

CONTROLLER

P. 11.

A G R E E M E N T

THIS AGREEMENT, dated for convenience of reference as of the first day of *MAY*, 1955, by and between

ALLEGHENY COUNTY SANITARY AUTHORITY

(hereinafter sometimes called the "Sewage Agency"), a body corporate and politic of the Commonwealth of Pennsylvania duly created and existing under the provisions of the Municipality Authorities Act of 1945, P.L. 382, as amended, of which Authority the City of Pittsburgh and the County of Allegheny are members and whose corporate documents are of record in the Recorder's Office of Allegheny County in Charter Books Vol. 70, page 513 and Vol. 75, page 376,

and

CITY OF PITTSBURGH

(hereinafter sometimes called the "City"), a municipal corporation of the Commonwealth of Pennsylvania located within the County of Allegheny,

WITNESSETH:

WHEREAS, The City has heretofore constructed certain sewers but does not have facilities for the treatment and disposal of sewage, and sewage entering its sewers is being discharged without treatment into the rivers and streams; and

WHEREAS, A number of municipalities adjacent to the City have connected their sewers with the City's sewerage system; and

WHEREAS, There are many industries in the Pittsburgh area which are discharging large quantities of industrial wastes without treatment either

directly into such rivers and streams or indirectly through the sewers of the municipalities in which they are located; and

WHEREAS, Such discharge of untreated sewage and industrial wastes has polluted the rivers and streams, and such pollution has made the rivers and streams undesirable as sources of public water supply and unsafe for bathing, boating and other recreational purposes; is detrimental to business and commercial interests in the Pittsburgh area; and constitutes a serious menace to the health and safety of the inhabitants of the City and such adjacent municipalities; and

WHEREAS, The Sanitary Water Board of the Commonwealth of Pennsylvania (hereinafter sometimes called the "State Board"), acting to abate stream pollution, pursuant to authority conferred upon it by the Act of the General Assembly of Pennsylvania approved June 22, 1937, P. L. 1987, as amended, ordered and directed the City and all other sewered municipalities in Allegheny County to discontinue the discharge of untreated sewage into the waters of the Commonwealth and to submit construction plans and specifications for the necessary sewers, pumping stations and sewage treatment works; and

WHEREAS, Shortly thereafter, the Allegheny County Sanitary Authority (hereinafter sometimes called the "Sanitary Authority") was organized by the County Commissioners of Allegheny County to collect, transport, treat and dispose of the sewage and industrial wastes of all the municipalities in the County and thus enable them to comply with the orders of the State Board; and

WHEREAS, The City thereupon and from time to time thereafter loaned to the Sanitary Authority sums totaling \$500,000 for the preparation of preliminary studies and recommendations to enable the City and surrounding municipalities to comply with said order of the State Board; and

WHEREAS, After study of the Sanitary Authority's report and consideration of several zone projects prepared by the Sanitary Authority at the City's request, the City adopted a sewage disposal project, termed "Project Z", designed to serve an area comprising the City and all or portions of fifty-eight adjacent municipalities; and

WHEREAS, Pursuant to such decision the City engaged the Sanitary Authority to prepare detailed construction plans and specifications for the Project Z sewage collection and treatment facilities (hereinafter referred to as the "Sewage Disposal System"), and agreed to loan to the Sanitary Authority \$2,000,000 for such purpose, which money was duly advanced, pursuant to an agreement dated August 1, 1949 (herein called the "Project Z Design Agreement") authorized by City Ordinance No. 373 of 1949; and

WHEREAS, In order to make certain that the plans would not become valueless and that the cost of constructing the Sewage Disposal System would be fully paid by its users, the City and the Sanitary Authority executed Municipal Agreements with each of the sewered boroughs and townships located wholly or partially within the Project Z service area, and later authorized the inclusion of several more municipalities, with which Municipal Agreements were also executed; and

WHEREAS, The City authorized sewage service through the Sewage Disposal System to a number of industrial corporations with which the City and the Sanitary Authority executed Industrial Agreements; and

WHEREAS, In each of said Municipal Agreements the City covenanted that the rates and charges for sewage service (hereinafter sometimes called "Project Z rates") would be uniform throughout the Project Z service area and that all duties and obligations imposed upon the other municipality would likewise be assumed and borne by the City; and

WHEREAS, The City authorized sewage service through the Sewage Disposal System to the Boroughs of Blawnox and Verona, to additional portions of the Townships of O'Hara and Penn, and to the Allegheny County Work House and Inebriate Asylum, by means of a connecting sewage collecting system hereinafter called the "Upper Allegheny System", at special rates comprising the Project 2 rates plus such extra charges as may be necessary to amortize the construction cost of the Upper Allegheny System and to pay all operating and other expenses thereof; and

