This rain water again purportedly is very clean. It
7 should be discharged directly to the receiving
8 stream. Sewage should go on for treatment.

9 Unfortunately, sometimes these systems are
10 compromised and there is some interconnection. If
11 not for that, you wouldn't have sewage in a sanitary
12 sewer overflow.

13 This is a picture that we like to very
14 affectionately refer to as "bones" (indicating).
15 This is the line coming from the house. This line
16 is coming to the municipal system. So this is the
17 line that is your responsibility. That's your home
18 lateral. When I talked about those three components
19 of waste water management, there really is that
20 extra component. And that's your line getting it
21 from the house to the municipal system. In some
22 cases those lines are seeing this much
23 deterioration. So you got groundwater coming in.
24 You got sewage leaking out which can lead to, in
25 some cases, a sanitary sewer overflow.

1 As much as I said combined sewer overflows
2 are legal, sanitary sewer overflows are illegal.
3 Why? That's supposed to be clean water coming out
4 of that discharge. It should never have sewage it
5 in. If you look at it from the other perspective,
6 it could be raw sewage discharging.

7 For many reasons those systems have been
8 compromised. Whether it was tying a downspout into
9 a line with sewage in it for development purposes,
10 for construction purposes, it could have been much
11 easier for the contractor to do that. In some cases
12 there have been holes knocked into the side of the
13 sanitary line to allow flow in. Anything that
14 allows flow in can allow flow out as well. SSOs are
15 illegal and have to be eliminated.

16 What causes all of this? Of course, rain
17 water is going to generate overflows. You probably
18 don't think about snow in terms of its impact on the
19 system, but snow that is a couple of feet and it's
20 too cold to melt, if you get a few more inches on
21 that or another foot, when it does start to melt, it

22 comes into the system. It comes into the system
23 just like rain water. It inundates the system. So
24 these are mechanisms to generate overflows. And you
25 can also have inflow and infiltration.

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1 Going back to that busted up line that was
2 coming from the home, that would be an example of
3 infiltration where groundwater could come into that
4 line and come into the system. Inflow, on the other
5 hand, would be a situation where you have a stream,
6 a natural stream that has been diverted into the
7 sewer system. And that would be for development
8 purposes.

9 Interstate 279 is one of the best examples
10 of that having been done where there was a natural
11 stream flowing that interfered with the construction
12 of the roadway. It was tied into the sewer system.

13 It's not just the water from the stream that
14 creates a problem. It is all of the debris that
15 ties that stream into the system, bringing the creek
16 beds, silt, rocks. That blocks off the interceptor
17 and takes up capacity. It's very problematic. Of
18 course, floods will inundate the system.

19 Now, dry weather discharges. Dry weather
20 discharges are bad. You do not want to have dry
21 weather discharges. If you think back to both
22 pictures of the house, everything should work
23 picture perfect with that brown flow coming to the
24 treatment plant unless there is this wet weather
25 coming in. Absent that wet weather, there should

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1 not be a discharge. Unfortunately, there are cases
2 where that does occur, where during dry weather you
3 have a discharge. You could have that due to a
4 break in the pipe or a blockage in the line or a
5 power failure. It's very bad and you want to avoid
6 dry weather discharges at all cost.

7 You've heard more about overflows, what
8 causes them, what they are. What's the impact?
9 Some people might say, "What's the big deal? So
10 they're overflows. Nobody is getting sick. The
11 drinking water is fine."

12 Overflows have the potential to have huge
13 impacts, huge negative impacts on our waterways and
14 how we use our waterways. No matter how you slice

15 it, an overflow contains sewage, albeit dilute
16 sewage, it contains sewage, and with that, I might
17 emphasize, untreated sewage. Along with that comes
18 contaminants, pollutants, all types of debris that
19 impact use of the waterways wherever those
20 discharges are occurring.

21 They can be harmful to not only water life
22 but human health. For the most part, most of us are
23 healthy enough that there's not a significant impact
24 to us. But there are some people with compromised
25 immune systems that contact with even dilute sewage

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1 poses a significant health risk to them.

2 Again more impacts of folks downstream.

3 Just as much as we are subject to what is being
4 discharged upstream from us, anybody downstream from
5 Allegheny County is feeling the effects of what we
6 are discharging in our overflows.

7 Again, there is a gate opening releasing.

8 Here, this is a basement (indicating). This is
9 somebody's basement. You can see the hot water tank
10 there. While we don't think about a basement backup
11 as an overflow, it is an overflow point. If the

12 sewage is not able to come into the line, the
13 municipal line, come into the Alcosan system or
14 whatever system it may be and it is backing up,
15 that's a discharge point in the home and is
16 certainly something to be avoided at all costs.

17 The economic impacts of overflows. If you
18 just look at the top part of the slide, there is
19 information on the type of endeavors that clean
20 water supports across the nation. We are looking at
21 large numbers, very large numbers. \$45 billion for
22 the fishing and seafood industry. You want to have
23 clean water to support these activities.
24 Recreation, tourism, you have to have clean water.
25 Overflows, the occurrence of overflows is a negative

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1 impact on our ability to maintain and sustain clean
2 water.

3 Locally, riverfront revitalization and
4 recreation. We are using our waterways more than we
5 have ever before. We certainly want to be able to
6 support using them even more. Overflows, once again
7 the negative impact of overflows stands to hinder

8 that entire effort.

9 If you look at this, this is Pittsburgh.

10 This is the Majestic (indicating). Opportunities
11 like this can be negatively impacted if we do not
12 control our overflows better than we have.

13 Development, real estate alone, if you look
14 at commercial, residential, industrial, real estate
15 development, if we are not managing our overflows
16 appropriately, we will thwart development. There
17 are agencies, there are regulations that will
18 restrict us from building. Think of it this way.
19 If we cannot manage the sewage that's already in the
20 line, that's already in those pipes, there is no
21 reason we should be permitted to add more sewage to
22 that problem. Again, there are agencies that can
23 and have restricted growth and development. This is
24 one other reason to be more in tune to the whole
25 overflow issue.

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1 I pointed out this is the Majestic. This is
2 along the Ohio River right across from the Alcosan
3 treatment facility. Has anybody visited this area?
4 That might not be on the Ohio, but certainly it's

5 another indication nationally how clean water is
6 important and what it means to minimize overflows.
7 Now, you know more about overflows, much
8 more than I hope you knew before you walked in the
9 door. Let's go back to look at the service area and
10 see how CSOs and SSOs measure up within the service
11 area. It's the same 310-square mile service area.
12 Now, we are looking at it with respect to how much
13 is combined and how much is separate sewer
14 communities.

15 You will see there is far less combined
16 sewer communities which would lead some to
17 speculate, "Okay. The SSOs are the main issue.
18 They are illegal. And look how much more of the
19 service area is separately sewerred." If you look at
20 the population served, who is being affected by both
21 of these issues, it's about 50/50. And that makes
22 sense because, of course, the combined communities
23 are much more densely populated than the separate
24 sewer communities. There's really not a distinction
25 in gravity. Both need to be dealt with. Both

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1 impact all of the things I just showed you. There's
2 not one. Not one is more important than the other.

3 Going back to this system, how it is the way
4 it is, how it was designed, back in the '40s the
5 original investigation that was done to design the
6 system pretty quickly evidenced that during wet
7 weather both the combined areas and the separate
8 areas were acting the same way. They were showing
9 the same results. There was excess flow in both
10 areas. Of course, one was supposed to be more
11 tightly sealed than the other, but that was not the
12 case. All the investigation bore out was they were
13 reacting just about the same. So the system was
14 designed with these relief points, these gates to
15 discharge throughout the system, because obviously
16 the separately sewer areas were being inundated
17 with flow as much as the combined areas were.

18 The service area, the black outline is the
19 service area. Again, it is not all of Allegheny
20 County, albeit the majority is of Allegheny County.

21 259 combined sewer overflows. Now, you are
22 thinking, "Wait a minute. I thought you had more
23 separate area." You do. If you look at the
24 shading, the pinkish area is the combined sewer
25 overflow area. And that dark area that just passed

1 over there, that's the Department of Justice, the
2 EPA. And they will get me if I don't get that
3 right. The mustard colored areas are the separate
4 sewer areas and the lighter shading are
5 noncontributing areas. They're on another system.
6 They're on septic systems. So there are many more
7 CSOs than SSOs in the system.

8 We are a large combined sewer system in
9 Allegheny County, a very large combined sewer area.
10 The State of Pennsylvania has more combined sewers
11 than any other state in the country, 1,671. You can
12 see how rapidly it drops from 1 to 10 down to
13 200-some. The top three are pretty large, but we
14 are right at the top. That's based on the terrain
15 and topography of Pennsylvania.

16 Even though we have all these CSOs, that
17 doesn't mean we are out there by ourselves in terms
18 of this being a matter that has to be resolved.
19 This is a national issue that affects everybody,
20 every system out there.

21 We are up to the '90s now. When I talked
22 about the Clean Water Act in the early 70s,
23 amendments to the Clean Water Act in the late '80s,
24 telling us how we need to deal with overflows, now,

25 we've moved on to the '90s. And the Federal

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1 Government is saying, "You know, people are not
2 taking care of the overflow issue. They're not
3 meeting the requirements of the amendments to the
4 Clean Water Act from 1987."