WHEREAS, In each of the Municipal Agreements and Industrial Agreements, and in the Upper Allegheny Agreement, the City reserved the right to designate the agency (in such agreements called the "Sewage Agency") which would construct and operate the Sewage Disposal System (and, in the Upper Allegheny Agreement, the Upper Allegheny System as well) following completion of construction plans and specifications by the Sanitary Authority and the approval thereof by the State Board, and the City undertook to make such designation within a reasonable time after the State Board ordered construction to begin; and

WHEREAS, The State Board has approved such construction plans and specifications and -- by its Sewerage Permits Nos. 8507-S and 8593-S duly recorded in the Recorder's Office of Allegheny County in Deed Books Vol. 3355, page 1 and Vol. 3390, page 684 -- has ordered the Sanitary Authority, its successors or assigns, to promptly begin construction of the Sewage Disposal System and the Upper Allegheny System and complete and place them in operation on or before June 30, 1958; and

WHEREAS, By Ordinance No. 152 approved April 22, 1955, the City formally designated and appointed Allegheny County Sanitary Authority, party

hereto, to be the Sewage Agency under the said Municipal Agreements, Industrial Agreements and Upper Allegheny Agreement; and

WHEREAS, This agreement, executed by the City in conformity with the provisions of the Municipal Agreements, will benefit the City and its residents and will constitute compliance with the orders of the State Board.

NOW, THEREFORE, in consideration of the premises and the undertakings of each party to the other, the parties hereto, each intending to legally bind itself, its successors and its assigns, covenant and agree as follows:

1. Unless the context indicates otherwise, the following definitions shall apply to the terms used in this agreement:

- a. "City Ordinance" -- ordinance of the City of Pittsburgh.
- b. "Industrial Agreement" -- any of the several long-term tri-party agreements entered into by the City and the Sanitary Authority with a number of industrial corporations for sewage and industrial waste disposal by the Sewage Disposal System, or any similar agreement executed hereafter by the City and the Sewage Agency. The text of a typical Industrial Agreement is set forth in City Ordinance No. 355 of 1951; others were authorized by City Ordinances Nos. 202 of 1950, 354 of 1951 and 129 of 1954.
- c. "Municipal Agreement" -- any of the long-term tri-party agreements, for sewage service by the Sewage Disposal System at Project 2 rates, entered into by the City and the Sanitary Authority with each of the boroughs and townships located wholly or partially within the area shown on the map marked

"Exhibit A" attached to and made a part of this agreement, pursuant to City Ordinances Nos. 54 and 201 of 1950, 247 and 353 of 1951, 313 of 1952 and 420 of 1954, or any similar agreement executed hereafter by the City and the Sewage Agency. The text of a typical Municipal Agreement is set forth in City Ordinance No. 54 of 1950. The text of a slightly modified Municipal Agreement, enlarging the Project Z service area, is set forth in City Ordinance No. 353 of 1951.

- d. "Project Z" -- the project, as enlarged by some of the Municipal Agreements, contemplated by the Project Z Design Agreement, for the collection, treatment and disposal of the sewage of the City and certain adjacent municipalities by a single system at uniform rates, excluding the areas to be served by the Upper Allegheny System and similar future extra-charge extensions.
- e. "Project Z bonds" -- the revenue bonds to be issued by the Sewage Agency, the proceeds of which are used for constructing and putting into operation the Sewage Disposal System and for other purposes required under the several Municipal Agreements -- which bonds shall be secured by the Sewage Agency's revenues and receipts collected pursuant to this Agreement and to the several Municipal Agreements with other municipalities and by all other revenues and receipts of the Sewage Disposal System, including the Project Z rates paid by customers located beyond the Project Z service area

(such as those in the Upper Allegheny service area) — and all revenue bonds issued by the Sewage Agency to maintain, repair, improve, rebuild or extend the Sewage Disposal System.

- f. "Project Z rates" -- the schedule of sewage service charges of the Sewage Agency applicable throughout the Project Z service area and included as a part of the Upper Allegheny rates, so calculated as to yield in the aggregate during each month or quarter year the amount required in each such month or quarter year
- (1) to pay all current administrative, operating, and maintenance expenses of the Sewage Agency in providing service within the Project Z service area, including the cost of handling all sewage and wastes entering the Sewage Disposal System from within and without the Project Z service area,
 - (2) to pay the interest on and the principal of all outstanding Project Z bonds and other Project Z obligations as the same become due and payable, and
 - (3) to create such reserves for such purposes as may be required by any resolution authorizing the issuance of such Project Z bonds or in any trust indenture securing the same.
- g. "Project Z service area" -- the area shown on Exhibit A hereof and such additional areas as may be entitled by agreement with the City and the Sewage Agency to receive

sewage service from the Sewage Disposal System at Project Z rates.

- h. "Sanitary Authority" -- the Allegheny County Sanitary Authority, party to this agreement.
- i. "Sewage Agency" -- the Allegheny County Sanitary Authority, party to this agreement, which shall construct and operate the Sewage Disposal System, the Upper Allegheny System, and any additions thereto or extensions thereof, pursuant to this agreement, the several Municipal Agreements, the several Industrial Agreements, the Upper Allegheny Agreement, and any other agreements it may lawfully make.
- j. "Sewage Disposal System" -- the Project Z sewage collection, transportation, treatment and disposal system authorized by the State Board's Sewerage Permit No. 8507-S, consisting of interceptor sewers located where shown generally on Exhibit A hereof and a single treatment plant located in Pittsburgh on the right bank of the Ohio River near the McKees Rocks Bridge, and any additions thereto or extensions thereof providing service at Project Z rates. It shall not include the Upper Allegheny System or any similar future extra-charge extensions.
- k. "Sewage service charges" -- the Sewage Agency's charges, calculated under the prevailing schedule of Project Z rates, for providing sewage collection, transportation, treatment and disposal service through the Sewage Disposal System.
- l. "State Board" -- The Sanitary Water Board of the Commonwealth of Pennsylvania.

- m. "Upper Allegheny Agreement" -- the agreement of February 1, 1952 by and among the City, the Sanitary Authority, the Boroughs of Blawnox and Verona, the Townships of O'Hara and Penn, and the Allegheny County Work House and Inebriate Asylum, the text of which agreement is set forth in City Ordinance No. 255 of 1953.
- n. "Upper Allegheny bonds" -- the revenue bonds to be issued by the Sewage Agency, the proceeds of which are used to construct and put into operation the Upper Allegheny System, which bonds may be secured by the provisions of a separate resolution or indenture and the pledge of the Upper Allegheny extra charges only or may be secured by the provisions of the same resolution or indenture as the Project Z bonds and, ratably with the Project Z bonds, by the pledge of all the revenues of Project Z and the Upper Allegheny System, and all revenue bonds issued by the Sewage Agency to maintain, repair, improve, rebuild or extend the Upper Allegheny System, howsoever such bonds may be designated when issued.
- o. "Upper Allegheny extra charges" -- the three schedules of extra sums, whether paid by water users in each Upper Allegheny zone as amounts added to the Project Z rates on their individual bills or paid in the aggregate by the several parties to the Upper Allegheny Agreement, which the Sewage Agency shall compute as being reasonably required to yield in total, from all customers in the Upper Allegheny service area, the annual burden and coverage required for

the Upper Allegheny System. Such annual burden and coverage shall consist of:

- (1) the cost of operating and maintaining the Upper Allegheny System, and all administrative and other expenses in connection therewith.
- (2) the interest on and the principal of all outstanding Upper Allegheny bonds and other Upper Allegheny obligations as the same become due and payable, and
- (3) such reserves for such purposes as may be required by any resolution authorizing the issuance of such Upper Allegheny bonds or in any trust indenture securing the same.

- p. "Upper Allegheny rates" -- the Sewage Agency's schedules of sewage service charges applicable within the three zones of the Upper Allegheny service area, comprising the Project Z rates plus such Upper Allegheny extra charges as may be applicable in each zone (either totalled or shown separately on the Sewage Agency's bills or tariffs, at the option of the Sewage Agency).
- q. "Upper Allegheny service area" -- the area comprising all three zones shown on the map marked "Exhibit B" attached to and made a part of this agreement, and any additions to such area wherein the Upper Allegheny rates shall apply.
- r. "Upper Allegheny System" -- the sewage interception and transportation system contemplated by the Upper Allegheny Agreement and authorized by the State Board's Sewerage

Permit No. 8593-S, which will intercept the sewage of the Upper Allegheny service area and transport the same to a connection with the Sewage Disposal System at the eastern terminus of its Allegheny River interceptor sewer in the Borough of Aspinwall, and any additions thereto or extensions thereof providing service at Upper Allegheny rates. The system shall consist of interceptor sewers, pumping stations, force mains, storm water control works, and appurtenant facilities, as shown generally on Exhibit B hereof.