5 They started to move into large cities
6 across the country and take enforcement actions,
7 enforcement actions that entailed some pretty stiff
8 penalties and fines for anybody who was not in
9 compliance. And let's face it, it was not the issue
10 of the day. So everybody was not in compliance.

11 Again, we're not alone. You see it's very
12 densely marked over here with other cities that are
13 under a consent decree. Other people feel our pain.
14 That doesn't make it any better. That doesn't make
15 it right, but I wouldn't want you to think that
16 because of all of the CSOs that I've indicated to
17 you or our particular situation, that we're unique.
18 All of these cities and many, many more are
19 operating under a consent decree right now.

20 Why are we under a consent decree? We are

21 under a consent decree because as I showed you, we
22 have numerous CSOs. We are a large system. We are
23 what is considered a major permittee. I told you we
24 have a permit that regulates how we discharge from
25 the treatment facility, how we discharge from the

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1 interceptor system. The permit that we have is
2 categorized as a major permit. We are a major
3 permittee. And the CSO policy under the Clean Water
4 Act specifies that for people like us, our
5 compliance has to be detailed in a judicial order.
6 That is a consent decree. We could have gone
7 through the permitting process until we were blue in
8 the face, but eventually the mechanism to resolve
9 this issue had to be incorporated into a consent
10 decree. The reason you're here is because of the
11 consent decree.

12 So exactly what is it? It is a judicial
13 order. It is an agreement by the plaintiff and
14 defendant, the plaintiff in this case being the
15 government, and the government would be not just the
16 EPA, the Department of Justice but the Pennsylvania
17 DEP and the Allegheny County Health Department. The

18 government is the plaintiff. Alcosan is the
19 defendant. We've been charged with a violation that
20 we now have to correct. The consent decree outlines
21 the mechanism for how we are going to correct this.
22 And having been through the process, I can guarantee
23 you that it is definitely a product of intense,
24 immense negotiation, compromise and strong wills
25 back and forth across the table. This particular

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1 consent decree is a consent decree based on the
2 Clean Water Act. We violated the Clean Water Act by
3 discharging untreated sewage.

4 I showed you that other areas of the country
5 have consent decrees, that we are not alone in
6 dealing with this issue. At the same time, I want
7 you to have an appreciation and understanding that
8 our document is pretty much in line and comparable
9 with those in other cities. We are not standing out
10 like a sore thumb. We are right in line. And the
11 intense negotiating effort brought us to a point
12 where we can honestly say we have the best
13 environmental benefit balanced with economic

14 prudence that we could possibly come up with.

15 Now, the document, the status of the
16 document. We finished negotiating on the consent
17 decree in May. It was lodged, it says here May 31.
18 That was the date it was filed in Federal Court.
19 Remember, this is a federally driven process. We
20 end up in Federal Court. June 14 was the date the
21 notice was published in the Federal Register,
22 saying, "There is an engagement. There is a
23 proposed consent decree." So even though the
24 plaintiff and the defendant have come to this
25 agreement, it's not a done deal. It's not an

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1 official document until the court blesses it and
2 accepts it. Once the court blesses and accepts it,
3 the Federal Judge enters it. That's when it becomes
4 an official document. The Judge is not going to
5 take that action until the court receives comments
6 on this proposed settlement, because again, the
7 plaintiff and defendant have come to an agreement.

8 This particular document, this is our
9 consent decree. I hope people have familiarized
10 themselves with all 275 pages, and if you haven't,

11 there won't be a test on that. That won't be
12 included in sewage karaoke later. We won't do that.
13 But this is a large document. To expect the court
14 to say, "Yes, it's good," just by looking at a few
15 pages, that's not going to happen. The court takes
16 comments, comments from the public to weigh in on
17 the validity and fairness of it. That took place
18 from June 14 to July 16. July 16 the comment period
19 was closed.

20 During that period a few of our
21 municipalities filed comments relative to the
22 document. A couple of our communities also filed an
23 intervention to prevent the document from becoming
24 entered and official. Right now that entire matter
25 sits before Judge Gary Lancaster in Federal Court.

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1 He has had it for some time, and we anticipate a
2 response any day right now. Understand, the
3 comments did not come to Alcosan. The comments went
4 to the court and to the agencies for their response.
5 We are not officially a part of the response process
6 at this point.

7 We are all waiting to see what the Judge
8 will decide. We are waiting for the Judge to decide
9 so we can have date of entry, DOE. Date of entry is
10 a very important date because, again, this document
11 becomes official and all of our compliance
12 requirements start from date of entry. There are
13 documents that are due 30 days from date of entry,
14 requirements that run maybe 180 days from date of
15 entry or a couple of years from date of entry. So
16 date of entry is a very important date. And it
17 should be rapidly approaching.

18 The settlement process itself, it is a very
19 lengthy seven-year process with numerous drafts of
20 this document going back and forth. We received the
21 first draft of the consent decree in September of
22 2000. That first draft was 45 pages. And, again,
23 here we are with a document that's 275 pages today.
24 There was a lot of back and forth over those seven
25 years.

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1 We negotiated in earnest with the agencies
2 for the initial time period just trying to get the
3 EPA and the Department of Justice to accept that

4 Alcosan only has responsibility for two of the
5 pieces of that three-part pie chart. Only two,
6 because from the EPA's perspective, when they came
7 to town they wanted to hold us responsible for
8 everything, for all three components. That original
9 45-page consent decree, draft consent decree did
10 hold Alcosan responsible for all three components;
11 the municipal systems, our interceptor system, our
12 treatment plant. Obviously we do not have the
13 ability, we do not have the legal capability to be
14 responsible for municipal systems.

15 So we went through, again, a lengthy period
16 arguing that point and trying to get the agencies to
17 accept that they were going to have to bring the
18 communities into the process to deal with that third
19 piece of the chart, because as I said, if you do not
20 have all three covered, you do not have true
21 management of waste water and cannot possibly be in
22 compliance. The settlement process that we were
23 engaged in was a confidential process. So the
24 municipalities could not be brought into our consent
25 decree negotiations.

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1 By November of 2001 we had impressed this
2 overall need on the EPA and the Department of
3 Justice, and the agencies ceased negotiations with
4 Alcosan and went to negotiate with the communities
5 to resolve their piece of that pie chart. They
6 worked with them until 2003. The results of that
7 are the administrative consent orders or consent
8 order agreements that each municipality has signed
9 off on. The distinction between the two, one has
10 been signed by separate sewer communities; the other
11 by combined sewer communities.

12 Combined sewer communities signed the
13 agreement with the Pennsylvania DEP and the separate
14 sewer communities signed the agreement with the
15 Allegheny County Health Department. Once the
16 agencies have that wrapped up, they come back to us
17 in July of 2003 and we negotiate until May of 2007
18 to come to a settlement, but now there is a
19 mechanism to bring the municipal requirements in as
20 well through those separate agreements.

21 Who negotiated this effort? Who was
22 involved in the process? I told you the government
23 is the EPA, their outside counsel, the Department of
24 Justice, a pretty beefy outside counsel. The EPA
25 also has in-house attorneys. They have in-house

1 technical staff. They have these people not only on
2 the region 3 level, which operates out of
3 Philadelphia, but they have them from headquarters
4 in Washington, DC. So you have a lot of people
5 representing the EPA on their side of the table.

6 And they also have a technical consultant,
7 an outside engineering consultant, SAIC. They
8 participated in the process as well. And the local
9 agencies, the state DEP and the Health Department
10 were across the table as well.

11 On our side of the table every area of the
12 Alcosan organization was represented in this process
13 because this is not just an engineering issue for
14 us. It's not just an interceptor system or a
15 regional conveyance issue. It is not simply a legal
16 matter. Every area of our operation has
17 responsibility for making sure that we maintain
18 compliance with this document.

19 Three of the people are here today; Art
20 Tamilia, who is my Director of Environmental
21 Compliance, he is back here and he will help me take
22 questions later. Dave Borneman, who is my Director
23 of Engineering and Construction, is here as well.

24 He'll be taking questions. And down here we have

25 Nancy Barylak who makes all of our outreach

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1 possible. She is the Manager of Public Relations.

2 Again, all of these people are at the table.

3 So you might think, "I don't know why you have the
4 engineering guy there." He has something to do with
5 environmental compliance. Public relations?

6 Everybody, every area of the organization has to be
7 represented. And our engineering consultant, our
8 technical consultant Camp, Dresser, McKee, I would
9 not want you to think that we attempted to wade
10 through this effort by ourselves from the legal
11 standpoint. Our outside counsel is Eckert, Seamans,
12 Cherin & Mellott. They are excellent environmental
13 law attorneys.