2. The rates and charges to be imposed and collected by the Sewage Agency, as hereinafter set forth, shall be uniform throughout the Project Z service area, and all duties and obligations imposed upon the other municipalities under the several Municipal Agreements shall likewise be borne by the City.

3. The Sewage Agency shall

a. promptly issue and sell Project Z bonds, in sufficient amount to pay

(1) the cost of constructing the Sewage Disposal System and placing the same in operation,

(2) all loans and advances heretofore or hereafter made to the Sanitary Authority by the City and the Federal Works Administration,

(3) all obligations incurred by the Sanitary Authority and by the Sewage Agency which are repayable out of such bond proceeds, and

(4) all other lawful requirements of the Sewage Agency, including, but without limitation, the cost of all

lands, property, rights, easements and franchises acquired, financing charges, the cost of legal services, administrative expenses and all other expenses necessary or incident to the construction of the Sewage Disposal System and to the financing thereof;

- b. upon receipt of the proceeds of such Project 2 bonds, proceed promptly and with due diligence in the construction of the Sewage Disposal System, with the privilege of awarding all or portions of the actual construction work under separate contracts to the lowest responsible bidder for each contract;
- c. upon completion of the Sewage Disposal System, intercept all sewage and wastes of the City which are discharged from any municipal outfall sewer located along the interceptor sewers of the Sewage Disposal System (subject to the provisions of Paragraph 5 of this agreement), transport such sewage and wastes to its treatment plant, provide such treatment and disposal thereof as may be required by law, and operate the Sewage Disposal System in an efficient and economical manner; and
- d. make such changes in and additions to the Sewage Disposal System as may be necessary to enable the City to comply with any future lawful orders of the State Board or any other State or Federal Agency in respect of the treatment and disposal of the City's municipal sewage and wastes which enter the Sewage Agency's interceptor sewers, and shall

issue additional revenue bonds for such purpose or purposes; provided, however, that the Sewage Agency shall have the right to increase its sewage service charges to such extent as will yield the additional revenue needed to meet all bond requirements and operating and other expenses incurred by the Sewage Agency in the design, construction and operation of such added facilities.

// The Sewage Agency shall have the right to enter upon and open such streets, public thoroughfares and vacant land owned by the City as may be necessary to install, construct, extend, replace, repair and maintain the Sewage Agency's interceptor sewers and appurtenances, treatment plant and other structures, or any part thereof; provided, however, that all pavements and underground structures disturbed in the course of such work shall be restored to substantially their original condition. No City permit or license shall be required for any such work, and the City hereby waives all fees and charges in connection therewith, except payment for land taken in fee simple by the Sewage Agency for the site of the treatment plant. ✓

It is understood and agreed that the Sewage Agency shall indemnify and save the City harmless from all costs and expenses (except those provided for in this agreement), liability, claims and demands of any sort arising out of the construction, extension, replacement, operation, maintenance, repair or possession of the Sewage Disposal System by the Sewage Agency.

4. The Sewage Agency shall also, in fulfillment of its obligations under the Upper Allegheny Agreement,

- a. concurrently with or promptly after the issuance and sale of the Project 2 bonds, issue and sell Upper Allegheny bonds,

either as a part of the Project 2 issue or as a separate issue, at the option of the Sewage Agency, in sufficient amount to pay

- (1) the cost of constructing the Upper Allegheny System and placing the same in operation, and
 - (2) all other lawful requirements in connection therewith, including, but without limitation, the cost of all lands, property, rights, easements and franchises acquired, financing charges, the cost of legal services, administrative expenses and all other expenses necessary or incident to the construction of the Upper Allegheny System and to the financing thereof;
- b. upon receipt of the proceeds of such Upper Allegheny bonds, proceed promptly and with due diligence in the construction of the Upper Allegheny System, with the privilege of awarding all or portions of the actual construction work under separate contracts to the lowest responsible bidder for each contract;
- c. Upon completion of the Sewage Disposal System and the Upper Allegheny System, intercept all sewage and wastes of the Upper Allegheny service area (subject to the provisions of the Upper Allegheny Agreement), transport such sewage and wastes to its Project 2 treatment plant, provide such treatment and disposal thereof as may be required by law, and operate the Sewage Disposal System and the Upper Allegheny System in an efficient and economical manner; and

d. make such modifications of and additions to the Sewage Disposal System and the Upper Allegheny System as may be necessary to enable the parties to the Upper Allegheny Agreement to comply with any future lawful orders of the State Board or any other State or Federal Agency in respect of the treatment and disposal of their sewage and wastes which enter the Sewage Agency's interceptor sewers, and issue additional revenue bonds for such purpose or purposes in accordance with the provisions of the Upper Allegheny Agreement.