14 What were we trying to accomplish over the 7
15 years? Had it been 1 year, had it been 20 years, we
16 would have had the same negotiating goal, getting
17 the best deal possible for the ratepayer. That was
18 it. At the same time, I was charged with bringing
19 the civil penalty in under \$1 million. Get the best

20 deal. Keep the civil penalty under \$1 million.
21 We settled. It was a very large headline,
22 but did we accomplish our goals? Absolutely, we
23 accomplished our goals, thanks to Mr. Hopey helping
24 to pass the word. We got the best deal possible.
25 If it is in the newspaper, it is accurate, correct?

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1 Yes, we got the best deal possible. We truly did.
2 There was a lot of pain and effort into making sure
3 that happened. And that's what took seven years to
4 get to that point. It didn't happen by accident.

5 Did I get the civil penalty under
6 \$1 million? You didn't see that in the paper, not
7 in that big headline. No, I did not. The civil
8 penalty came out at \$1.2 million. That \$1.2 million
9 is split three ways. Each of the parties on the
10 other side of the table gets their piece of the pie;
11 \$400,000 each.

12 We see date of entry, that's that DOE, that
13 all important date. So right now we have not made
14 the first payment because we don't have date of
15 entry. But 30 days from date of entry, the Federal
16 Government gets their share. 180 days from date of

17 entry, the state receives their check. And 360 days
18 from date of entry the county receives their check.

19 The civil penalty, the civil penalty is as
20 it says here. It's for past sins. It is for
21 overflows that have occurred in the past. It's
22 everything up to the point of settlement. Not
23 looking forward, just what has occurred.

24 If you look at the pure mathematical
25 calculation that can be used to derive the penalty

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1 number, that is so many thousands of dollars times
2 so many overflows over a certain period. Just that
3 calculation alone brings you to a \$1.3 billion
4 penalty. Nobody would believe that anybody would
5 either put that on the table or accept that as a
6 penalty figure, but again, that's just the simple
7 math of it. It's not where we started. It's
8 certainly not where we ended up. So with respect to
9 not getting it under \$1 million, \$1.2 million was a
10 very good settlement by time we got to the end of
11 the day.

12 Future penalties, stipulated penalties,

13 those are penalties for occurrences going forward.
14 Those are penalties that are to be avoided at all
15 cost. They can range from \$750 to \$2,500. If you
16 look at this compared to that, some people really
17 aren't concerned with these numbers. "They're not
18 much. It's no big deal." They are a big deal;
19 \$750 to \$2,500 per event per day. You could have
20 multiple events for multiple days. Those numbers
21 can add up very, very quickly. And we are very
22 aggressive in making sure that we are going to do
23 everything within our power to avoid those
24 penalties; whereas, the civil penalty was for past
25 overflows, going forward these stipulated penalties

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1 are not just for overflows. They can be for a
2 number of things, all of which reside in the consent
3 decree. If we do not comply with every activity we
4 agreed to in settling this thing, everything that we
5 said we would do within this document, we can incur
6 stipulated penalties.

7 That 30 days from date of entry, I told you
8 there is a report due. An overflow response plan is
9 due 30 days from date of entry. If we don't submit

10 that, we incur stipulated penalties for every day
11 that is not submitted. Any activities that we said
12 we would either participate in or accomplish, if we
13 don't, we incur stipulated penalties. And certainly
14 for dry weather discharges.

15 As I said earlier, dry weather discharges
16 are very bad. No rain water, pure sewage, that's
17 bad. So we will do everything within our power to
18 avoid these penalties in the future.

19 Getting to that \$1.2 million civil penalty,
20 and the \$1.2 million is the civil penalty to be
21 paid, there's no more negotiating on that number.
22 Each entity will get their \$400,000.

23 One of the mechanisms used to get to that
24 \$1.2 million is an offset, a built-in ability to
25 suppress the penalty; Supplemental and Environmental

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1 Projects, SEPS. SEPS are just as it says. It's
2 projects that have some environmental benefit. It
3 has absolutely nothing to do with the violation you
4 are being charged with. That certainly makes sense.
5 If you agree to participate in some activity that's

6 going to positively impact what you've been charged
7 with, that wouldn't be fair, but if it's a separate
8 matter, you can receive credit for it. We agree to
9 perform \$3 million in supplemental and environmental
10 projects. By doing that, again, it helped us get
11 that penalty number down to the \$1.2 million. This
12 is not something special we were afforded.

13 Again, SEPS and the use of SEPS are a
14 built-in mechanism. Across the country the SEPS
15 that we are familiar with range from about
16 \$.5 million to a little under \$5.5 million. If you
17 look across the country at the comparison between
18 the civil penalty and the SEPS, you can see once
19 again we're pretty much in line when you look at
20 other systems.

21 We're a very good match in Cincinnati
22 because their civil penalty is identical to our
23 civil penalty. Their SEPS are at \$5.3 million. Our
24 SEPS are at \$3 million. And I would point out that
25 Cincinnati has been to the party twice now. This

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1 would be their second consent decree or second
2 enforcement action. So what their overall numbers

3 are I couldn't speak to you, but for their current
4 efforts this is where they are. Also, as I like to
5 point out, our football team is so much better than
6 theirs right now. It's a great comparison.

7 What are we required to do? We are required
8 to evaluate, monitor, model, repair and assure
9 compliance. For what? For the conveyance and
10 treatment system. We have to make sure all of these
11 things happen with respect to our conveyance and
12 treatment system, those two parts of the three-part
13 pie chart.

14 We are also required to work diligently with
15 our municipalities and adhere to a very aggressive
16 20-year schedule to make sure we are either
17 controlling in terms of the CSOs or eliminating in
18 terms of SSOs, wet weather discharges. And that's
19 across the system. Specifically, eliminate SSOs,
20 eliminate those nasty dry weather discharges. Do a
21 better job of managing the combined flows. We have
22 to construct and operate these components to deal
23 with all the flows that are coming from the regional
24 system.

25 We have to develop and implement a wet

1 weather plan which I will talk about in a little
2 bit, work with the municipalities and provide public
3 outreach like this. And going forward there will be
4 extensive public outreach, not just bringing
5 municipalities and municipal officials into the
6 process but the public as well.

7 Now, the time lines. We are right about in
8 here (indicating). This wet weather planning is
9 very significant. The wet weather plan that I refer
10 to here (indicating), this is the most important
11 aspect of the consent decree, putting together this
12 wet weather plan.

13 So far we've been engaged in flow
14 monitoring, modeling, doing water quality
15 assessments. We want to know where we are with
16 respect to water quality, where we're starting, and
17 have a better appreciation for where we are going to
18 end up. But knowing what the flows are and modeling
19 how all of that reacts within the system is
20 important as well. That has been ongoing and that
21 will continue in this time frame.

22 This wet weather planning, creating the wet
23 weather plan, this document has to be submitted by
24 2012. All of the activities, evaluating, assessing,
25 monitoring, modeling, all of this information, plus

1 what the municipalities are doing per the orders
2 that they had to sign with the agencies; mapping and
3 surveying, assessing their systems, all of that has
4 to come together so that we can create this wet
5 weather plan and submit it by 2012 to the agencies.
6 That wet weather plan will lay out how we are going
7 to bring the region into compliance with respect to
8 wet weather flows.

9 You see heavy municipal coordination in this
10 process. This is not something we are doing in a
11 vacuum. We are pulling municipal information in as
12 well.

13 This period, once we submit that document in
14 2012, the agencies have one year to review it. The
15 EPA, the State Health Department and the Allegheny
16 County Health Department have one full year to
17 review that document. That will give you a feel for
18 how complex and comprehensive that document is going
19 to be.

20 And then in this time period we are
21 planning, designing and constructing everything that
22 has been laid out in the plan. All of that has to

23 be in the ground by 2026. Once it's in the ground,
24 we have a three-year period to evaluate it. So
25 after 2026 and everything is constructed and we flip

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1 the switch and it's operable, we have three years to
2 evaluate and monitor for compliance purposes to make
3 sure it's doing what we thought it would, what we
4 said it would.

5 We also have a requirement that whatever we
6 have put into operation here has to provide
7 compliance for 20 years on top of this 2026. So
8 this is going to be a very aggressive effort. Once
9 again, it has to be submitted by 2012. That is not
10 much time to put this work together.

11 There's a lot of information that I've
12 thrown at you. What does it all mean? Who is
13 responsible? Who is going to pay for it? Who is
14 going to do it?

15 I will go back to this slide just to remind
16 you. We are not alone out there. We weren't on the
17 leading edge unfortunately, so we benefit from other
18 cities' experiences. We benefit from the fact that

19 there are national consultants out there who have
20 seen these issues, who have worked through the whole
21 compliance issue in other places and bring that
22 expertise to our program. By the same token, I
23 wouldn't want you to think that we've been waiting
24 or did wait for the consent decree, negotiations or
25 any of that to deal with this matter.

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1 As I've said, when I outlined the Clean
2 Water Act, amendments to the Clean Water Act, our
3 permit, we knew what was coming. We've been working
4 on it for quite some time. In 1989 we were
5 recognizing the evolution of the national CSO
6 policy. So we began to position ourselves for how
7 we would be able to deal with it and be in
8 compliance.

9 We brought in a national consultant in 1991
10 to help us with that effort. That is Camp, Dresser,
11 McKee, the engineering firm that I told you
12 participated in consent decree negotiations. They
13 are well versed. They have a lot of experience in
14 dealing with these matters.

15 Between '92 and '98 with CDM, Camp, Dresser,

16 McKee, as part of the team, we started looking at
17 the system in a way that we had not done since it
18 was originally built. There was a lot of
19 investigating, a lot of analysis of what was out
20 there in understanding what our system was.

21 By 1998 we formed Three Rivers Wet Weather
22 Demonstration Program along with the Health
23 Department. Through this process we were beginning
24 to understand the system required a lot of money,
25 incredible sums of money being brought to this

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1 region. We didn't think that we were the best
2 vehicle for that money to be brought to the region
3 because we had strained relations with our municipal
4 customers. So we looked to the Health Department to
5 help us form this entity that could be used as a
6 vehicle to bring this money.

7 Three Rivers was to be used as a conduit to
8 bring the money to the region and distribute it to
9 the communities to hopefully deal with their end of
10 the wet weather issue, to help them remove extra
11 flow from the system so that there would be less

12 flow we would have to deal with on the downstream
13 end, and help them meet the requirements that they
14 were going to have, because through this entire
15 process, the municipalities have always had their
16 own regulatory compliance issues. Three Rivers was
17 a vehicle to bring them money to deal with that
18 effort.

19 Eventually the Three Rivers' focus shifted
20 to assisting the communities in dealing with the
21 negotiating effort that took place when the agencies
22 left us and went to negotiate with the communities.
23 Three Rivers was the unifying force that brought the
24 communities together to enable them to negotiate
25 effectively and really as one cohesive unit which is

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1 why the communities now have those ACO and COAs,
2 those agreements that outline what they need to do
3 within their systems. Without Three Rivers I doubt
4 that they will be done with that effort even at this
5 point.

6 From '98 to 2000 we engaged in a series of
7 informational meetings with the EPA. When I say the
8 EPA, it was with all three agencies, but understand

9 that the state and the county are here on the ground
10 with us. They're local. They understand our
11 issues. We interact with them all the time. It was
12 really an educational process for the EPA to give
13 them more of a background of what they were dealing
14 with. And all that led to, of course, was the
15 consent decree in September of 2000.

16 All that investigation and analysis we did
17 between 1992 and 1998 resulted in these documents
18 being published. You see them here (indicating).
19 You can also find them on our web site.

20 The first document told us what was in the
21 ground. That was in '95. The second one, How well
22 is it working? The third one, Are we doing the best
23 with what we got? And the 9 minimum controls
24 document is specific to combined sewer overflows.

25 And this last document, this cranberrish

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1 book, the Regional Long Term Wet Weather Concept
2 Plan, and I emphasize "concept" because it was our
3 concept of how we would deal with everything we
4 learned through this process, how we would deal with

5 the deficit that we came to recognize as we went
6 through all of this analysis. The deficit was
7 pretty big.

8 We recognized through this investigation
9 that municipal systems can collect about 1 billion
10 gallons a day, about 1 billion gallons of flow a day
11 during wet weather. That is an awful lot of flow.
12 Our interceptor system, those large pipes, can
13 convey about 875 million gallons a day. That's a
14 pretty good matchup. It's not 100 percent, but
15 based on regulations, that is certainly a good
16 comparison there.

17 The pinch point would be the treatment
18 plant. So out of that pie chart, out of those three
19 components, the treatment facility would be the
20 problem. At that point we were at
21 200 million gallons a day. We are now up to 275-,
22 but certainly that's a big difference between what
23 we can accommodate here and what's being generated
24 out here.

25 So how do we propose to deal with it?

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2 could deal with that deficit. And there are four
3 ways that you can manage it. You can treat more.
4 More treatment, you would have more Alcosan
5 treatment plants, certainly not that large, but you
6 could have more treatment plants. You could treat
7 out along the interceptor system and discharge
8 directly from that treatment before it even gets to
9 the plant. You could convey more. You could have
10 additional interceptors.

11 There are some select areas of the
12 interceptor system where there are pinch points
13 where there's an opportunity to add what we refer to
14 as a "parallel interceptor." So that would be two
15 people riding the wide receiver as opposed to one
16 person riding the wide receiver. That would be two
17 lines bringing sewage into the treatment facility.

18 You are probably saying, "Well, if there's
19 not enough capacity at the treatment plant for what
20 already is coming, why build another pipe to bring
21 more?" It all works together. Again, there are
22 very select areas of the system where that parallel
23 line would be useful.

24 Source reduction, that's going back to that
25 original goal of Three Rivers, reducing flows within

1 the municipalities, taking that flow out of the
2 source so it doesn't have to be dealt with later.

3 And the fourth is plain old storage. Just
4 build large tanks and hold onto it until the wet
5 weather event is over, and you can bleed what's in
6 those tanks back into the system once all the flow
7 has receded.

8 There is no one option that is any better
9 than any others. It is definitely a combination of
10 all four. That's what we proposed in this document,
11 a combination. The point was to put a concept in
12 front of the regulators so that they could weigh in
13 on it before we move too far, before we went down a
14 road that was going to be a dead end. And that
15 effort was submitted in 1999. Again, on the
16 backside of that, we ended up with a consent decree
17 process.

18 With all this information in hand, what else
19 do we need? We need to do much more investigation.
20 We need to work more diligently with our
21 communities. And the wet weather planning process,
22 putting together that wet weather plan does just
23 that. It requires us to communicate and coordinate
24 with the customer and municipalities. We are going

25 to perform cost analysis, affordability analysis,

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1 more water quality assessment, impact assessments.

2 We are going to develop again costs and

3 schedules. We are going to put all of this

4 information before the agencies. As I said before,

5 at the end of the day we are going to have to

6 monitor it to make sure we are in compliance.

7 Some of the pictures you see here bringing

8 all of this are potential treatment options for how

9 we can come into compliance. One is no better than

10 the others. As we are looking at our alternatives

11 and assessing what will be best for a particular

12 need in a particular area, we are going to look at

13 all of these. I will point to this particular

14 picture (indicating), which I hope appears to you to

15 simply be a basketball court, a very nice basketball

16 court. Under this lovely basketball court are

17 treatment facilities.

18 And the reason I want to point this out is

19 we will have to obviously look at ways to create

20 incentives for these facilities to be sited. We

21 talked a lot about riverfront development and

22 riverfront revitalization and how we want to support
23 that. We are not going to go out and attempt to
24 site facilities for compliance purposes that are
25 then going to hinder the enjoyment of the clean

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1 water that we are supporting. Opportunities like
2 this, again, hopefully will create an incentive for
3 communities to want to have these facilities
4 incorporated.

5 Once again, looking at the Alcosan service
6 area that you saw before from a CSO, SSO
7 perspective, I don't want you to think we are just
8 going to shotgun blast work on this project over the
9 310-square mile area. We have already done a lot of
10 work and we will continue to work.

11 We've segmented the service area into 7
12 planning basins. Each one of these planning basins,
13 aside from the city, has multiple municipalities in
14 it. It is much easier to work with a set of
15 communities than to try to address this on a 3
16 community basis. That's not going to work.

17 So we have these basins established. And we

18 are in the process of retaining engineering
19 consultants to be responsible for the facilities for
20 the investigation of what's required in each one of
21 these basins and designing the facilities that will
22 be required within those basins to bring them into
23 compliance.

24 We will be required to work extensively with
25 the municipal engineers within each basin, and we

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1 will be establishing municipal planning work groups
2 to aid that effort.

3 Compliance assurance. We've got numerous
4 tasks that are going to have to be managed, a lot
5 between now and 2012 obviously, but from now until
6 2026 and beyond. How are we tracking that? Do we
7 have the ability to manage all of that? Yes, we do.
8 We have embarked on what is called an Enterprise
9 Content Management System. I call it the super
10 computer system that will keep track of everything.
11 We have people who are responsible for making sure
12 that it is populated, that it is managed, that
13 somebody is aware of every requirement.

14 Every little line is another item of

15 compliance that's tracked. It runs to 2026. This
16 is one of 17 pages. There's a lot of information
17 that we are responsible for. There's a lot of
18 information that we are managing. Each bar, the
19 various colors indicate who's responsible for a
20 particular activity. As I showed you on that large
21 schedule chart, once we submit certain documents,
22 the agencies have a period to review and respond to
23 those documents. Even the agency's responsibilities
24 are kept track of within the system. Everybody,
25 everybody that touches or has a part of this entire

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1 process we track the responsibility.
2 So what's our overall plan? What are our
3 goals? Our wet weather program is designed to meet
4 the requirements of the consent decree obviously.
5 It also puts us in a position to be in compliance
6 with the Clean Water Act and the Pennsylvania Clean
7 Streams Law. But we have these, what we call
8 "benefits beyond compliance." We can't talk about
9 them enough, just supporting the uses of clean water
10 and our local waterways and development.

11 As I said, I can't speak to you about what
12 this is going to cost long term. I can give you
13 some comparisons in other cities. And these numbers
14 are program costs. We are not talking about the
15 civil penalty, the SEPS, even though you may see a
16 SEP in here a couple of places, but primarily we are
17 talking about program costs, the cost to come into
18 compliance.