5. The Sewage Agency's interceptor sewers will be constructed approximately where shown on the map marked "Exhibit A" attached hereto and made a part of this agreement. The City understands and agrees that the Sewage Agency will accept for treatment and disposal only such sewage and wastes entering the City's sewers as are discharged from municipal outfall sewers (belonging to the City or to any other municipality) located along such interceptor sewers, and that it shall be the obligation of the City to bring its sewage and wastes to a proper point of connection with such interceptor sewers, as hereinafter set forth. No sewer connection whereby sewage or wastes from any territory outside the Project 2 service area may reach a Sewage Agency interceptor sewer shall be made or permitted by the City in the absence of an agreement similar to the Municipal Agreement covering such outside territory.

Provision has been made, in the plans and specifications for the Sewage Disposal System, for the connection with the Sewage Agency's interceptor sewers of all municipal outfall sewers now in place therealong, and only such outfall sewers now being used by the City as are located therealong will be

connected with the Sewage Agency's interceptor sewers without cost to the City.

All other outfall sewers now used by the City and every municipal outfall sewer hereafter constructed shall be brought to a point to be approved by the Sewage Agency, in order that proper connection with the Sewage Disposal System may be made. Each such connection shall be made in such manner as the Sewage Agency shall direct, and at the expense of the City and any other municipality or municipalities using such outfall sewer.

6. The City and the Sewage Agency shall have the right, subject to the approval of the State Board, to permit municipalities which are partially or entirely outside the Project Z service area to pump or drain additional sewage or wastes from territory outside such service area into the Sewage Disposal System for treatment and disposal by the Sewage Agency; provided, however, that no such permission shall be given unless an agreement similar to the Municipal Agreement or similar to the Upper Allegheny Agreement shall be executed with the affected municipality or municipalities.

The City and the Sewage Agency shall have the similar right to enter into agreements with industrial firms within and without the Project Z service area for the treatment and disposal of their sewage and wastes which do not enter a municipal sewer; provided, however, that the service charges shall be at least as high as the Project Z rates or Upper Allegheny rates (or other extra-charge rates) prevailing in the same vicinity.

7. The City covenants and agrees that the Sewage Agency shall be the sole and exclusive agency, during the entire life of this agreement, to provide sewage treatment and disposal service to the City or to such portion thereof as may be within the service area of the Sewage Disposal System and to

all its water users therein who or which discharge sewage or wastes into the City's sewerage system. The City hereby permits and authorizes the Sewage Agency to impose upon and collect from all such water users the prevailing Project Z rates for sewage service, and covenants to perform all the acts and discharge all the duties and obligations imposed upon it by this agreement. The City further covenants that it will not itself engage in the business of providing sewage treatment and disposal service to such water users, nor will it authorize or permit any other agency, public or private, to do so in competition with or in substitution for the Sewage Agency.

8. Beginning immediately after the Sewage Disposal System has been completed and put in operation, the Sewage Agency shall, for the services and facilities furnished or to be furnished by it, impose upon and collect from the owner, tenant or occupant of each lot or parcel of land within the City from which sewage or wastes enter a City sewer and thence reach the Sewage Disposal System (hereinafter sometimes called a "user" or "water user") its prevailing Project Z rates, which shall be based or computed upon the quantity of water used in or upon such lot or parcel as determined by gauging or metering or otherwise.

The Sewage Agency's schedule of Project Z rates shall impose reasonable minimum charges, may include such block rates for metered water users and such charges for flat-rate water users as the Sewage Agency shall determine, and shall provide extra charges for commercial and industrial wastes which impose an extraordinary burden on the Sewage Disposal System. The schedule shall be adjusted from time to time in such manner as the Sewage Agency shall deem necessary or proper to insure the collection of adequate revenues to meet its financial requirements.

In case any water user is not the owner of the premises in or on which the water is used, the Sewage Agency may also impose such Project Z rates upon and demand payment thereof from the owner of such premises, so that if payment is not made promptly, a lien therefor against the premises served may be filed by the City as assignee of the Sewage Agency delinquent accounts, as provided in Paragraph 12 of this agreement.

9. The City covenants that during such time as sewage service rates or charges of the Sewage Agency are in effect the City will not impose upon any person, firm or corporation, or upon any property, any rental, rate or charge whatever for the use of or for the privilege of using any City sewer connected with the Sewage Disposal System, to the end that no person, firm or corporation shall be subject to both the Sewage Agency's sewage service rates or charges, as herein provided, and a City sewer rental, rate or charge of any kind whatever excepting general real estate taxes, sewer connection and street opening permit or license fees, and special assessments imposed according to law upon property benefited by the construction of additional sewers, and excepting charges imposed on other municipalities for the joint use, maintenance or repair of a City sewer or sewers.