19 As you can see, we are talking about
20 billions, at least a billion. At \$950 million,
21 that's a billion that somebody was lucky enough to
22 be able to bring back under 1 billion. But that's a
23 billion.

24 Large numbers, we certainly understand that
25 there's a lot of competition out there for the

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1 funding resources that would be available. Just
2 looking at this brief snapshot of a handful of
3 cities, we have a lot of competition out there.

4 We are required to do the financial
5 assessment. As much as we're looking at all the
6 technical alternatives and looking at this from a
7 technical perspective, we have to look at the money

8 as well. What's the affordability? A financial
9 capability analysis will be conducted. We will be
10 looking at any impediments to the process. And we
11 are certainly going to be looking for more federal
12 and state funding. As I said, there's a lot of
13 competition out there.

14 To this point we have been very fortunate in
15 lobbying for Three Rivers. And let me say that
16 Alcosan provides the lobbying service through Three
17 Rivers. When I told you we formed this independent
18 entity, that was again to be the depository for the
19 money. We worked to bring that money to Three
20 Rivers. We provided those lobbying services. So
21 far we have been able to bring about \$23 million to
22 this region through Three Rivers. I hear complaints
23 that's it's not enough money, that it's not a lot of
24 money. It is a drop in the bucket.

25 If you look at the federal deficit across

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1 the country right now it's upwards of 400-,
2 \$500 billion in deficit to deal with waste water
3 issues. That's just waste water. As much as we're

4 competing with these other cities for waste water
5 funding, we are all competing with so many other
6 needs, whether it's transit, schools, health care,
7 what have you. But we do have a requirement within
8 the document to look at the financial implications.

9 I want to make sure you understand where
10 Alcosan is with respect to rates right now. This
11 slide depicts just that, the Alcosan user rate.
12 That's not the overall rate which would incorporate
13 what your municipality charges you. This is the
14 rate we charge for that three-part pie chart, our
15 two pieces. The municipality charges you for that
16 third piece as well.

17 Right now we charge \$2.98 per 1,000 gallons
18 and a \$6.27 quarterly fee. For the average user of
19 about 18,000 gallons per quarter, that's about \$240
20 per year. Again, I emphasize that's just the
21 Alcosan rate.

22 We bill based on water consumption. That's
23 why we give it to you per 1,000 gallons. That \$2.98
24 is per 1,000 gallons of water consumed. We get that
25 information from your water company.

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1 There are two options currently and have
2 been for some time for how we bill. We can and will
3 bill you directly. That's where we produce a bill
4 that we send to you and you send the payment to us.
5 That's direct billing. It's very straightforward.
6 We base that again on the water consumption that has
7 been forwarded by your water agency. There are just
8 a handful of communities within our service area
9 that still engage in the direct bill option; five,
10 maybe six at the most.

11 Most of our communities prefer, and
12 understandably so, the lump sum billing option.
13 That's where we bill your community. Your community
14 in turn bills you. When they bill you, they have
15 the opportunity to add a fee. They add a fee for
16 that third part of the pie chart over there. So now
17 you have a total rate coming again from your
18 community to you. The Alcosan portion of that rate
19 is only that \$2.98. Your rate that's being charged
20 by the community could be much more than that, but
21 it goes to the community to deal with maintenance
22 and upkeep of the municipal collection systems.

23 Impacts to the Alcosan budget. What affects
24 us? It's the same things that affect everybody
25 else. Certainly utility costs. We have seen

1 increases from 15 to 40 percent in our utility costs
2 over the last few years. When I speak of utilities,
3 I'm talking electricity, natural gas, it could be
4 diesel fuel, gasoline.

5 It's 15 to 40 percent in electricity alone.

6 We are a very, very large consumer of electricity.

7 We pump a lot of water. Pumping 250 million gallons

8 a day is a major electrical draw. My monthly

9 electric bill is \$600,000. That's per month. We

10 are going to see increases in our electrical cost

11 because the rates are going to go up, but at the

12 same time the consent decree requires me to pump

13 sewage a little differently than I have in the past.

14 So in addition to the increase from the

15 utility, I'm also going to use more because of these

16 new pumping scenarios. Those costs are going to far

17 exceed that \$600,000 per month.

18 Less billable consumption. People are using

19 less water which for some folks is good. It's not

20 so good for me when it comes to the bottom line and

21 my budget. We bill based on consumption. So when

22 people are using less, we have less revenue coming

23 in.

24 Right off the bat that wet weather issue is
25 kind of two-edged sword. We are trying to deal with

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1 wet weather. At the same time, if it's wet, if it's
2 a particularly wet spring and summer, people aren't
3 watering their lawns. They aren't washing their
4 cars. They aren't filling up the kiddie pool. And
5 while those things might seem once again like a
6 "drop in the bucket" overall, they are not over that
7 310-square mile service area. That adds up. That
8 reduced usage, we see it. We are billing less
9 consistently.

10 Conservation. We grapple with being
11 environmentally conscious and trying to maintain our
12 revenues. Those low water toilets, does anybody in
13 here have them? "Bah, humbug." I want you to go
14 home and take a sledgehammer to them, or the easier
15 approach, which I highly recommend, is just flush
16 twice. And maybe if you're really feeling good you
17 can get a third one in there. You want to make sure
18 you get as much material to us as possible, right?

19 Those toilets, believe it or not, we see the
20 impact from everything. People are using less

21 water. We're billing less. We don't have as much
22 money coming in the door.

23 There's a decline in our largest industrial
24 customers. Steel mills right off the bat, everybody
25 understands there certainly aren't the mills out

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1 there that used to be. They are major consumers of
2 water. That was a huge hit. But there are others
3 that you might not think about so readily; housing
4 projects. There are far few housing projects in the
5 service area now. They were a major user of water.
6 Of course, you recognize manufacturers leaving and
7 hospitals. There are not as many. And those that
8 are here aren't using as much.

9 It pains me to say, and every time I have to
10 address this, it's just a graphic reminder and a sad
11 commentary on society that the penitentiary is our
12 only commercial customer that has increased in usage
13 over the last decade consistently of our large
14 commercial customers, steadily increased. And then
15 they moved out of the service area. They are moving
16 people back in, but certainly it's nowhere near the

17 levels we saw.

18 State funding. I told you early on in the
19 presentation that we had access to state funding at
20 one point. We lost that in 2003. That money had
21 been available since 1952. It was worth about
22 \$5.5 million a year to our budget. When we realized
23 that hole initially, we tightened what was already a
24 very tight belt, but we tightened it some more,
25 which we continually do.

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1 People make jokes about good enough for
2 government and the civil service mentality. We are
3 ratepayers. We are very, very aggressive in how we
4 manage the money, and we take a lot of pride in what
5 we do and how we do it. It's a lot of belt
6 tightening, a lot of painful decisions, too.

7 And, of course, implementing the consent
8 decree. We are going to have additional jobs. We
9 are going to have more analysis. These documents
10 right here (indicating), I had a gentleman ask me at
11 one of the presentations, "Why didn't we take the
12 money that we put into efforts like this for the
13 planning and investigation efforts that are

14 upcoming, why don't we take that money and put it
15 into fixing the problem?" My response was, "It
16 would be like going to the doctor and saying, 'Okay,
17 Doctor. Operate on me. I'm not really sure what
18 exactly is wrong.'" But without the diagnostic
19 evaluation, that would be pointless. So you are
20 going to see more of that. You are going to see
21 more jobs, more processes come online and more
22 equipment.

23 Rate hikes. We anticipate we are going to
24 be able to stave off a rate hike until '08. That's
25 not certain until after '08. If that's not the

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1 case, we are going to have a rate increase
2 January 1, 2008. Right now we have a consultant
3 working on what the value of that increase will be,
4 but it is guaranteed that you will have an increase.

5 The overall impact to the Alcosan rate
6 through the life of the program, as I said before, I
7 can't tell you what that's going to be right now.
8 We are going to perform a cost of service study in
9 2008. It will do just that. It will tell us what

10 it costs to provide the service right now. That's
11 not projecting too far down the road. That's not
12 taking into account work that we're not sure what
13 that work will be.

14 The consent decree requires, that wet
15 weather plan that I talked about, a lot of
16 evaluation and assessing, a lot of options and
17 alternatives. Until we know what's going to go into
18 the ground and where, we really don't know exactly
19 what that overall impact is going to be. It's going
20 to be large dollars, but I can't tell you what the
21 rates are going to be.

22 Again, as I said, the Board of Directors,
23 the Chairman of the board, the staff, we take great
24 pride in doing everything we can to minimize that.

25 Public participation. Opportunities like

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1 this, bringing information to the public and getting
2 your input, your feedback, we will be engaging in
3 more of that. It is required per the consent
4 decree. It just makes good sense. We can't go
5 through this process without it.