The provisions of this Paragraph shall not apply so long as the optional method of payment provided for in Paragraph 14 of this agreement is in effect.

10. All bills for the Project Z rates shall be computed on the basis of the quantity of water used, whether the water is furnished by the waterworks system of the City or secured from any other source.

The sewage service charge to be paid by each water user within the City shall be computed as follows:

- a. Metered water customers -- by applying the Sewage Agency's schedule of Project Z rates then in effect to the quantity of water delivered to each water customer during the preceding quarter year or other meter period, as measured by the most recent water meter reading;
- b. Flat-rate water customers -- by applying the percentage set forth in the Sewage Agency's schedule of Project Z rates then in effect to the flat-rate water bill;
- c. Users of water taken from a private water source or public stream -- by applying the Sewage Agency's schedule of Project Z rates then in effect to the quantity of water used as estimated by the Sewage Agency; provided, however, that if any such water user shall at his or its own expense install and maintain in good operating condition a meter or other measuring device of a type approved by the Sewage Agency, the amount payable by such water user shall be based upon the quantity of water used as so measured.

If the City or other water supplying agency does not make available promptly to the Sewage Agency the necessary data for computing the sewage service charge of any water user, such water user shall be deemed to be a flat-rate water customer, and the sewage service charge for such water user shall be calculated in the same manner as for flat-rate water customers, based upon the estimated flat-rate water bill such customer would have to pay.

There shall be no free services rendered by the Sewage Disposal System, and the City (or any department, agency or instrumentality thereof) and all public corporations, all charitable or non-profit institutions and all

school districts and other political sub-divisions shall pay for the use of the services and facilities thereof in accordance with the established schedule of sewage service charges.

If any substantial portion of the water used regularly on any lot or parcel of land does not enter the City's sewerage system, the owner, tenant or occupant of such lot or parcel may secure a reduction in the amount of the sewage service charges to be paid by him, subject to the established minimum charges, by installing, at his own expense and subject to such regulations as may be prescribed by the Sewage Agency, a separate meter or other measuring device approved by the Sewage Agency for measuring the water so used, in which event the quantity of water so used shall thereafter be excluded in computing the sewage service charges to be paid by the owner, tenant or occupant of such lot or parcel.

In cases where the character of sewage or industrial wastes from any commercial, manufacturing or industrial plant, building or premises is such that it imposes a burden upon the Sewage Disposal System in addition to the burden imposed by the average sewage, such additional charge shall be made therefor as the Sewage Agency shall deem to be fair and equitable to meet the additional cost of collecting, transporting, treating and disposing of such sewage or wastes; or the Sewage Agency may, if it deems it advisable, require the owner, tenant or occupant of such commercial, manufacturing or industrial plant, building or premises to pre-treat such sewage or wastes in such manner as shall be specified by the Sewage Agency before discharging such sewage or wastes into the City's sewerage system.

11. In order to enable the Sewage Agency to compute its sewage service charges based thereon, as provided in Paragraph 10 hereof, the City,

so long as it operates its own waterworks system, shall furnish to the Sewage Agency, not later than the 15th day of the month following the month during which water bills are issued, a list or lists of all water meter readings and flat-rate water bills issued during the preceding calendar month, together with the basis for each flat-rate water user's water bill, and shall include therein the meter readings of meters installed by water users taking water from a private water source or public stream. The Sewage Agency will request similar information from the private water company, municipal authority or other agency supplying water to any water users within the City. If by reason of failure to obtain such data promptly the Sewage Agency is compelled to treat any water users as though they were flat-rate water customers, as further provided above in the said Paragraph 10, and in so doing is obliged to survey the premises of each such water user for the purpose of determining his or its flat-rate water status, the cost incurred by the Sewage Agency in making such survey or surveys shall be repaid to it by the City. The City authorizes the Sewage Agency to make such survey or surveys, and it is agreed that every water user, in accepting the Sewage Agency's service, authorizes the Sewage Agency to enter upon his or its premises for such purpose.

The Sewage Agency will reimburse the City and other water supplying agencies, on or before April first of each year, for the reasonable added clerical expense incurred by each of them during the previous calendar year in preparing the lists of metered water data and of flat-rate bills hereinabove referred to, but not for the cost of reading meters, excepting only the cost of reading such meters as may be installed by or for _____ of water who are not connected with their respective waterworks syst

12. The schedule of sewage service rates or charges to be imposed and collected during any year by the Sewage Agency shall be so calculated and adjusted as to provide revenues which will be sufficient to pay all current expenses and meet all obligations of the Sewage Agency during such year. It is understood by the City that not all bills for sewage service charges will be paid promptly, and that some of such bills in an indeterminate amount will become delinquent each year. In consideration of the services rendered by the Sewage Agency to the City under the provisions of this agreement, which will effect compliance by the City with the duty imposed upon it by law to cease the pollution of the waters of the Commonwealth, and in further consideration of the assignment to it of the delinquent accounts, as hereinafter provided, the City agrees to pay to the Sewage Agency, out of the City's current revenues as hereinafter provided, the face amount of all delinquent accounts of the Sewage Agency.

If any water user shall fail to pay the sewage service charges of the Sewage Agency within sixty (60) days after the due date of the bill therefor, the account of such water user shall be deemed delinquent. The Sewage Agency shall prepare and submit to the City, on or before January 1, April 1, July 1 and October 1 of each year, a list of all delinquent accounts, showing the face amount of each account, the penalty thereon, and the interest accrued. The City shall, within sixty (60) days after the furnishing of such list, pay to the Sewage Agency the face amount of all such delinquent accounts. Upon receipt of such amount from the City, the Sewage Agency shall promptly assign to the City all such accounts, for the sole use and benefit of the City.

The Sewage Agency agrees that the City shall have the right to pursue and enforce any and all remedies now available or hereafter to become

available to it, to compel payment by any delinquent water user of the sewage service charges, together with penalties, interest and costs, which may be due and owing by him or it.

13. The City agrees that if the schedule of Project 2 rates in effect at any time does not, or in the opinion of the Sewage Agency may not, yield sufficient revenue to meet the Sewage Agency's Project 2 financial requirements, or if the Sewage Agency finds that such schedule has proved to be inequitable, the Sewage Agency shall have the right at any time and from time to time to revise and adjust its sewage service charges in such manner and to such extent as it may deem advisable.

At least sixty (60) days before any revised Project 2 rates shall become effective, the Sewage Agency shall submit in writing to the City a statement setting forth the new schedule of sewage service charges and the reasons why it was found necessary or desirable to put them into effect. Such new schedule of charges shall go into effect at the time specified in said statement (not earlier, however, than sixty (60) days from the furnishing of such statement), unless suspended by a final decree of a court of competent jurisdiction.

14. The City shall have the option of paying the aggregate amount of all sewage service charges which, under Paragraph 8-13 of this agreement, would be payable by its water users, in consideration of the performance by the Sewage Agency of the City's legal duty to cease the pollution of the waters of the Commonwealth. In such event, the individual charges of each water user shall be computed in the same manner as hereinbefore set forth, but instead of sending individual bills to all water users, all such individual bills shall be totaled and the aggregate amount thereof shall be billed quarterly to the

City. The City covenants that so long as such method of payment is in effect it will pay each such quarterly aggregate amount, out of the City's current revenues as hereinafter provided, within sixty (60) days after the date of the bill therefor. The Sewage Agency will refund to the City, on or before April first of each year, as a credit for the saving in billing expense, a sum equal to the average cost per customer incurred by the Sewage Agency during the preceding calendar year for billing and collecting its charges from individual water users in all other municipalities served by it, multiplied by the average number of individual water users in the City.

Before the Sewage Disposal System is completed and put in operation, the Sewage Agency shall request the City in writing to indicate whether it desires to adopt the optional method of payment provided for in this Paragraph. Unless the City shall so indicate by ordinance duly enacted not later than ninety (90) days after the date of the Sewage Agency's written request, and shall promptly send to the Sewage Agency a certified copy of such ordinance, the method of payment provided for in Paragraphs 8-13 of this agreement shall become effective.

No change in the method of payment applicable to the City and its water users shall be made except at the request of the City, made by ordinance duly enacted, and with the approval of the Sewage Agency, formally given by resolution of its Board.

15. If there exists any connection through which sewage or wastes emanating from any territory outside the corporate limits of the City enters the City's sewerage system and thence reaches the Sewage Agency's interceptor sewer, and if the municipality having jurisdiction over such territory has not executed a Municipal Agreement with the Sewage Agency, or does not execute a

similar agreement, the City shall either promptly shut off or remove such connection or shall pay to the Sewage Agency, so long as such sewage continues to enter the City's sewerage system, the estimated cost of collecting, transporting, treating and disposing of such sewage, such estimated cost to be approximately the same as if the water users within such territory were subject to the Sewage Agency's prevailing sewage service charges.