6 Outreach efforts will continue. In a minute

7 I'm going to talk about what I think is one of our
8 best outreach mechanisms we have. But we will be
9 required to form a municipal customer advisory
10 committee. A municipal customer advisory committee
11 is a 10-person committee. The members will be
12 appointed by the County Executive. The members will
13 be representative of the 310-square mile service
14 area. So you will not have them chosen strictly
15 from the City of Pittsburgh. There will be
16 representation across the service area. It's
17 mandatory. It's in the book. And if we don't
18 comply, we will receive stipulated penalties.

19 We formed a municipal advisory committee a
20 few years ago with dismal results. The committee
21 did not function as the members anticipated.
22 Through no-fault of the members, it was my issue
23 completely. I learned a lot from that process. And
24 once again it's in the book. I have to get it right
25 this time. And we will certainly get it right.

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1 There will be annual meetings along these
2 lines where we are coming back sharing information

3 about where we are in the process, what we're doing.
4 And that will give me the opportunity to share more
5 about costs as we're moving further into what is
6 actually being proposed, but those are required on
7 an annual basis through the life of the consent
8 decree. You can always go to our web site to get
9 information about where we are with the consent
10 decree and compliance in general.

11 The outreach that I told you that I thought
12 was most effective is our annual open house.
13 Saturday, September 22 we hosted 1,802 people. I
14 slipped up and said we exposed 1,802 people to
15 sewage many, many times. I have to stop staying
16 that. We educated 1,802 people about sewage and
17 overflow issues.

18 Each one of these slides depicts another
19 educational opportunity. Here, you've got children
20 and adults, children mostly looking at the
21 microbiology of sewage and how we treat it, the
22 technology that is employed in treating it. Here,
23 we have folks getting more information about the
24 overflow issue, what's proposed, what our time
25 frames are, what's required of the public.

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1 Down here we have children from St. Bedes,
2 St. Bedes in Point Breeze. These children won the
3 national Future Cities competition. Future Cities
4 is a competition for children who are interested in
5 engineering, science, technical careers. Their
6 project, which I certainly can't speak to as well as
7 they could, one, you're talking about on a national
8 level. These are really bright kids.

9 Having these children as a focal point of
10 the open house drew other children into them. They
11 wanted to talk about their project. I could stand
12 and pontificate about engineering and how wonderful
13 waste water treatment is from now to the end of
14 time, but to have children talking to children is
15 absolutely fantastic.

16 This gentleman is Gerry Lewis, Gerry with a
17 "G," the nutty science professor, a former Bayer
18 employee. The man is incredibly talented and
19 intelligent. His show is called Science Rocks. It
20 breaks science down for children on a level they can
21 appreciate. But it's an excellent outreach effort.

22 The good news is I'm done. The bad news,
23 everything I've talked about, everything that I put
24 before you today is going to make a very large
25 impact on the water quality locally, but it's not

1 going to cure everything. It is not, as my mom
2 would say, "The be all end all." There is more to
3 come.

4 We're just talking about sewage overflows,
5 sewage overflows within the Alcosan service area.
6 Remember, that's just 83 communities within
7 Allegheny County. While it's a massive effort and
8 it's going to cost a lot, it is very isolated to our
9 particular issue. You still have acid mine
10 drainage, you have agricultural runoff, storm water
11 management issues. Those things are out there.

12 I'm telling you what we are going to do that
13 will bring us into compliance. It will allow more
14 use of the waterways. It will certainly support
15 that. It will appropriate all developments, but
16 it's not going to give you pristine water. That's
17 yet to come.

18 With that, I will take questions. Again, I
19 would ask you to step to the microphone and identify
20 yourself, first and last name, spell your last name,
21 where you're from or who you are representing. But
22 first we are going to take a break.

23 (Short recess was taken.)

24 MS. SCOTT WILLIAMS: We are back on the

25 record. Okay, questions.

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1 MR. McCLELLAND: I'm Dick McClelland,
2 M-c-C-l-e-l-l-a-n-d, a homeowner in Ross Township.
3 I've also put a site on the web www.Alcosancost.com.
4 That's Alcosancost all stuck together.

5 I want to thank you for the opportunity to
6 comment briefly on the Alcosan \$3 billion consent
7 decree. I have a hard copy of my remarks to make it
8 easier for the stenographer, if you would like.

9 At the first public meeting, the presenter
10 mentioned a more detailed presentation made
11 available to the municipalities. Please post that
12 presentation as well as today's presentation and any
13 handouts on the Alcosan web site.

14 With respect to the consent decree itself,
15 at the following paragraphs I have these comments:

16 Paragraph 80, the informational newsletters
17 should be posted also on the Alcosan site. When
18 posting this kind of thing, it would be most helpful
19 if you could keep it all in the same area of the

20 site, and add the month, year and file size after
21 the name.
22 Paragraph 81, the same applies to
23 presentations or handouts at the Customer
24 Municipality Informational Meetings. Also, please
25 make these a web cast so that questions, answers and

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1 remarks can be heard.
2 Paragraphs 92a and 92b, the same posting
3 should apply to any updates or submissions of the
4 Implementation of the Nine Minimum Controls
5 document.
6 With respect to any undertakings relative to
7 Appendix U, which is the cost analysis, any
8 submissions, documents or presentations to any
9 party, including municipalities, the EPA, et cetera,
10 should also be posted concurrently on the Alcosan
11 web site.
12 Most particularly, Appendix U Part 1 Subpart
13 c, which is the cost impact, should clearly include
14 all municipal add-ons and municipal projects, e.g.,
15 the \$2 billion of the \$3 billion. And the roll-up

16 impact must be calculated for each municipality.

17 Furthermore, testing at Subpart c, i through

18 x, again must be done at the individual municipality

19 level, including all applicable local sewer markups.

20 Otherwise, the whole means testing and

21 financeability analysis will be fatally flawed. All

22 of this material should be posted on the Alcosan

23 site as soon as possible and public comment meetings

24 promptly implemented.

25 With respect to Appendix J, which is the

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1 Supplemental Environmental Projects, could not

2 Girty's Run in Millvale be in and leading the stream

3 restoration list? Millvale certainly could use

4 flooding help, and clearly any flood that drains

5 into combined sewer catch basins is an environmental

6 event. Surely something for Millvale flooding could

7 be shown under the stream restoration.

8 The cost of the consent decree is projected

9 to be \$3 billion, of which \$1 billion is by Alcosan

10 and \$2 billion by the municipalities.

11 Presumably someone has done some kind of

12 estimate to arrive at these numbers. Please

13 promptly post the projected projects and estimated
14 costs with a brief description on your web site.
15 For components of the \$2 million, please also
16 indicate the applicable municipality.

17 With respect to the Alcosan consent decree
18 agreement and the Allegheny County Health
19 Department's administrative consent order with the
20 municipality, please summarize the rights and
21 obligations of the two parties; Alcosan and the
22 individual municipality.

23 Also, assume the following, and I believe a
24 quite likely scenario: The municipality, which I
25 think most of them have done, signs an

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1 administrative consent agreement or its equivalent.

2 During the wet weather control plan
3 development, the municipality defines its peak load
4 as 50 million gallons a day. Currently, Alcosan
5 defines its upgraded capacity as 20 million gallons
6 a day for that municipality.

7 Per the ACO, the municipality then spends a
8 substantial amount of its own money to develop an

9 alternative analysis which defines the construction
10 cost to treat the 30 million gallons that Alcosan
11 represents that it cannot take.

12 The municipality looks at their customer
13 impact from Alcosan's new sewage treatment cost,
14 plus their own construction and operation. The
15 municipality then calculates that these new customer
16 bills will be 2.5 percent of the median household
17 income of the municipality.

18 The municipality concludes that impact is
19 unaffordable to its customers and tells that to the
20 Allegheny County Health Department or the State of
21 Pennsylvania as the case may be.

22 What happens now? Can the municipality be
23 forced to construct the unaffordable facility
24 anyway? Assume that lenders to the municipality
25 look at the customer cost impact and also note that

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1 one-third are on Social Security. The lenders
2 refuse or will not provide money to the municipality
3 on terms that the municipality deems reasonable.

4 What happens then?

5 Switching to a new question, does Alcosan

6 think that the \$3 billion can be financed in pieces
7 and over time, or will the lenders having knowledge
8 of the \$3 billion pyramidal ball-of-wax, perhaps
9 justifiably, see the entire smorgasbord of built-up
10 impacts before lending anyone anything?

11 Section 6 of the third party review on
12 Alcosan's web site estimates the cost impact of the
13 consent decree on households. It quite correctly
14 raises the question of the unaffordability of even a
15 \$2 billion program. Moreover, the Alcosancost web
16 site, the web site that I was referring to earlier,
17 corrects the analysis for a \$3 billion expenditure.
18 Just the monitoring and paperwork alone will cause
19 the present householders' annual Alcosan sewer bill
20 to rise rapidly from \$294 a year to \$523 a year.
21 Then the effect of the \$3 billion phased
22 construction will kick in, raising a household's
23 sewer bill to \$1,300 a year or more when the dust
24 settles. That's for homeowners and renters. And
25 those numbers are before any municipality mark-ups.

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2 customers are on Social Security.

3 There are estimates on the www.Alcosancost
4 web site. Where are Alcosan's cost estimates based
5 on material that they already have on their web
6 site?

7 Section 9 of the third party review suggests
8 that alternative methods of at least partially
9 funding the consent cost should be explored. I
10 would like to suggest two for your consideration:

11 The first is a county wide \$250 annual
12 vehicle cost or registration fee.

13 The second is an impervious area, a \$305
14 annual fee per 1,000 square feet on commercial or
15 industrial property only on combined sewer areas.

16 I'll explain very briefly both. They are
17 detailed in the spreadsheet that's on the
18 www.Alcosancost web site.

19 If used county wide, the \$250 annual vehicle
20 fee could potentially replace one-half of the sewer
21 tax increase. It will reduce the impact on the
22 elderly low income and Social Security households,
23 since they are less likely to own an automobile or
24 would have fewer of them.

25 One rationale for this tax on automobile

1 registrations is that these vehicles use roads and
2 city streets that have catch basins that drain into
3 combined sewer systems. I am not proposing taxes
4 for tax sake. I would actually make out worse if
5 this tax were adopted.

6 Turning to the other suggestion, based on
7 full rain runoff, \$305 per 1,000 square feet of
8 impervious area is the exact same amount that a
9 homeowner would pay per gallon under the \$3 billion
10 consent. For example, at 1.9 acres the US Steel
11 Tower and Plaza would have a runoff tax of \$125,000
12 per year.

13 Since homeowners and apartment renters are
14 already paying for much of the runoff into a
15 combined sewer system, even if they don't live on a
16 combined sewer, implementation would only be on
17 commercial or industrial property in combined sewer
18 areas.

19 To simplify implementing, the tax would be
20 levied on the entire acreage of the property site.
21 However, the site owner could petition for a
22 deduction for grassy surface or even for entire
23 elimination if they added appropriate retention
24 ponding. To make the billing simple, this acreage
25 would be converted into a quarterly phantom water

1 use for water company sewer billing programs.
2 Although city and county roads would not be taxable,
3 consideration should be given to taxing applicable
4 state road surface areas and, if possible, any
5 applicable interstates.

6 In closing, you should note, I certainly
7 note that Alcosan's \$3 billion consent program is
8 equivalent to building 1.3 Hoover Dams, to be paid
9 for by less than 300,000 family families.

10 I feel a bit like a shopper at a car
11 dealership where their lawyers are pressing me to
12 sign a new contract for a new car where they will
13 fill in the price later. In fact, given the cost of
14 a new car, this analogy is pretty much spot on with
15 the customer impact of Alcosan's \$3 billion consent
16 agreement.

17 I don't see how Alcosan or the EPA can
18 expect any practical or useful input without
19 consumer cost impacts available to be discussed.

20 I would suggest that Alcosan fill out the
21 reports for these meetings and post these on your

22 site, but leave them open for another round after
23 Alcosan publishes the cost impact of the entire
24 program on a municipality by municipality level.
25 These remarks are also on the web site if

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1 you're interested. Thank you.

2 MS. SCOTT WILLIAMS: Thank you,
3 Mr. McClelland. That's going to take me more than a
4 minute to respond. So, sir, please go right ahead.

5 MR. COOPER: My name is Charles Cooper,
6 C-o-o-p-e-r. I'm actually from Coraopolis. I'm a
7 semi-retired engineer and surveyor. I am interested
8 in river projects on the three rivers, and I've been
9 to every Alcosan open house. It was quite
10 informative.

11 It's a simple question here. You mentioned
12 supplementary environmental projects. What is that?
13 Could you give an example of what one might be and
14 how are they funded and so forth?

15 MS. SCOTT WILLIAMS: Supplemental
16 environmental projects, as I said, they are projects
17 that have an environmental benefit that are not
18 directly associated with what you are being charged

19 with. So I'm being charged with violating the Clean
20 Water Act and discharging untreated sewage. If I
21 engage in a project that has environmental payback
22 that is not related to that, I will receive the
23 credit, or I already have received the credit. I
24 have to spend \$3 million for one of those projects.
25 Those projects are very narrowly defined within our

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1 consent decree.
2 Mr. McClelland pointed to Appendix J. That
3 contains the list of projects. These projects are
4 all stream inflow removal projects. When I spoke
5 earlier about sometimes you have a cracked pipe line
6 that is coming from the house that has water coming
7 in, that's infiltration. But in some areas you have
8 streams that have been diverted into the sewer
9 system. That's inflow. Those streams that have
10 been put into the sewer system, for whatever
11 purpose, for convenience mostly, there are 11 within
12 Appendix J that will receive consideration from the
13 government.

14 What we are required to do is put together a

15 proposal for which one of these streams or multiple
16 streams that we are going to propose to remove from
17 the sewer system, we have to submit that to a
18 agencies, the EPA, DEP, and the Health Department.
19 They have to sign off on it. That's the project.

20 Supplemental environmental projects could be
21 a bike path, a park, things of that nature. It
22 could be something like that, but these again are
23 very narrowly defined.

24 MR. COOPER: In this Appendix J?

25 MS. SCOTT WILLIAMS: Yes. Going back

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1 to Mr. McClelland's primary observations and I
2 believe some of the questions as I recall them, and
3 I'm sure I'm not going to hit every one head on.
4 The --

5 MR. McCLELLAND: Could you at least
6 deal with the issue of keeping these meetings open
7 until Alcosan publishes the cost impact on
8 municipality by municipality?

9 MS. SCOTT WILLIAMS: Sir, I've told you
10 these meetings are going to be going on through
11 2026. We are going have these meetings ad nauseam.

12 That's a requirement. I've also indicated that
13 every time I come back to you, we are going to have
14 more information. I'm not going to simply come back
15 if I have nothing new to bring to the table. As you
16 said, it's like taxing for the sake of taxing. We
17 are not going to come and speak for the sake of
18 speaking. When we have new information to present,
19 we will bring that to you.

20 The information that Mr. McClelland spoke to
21 relative to the third party review, that is on our
22 web site. It all relates back to the long term
23 control plan, that regional long term control plan,
24 that concept that I told you about of how we are
25 going to deal with everything that we found through

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1 our investigation and analysis.

2 There are projections. There were
3 projections made municipality by municipality based
4 on the concept at that time. As I told you, the
5 information that led up to this was acquired between
6 1992 and 1998. This document was published in 1999
7 and submitted to the regulatory agencies. But again

8 it is just a concept. It was a concept to get their
9 feedback. If they had been completely satisfied
10 with this document, we would not then have spent the
11 next seven years negotiating a different approach.

12 So while they're numbers associated with
13 this effort that create estimates of roughly a
14 \$3 billion solution for this region, there's much
15 more work to be done. The rates, the anticipated
16 impacts per household, again they are very dated,
17 but they are contained in this document based on a
18 combination of possible alternatives.

19 At the same time there were affordability
20 estimates prepared in association with this
21 document. The EPA has an opinion. They also have
22 formulas that are used to determine affordability.
23 Their opinion is that the Alcosan user rates are so
24 low that the current rates have had no pain on the
25 ratepayer. And we have quite a way to go before we

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1 get to a threshold of pain where the EPA feels that
2 there would be some significant impact based on user
3 rates.

4 The affordability equation and analysis, you

5 input things like median income, unemployment,
6 assessments, things of that nature. And at that
7 time back in '99 when we did this, everything came
8 back saying, "This particular plan and program was
9 affordable." This is not the plan and the program
10 that is going to be implemented.

11 MR. McCLELLAND: Ma'am, the third party
12 review in 2004 on your web site concluded that the
13 \$3 billion was likely unaffordable.

14 MS. SCOTT WILLIAMS: And that work was
15 based on one, the results of this planning effort
16 and the national expertise of those firms that had
17 participated in that effort and many assumptions
18 that they made. I'm speaking simply to this
19 document, the hard and fast numbers that we have put
20 together that you have criticized me for repeatedly.
21 That's what I'm speaking to. The numbers that we
22 have per what the EPA requires, dated as they are,
23 they were deemed to be affordable, and they are all
24 outlined in this document.

25 Now, we will go back and we are going to

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1 revise everything that we've done. We are going to
2 start from scratch in some areas. We are going to
3 work from what we already have. That's why I say to
4 you repeatedly and I will continue to say that
5 there's a lot of road ahead before we can determine
6 exactly what's going to be done and what it will
7 cost.

8 Going back to the question about whether or
9 not the communities will be able to indicate that
10 they are going to provide a certain level of flow,
11 and it may be more flow than we can accommodate, and
12 then they are kind of left in the lurch, the consent
13 decree is very specific with respect to Alcosan
14 agreeing to treat all the flows that the community
15 will bring to our gate. If the community decides to
16 do something else with those flows, they've got to
17 sign off on that. I can't tell you exactly which
18 section that is right now, but that was a hard
19 fought item. So that particular issue that you
20 reference is not going to happen. There is a
21 mechanism within the document to manage that.

22 MR. McCLELLAND: It seems to be
23 inconsistent with the agreement with the
24 municipality which doesn't have any suggestion about
25 how to resolve the issue with the municipality once

1 it offers more to Alcosan than Alcosan says it has
2 the capacity available.

3 MS. SCOTT WILLIAMS: Once again, we
4 have agreed that we are going to make the capacity
5 available for whatever the community is saying that
6 they are going to bring to our gate.

7 MR. BORNEMAN: If I could add to that.
8 As simple as Arletta is trying to make it, the
9 document clearly defines that the municipalities
10 must state to Alcosan what level of the service it
11 is requesting in terms of flow, existing and future.
12 And the process should address any and all of those
13 flows in developing whatever improvements are
14 necessary.

15 However, there are provisions in there. If
16 a municipality chooses and proposes to do something
17 other than convey flows to Alcosan, then the
18 responsibility is on them to develop whatever that
19 methodology is. And that also has to be agreed upon
20 by Alcosan and the regulatory agencies. So I
21 respect your comments, but it clearly is a scenario
22 where we are to provide whatever facilities are
23 necessary to handle the flows that the communities
24 suggest we need to provide service for.

25 MR. McCLELLAND: Sir, that is

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1 inconsistent with at least the agreement that Upper
2 St. Clair signed. It basically says, "You tell them
3 how much you can take and if that's less than what
4 the municipality has available, they will go off and
5 do some studies." But that agreement is totally
6 silent if there's a dispute between what the
7 township wants to provide you and what you say you
8 have available. That agreement doesn't address that
9 issue at all.

10 MS. SCOTT WILLIAMS: You're speaking
11 about the municipal agreement with the agencies; is
12 that correct?

13 MR. McCLELLAND: Yes, ma'am. You can
14 read it on the Township of Upper St. Clair's web
15 site. I've completely read the consent decree.

16 MS. SCOTT WILLIAMS: You're familiar
17 with the section that we are citing in the consent
18 decree?

19 MR. McCLELLAND: The consent decree is
20 also silent on what happens if Alcosan's portion is

21 deemed unaffordable. It says you submit Appendix U

22 I believe it is, but it doesn't say what happens

23 after that.

24 MS. SCOTT WILLIAMS: You're absolutely

25 right. Arthur Tamilia.

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1 MR. TAMILIA: I'm Art Tamilia, Director
2 of Environmental Compliance with Alcosan. We have
3 had many discussions with the EPA about the
4 affordability and cost. The EPA's position on
5 affordability is it doesn't impact your underlying
6 responsibility to comply with the law, but it
7 impacts a schedule on which you achieve that
8 compliance. So that in the event within the next
9 five years it will be determined that this is not
10 affordable within EPA's time schedule for this
11 region, it will only impact the length of time we
12 have to implement it; not the amount that we spend
13 on it. That's an important distinction with how the
14 EPA implements the Clean Water Act. They don't give
15 you a pass.

16 At the same time, when everything that we
17 propose -- we're doing cost effectiveness. I'm sure

18 you're familiar with that. It's a determination of
19 the best removal efficiency you can achieve for your
20 dollar. So that in itself within EPA's structure is
21 a limiting factor as well.

22 The answer in the end is that we are going
23 to need additional resources from outside. That's
24 undeniable. When the combined sewer overflow policy
25 became part of the Clean Water Act, I don't know if

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1 you recall, shortly thereafter the Federal
2 Government amended the Clean Water Act to provide
3 funds for sewer infrastructure. They made those
4 funds contingent on the \$1.2 billion, \$1.3 billion
5 to the state revolving fund. They never achieved
6 that level. So they were never obligated to provide
7 those funds. Right now the federal financing of the
8 state revolving fund is going to be phased out
9 because they feel it is self-sufficient at this
10 point.

11 So by the end of this process, there is
12 going to be a significant change in attitude in
13 Washington and at the state level because they won't

14 be able to enforce their own edicts. We are not the
15 only ones spending 1-, 2-, 3 billion dollars on our
16 system and we are not going to be the last one. So
17 they are creating a national crisis of compliance
18 within their schedule. At the point where everybody
19 is screaming "uncle," unfortunately, that's when
20 they are going to address it at the federal level.

21 In the meantime, we have to continue with
22 our planning, our assessment and our compliance
23 activity with the Federal Government.

24 MR. McCLELLAND: Thank you. I
25 appreciate that. What in your judgment is the

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1 percent of median household income?

2 MR. TAMILIA: I can't tell you that
3 right now.

4 MR. McCLELLAND: The EPA's guidelines
5 for funding other projects was 1 1/2 percent, and
6 there are some other comments that maybe it's
7 3 percent. Do you know when the project is going to
8 be deemed unaffordable other than when the lenders
9 say, "I'm sorry. We are not going to loan you any
10 money."

11 MR. TAMILIA: Offhand, I don't know
12 that.
13 MR. BORNEMAN: If I could add to that
14 point briefly, I guess what we envision at this
15 point, as Arletta said, there's a combination of
16 improvements that would be proposed that
17 collectively would get us to compliance. Typically
18 what is done, as pointed out in the third party
19 review, you take the projects that seem to have the
20 best reward, the best return and associated costs,
21 and those are prioritized to go forward. Then you
22 may have some large cost projects that have minimal
23 related value. Those are scheduled further out.
24 Sometimes there is a mechanism of funding those
25 projects in a certain order that you would

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1 prioritize and spend your money on the best return
2 initially.
3 The other thing that we are aware of,
4 agencies like the National Association of Clean
5 Water, there is a large lobbying effort going on
6 about this funding issue and that the local

7 communities cannot readily address it. We are
8 seeing other cities that are arguing for more time.
9 Cleveland and Cincinnati are in the midst of this
10 and further ahead of us, but they are arguing 30
11 years is a minimum to try to implement the types of
12 programs that are required and the costs that they
13 are developing for their respective programs.

14 So it is something that is going forward.
15 Those are the things to keep in mind as we develop
16 the costs and as we develop an implementation
17 schedule.

18 MR. McCLELLAND: Thank you. How does
19 that resolve the unaffordability issue? Let's say
20 you take the \$3 billion and instead of spending it
21 in 15 years, you spend it in 25 years. You have
22 construction costs escalating. I suppose people's
23 incomes go up. The project is just as unaffordable
24 as when you have it billed out in the next 30
25 years as --

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1 MR. BORNEMAN: If 60 percent of the
2 improvements were realized in the first billion
3 dollars, you would spend that first billion dollars

4 to achieve 60 percent improvement. Let's say the
5 last billion dollars is only going to return
6 20 percent. So that's how you stagger it out. And
7 maybe there is some consensus that you spend the
8 first billion towards the projects that have the
9 best improvement of the water quality and are still
10 within that affordability scale. That's just one
11 idea that I have in response to your question.

12 MR. McCLELLAND: Thank you.

13 MR. COOPER: Are you two gentlemen with
14 the EPA?

15 MR. BORNEMAN: I'm Dave Borneman. I'm
16 the Director of Engineering and Construction at
17 Alcosan.

18 MR. TAMILIA: I'm from Alcosan as well.

19 MR. SHAMSI: My name is Sam Shamsi,
20 S-h-a-m-s-i. I work for Chester Engineers located
21 in Moon Township. I also teach at the University of
22 Pittsburgh and a few other local universities as an
23 adjunct professor.

24 I have one comment and one question. My
25 comment is that Arletta, your presentation was very

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1 informative and very educational. If you can make
2 it available at your web site, it will be very
3 useful for my colleagues who could not attend any of
4 your presentations, as well as my graduate students.

5 My question is, if you were to guess, what
6 do you anticipate the date of entry to be?

7 MS. SCOTT WILLIAMS: That would
8 definitely be a swag for sure. I really have no
9 idea, Doctor, no idea whatsoever. Understand, that
10 while this is a very, very important issue to us, it
11 isn't the most important issue to us. Judge
12 Lancaster is dealing with many, many other issues,
13 some criminal which would take precedence. We are
14 hoping the sooner the better so that we can move
15 forward.

16 But I will remind everybody that we are not
17 sitting and waiting for that shoe to drop. There
18 are many activities that we have already begun to
19 engage in so that we will be prepared for date of
20 entry.

21 MR. SHAMSI: Thank you.

22 MS. SCOTT WILLIAMS: Mr. McClelland,
23 the bulk of your comments, recommendations, we will
24 certainly take those into consideration. You
25 covered many things that are already a part of the

1 process in terms of our review and evaluation.
2 Again, once we're looking at the transcript and can
3 go over it more thoroughly, we will respond to those
4 questions and we will take the recommendations under
5 advisement.

6 MR. McCLELLAND: Thank you, ma'am. Is
7 all of this going to be posted on your web site?

8 MS. SCOTT WILLIAMS: I think that was
9 probably one of your recommendations. I appreciate
10 everybody coming out today. Please share this with
11 somebody. It's not the best dinner conversation,
12 not the best lunch conversation, but I'm sure you
13 can work it into your repertoire somewhere. And if
14 you can't, send them to me. I live it. I breathe
15 it. Thanks, guys.

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1 C E R T I F I C A T E

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3 I hereby certify that the proceedings and
4 evidence are contained fully and accurately in the
5 stenographic notes taken by me on the informational
6 meeting of the within cause and that this is a
7 correct transcript of the same.

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