16. The City shall annually provide in its budget for obtaining the funds necessary to meet its obligations under this agreement. On or before October 1 of each year the Sewage Agency shall supply to the City's Mayor and Council a written estimate of the total amount of delinquent accounts, of (if the optional method of payment is applicable to the City) of the total aggregate amount of all sewage service charges, which the City will probably be required to pay to the Sewage Agency during the ensuing fiscal year; plus, in either case, the estimated amount (if any) due under Paragraph 15 of this agreement. The City shall, by proper ordinance, promptly levy a special tax, or provide for obtaining revenues in any other lawful manner, or resort to any two or more methods of securing the funds required under this agreement, in such manner as to assure that the City shall obtain or collect during the ensuing fiscal year a sum which, together with any unused moneys remaining from previous years, will be at least 120% of such estimated amount to become due under this agreement during such year. The revenues collected from such tax levy or from any other source so designated by the City, or from any combination thereof which the City may elect to employ, shall be deposited to the credit of a special fund to be designated "Sewage Agency Fund", the moneys in which shall be used by the City to meet its obligations under this agreement and shall not be used for any other purpose whatever.

If the entire amount due the Sewage Agency under this agreement for any year is not paid out of the current revenues of the City for such year the balance thereof shall be paid out of the current revenues of succeeding years.

17. The Sewage Agency shall have the right to promulgate, issue, publish and enforce rules and regulations governing its activities and carrying into effect the provisions of this agreement. Such rules and regulations may include provisions prohibiting or regulating the discharge into the City's sewerage system of oils, acids and other substances which may be harmful to the Sewage Agency's sewers, pumping stations or other structures or which may interfere with the sewage treatment processes at the Sewage Agency's plant.

The City may, in its own discretion and without let or hindrance from the Sewage Agency, permit the connection with any City sewer that discharges into a Sewage Agency interceptor sewer of any and all premises used wholly as private dwellings, but no permit shall be issued by the City for the connection with any such sewer of any premises used wholly or in part for commercial or industrial purposes unless the application for such permit shall first have been submitted to and been approved by the Sewage Agency.

The City recognizes that the carrying out by the Sewage Agency of its obligations under this agreement will enable the City to perform the duty imposed upon it by law to provide for the proper treatment and disposal of its sewage, and the City therefore agrees to exercise for the benefit of the Sewage Agency all rights and powers which it may possess to carry into effect the purposes and intent of this agreement. The City accordingly agrees, on request of the Sewage Agency, to enact an ordinance incorporating all or

designated portions of the Sewage Agency's rules and regulations and providing appropriate penalties for the violation thereof, to amend such ordinance from time to time as requested by the Sewage Agency, and to enforce the provisions thereof fully and prosecute all violators thereof diligently.

18. This agreement shall become effective immediately, and shall remain in full force and effect until the date of expiration of the legal existence of the Sewage Agency or until the expiration of one calendar year following the payment in full of all bonds, notes and other obligations of the Sewage Agency, original and refunding, issued by it to finance the construction, replacement, maintenance and operation of the Sewage Disposal System and the Upper Allegheny System and additions thereto, whichever date shall be later.

IN WITNESS WHEREOF, Allegheny County Sanitary Authority has caused this agreement to be executed by its Chairman and its official seal to be hereunto impressed and attested by its Secretary, pursuant to a resolution duly adopted by its Board on the 15th day of April, 1955, and City of Pittsburgh has caused this agreement to be executed by its Mayor and Director of the Department of Public Works and its official seal to be hereunto impressed, pursuant to Ordinance No. 160, duly enacted and approved

on the 27th day of April, 1955.

Attest:

ALLEGHENY COUNTY SANITARY AUTHORITY

Richard Rucker
Secretary

By

E. J. Ruppert
Chairman

Approved as to form:

Lombard
Chief Counsel

Attest:

CITY OF PITTSBURGH

Stanley M. Moska
Secretary to Mayor

By

David H. Lawrence
Mayor

Attest:

Virginia Kelly
Asst. Chief Clerk

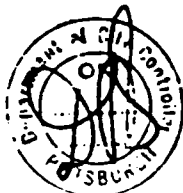
J. A. D. Drolich
Director, Department of Public Works

Approved as to form:

D. J. [Signature]
City Solicitor

Countersigned:

Edward R. Gray
City Controller



April 29, 1955
EXAMINED BY Robert M. Marshall
ALLEGHENY CITY SOLLICITOR

P. 11.

on the 27th day of April, 1955.

Attest:

ALLEGHENY COUNTY SANITARY AUTHORITY

Richard Ruckelshaus
Secretary

By

E. S. Ruppberg
Chairman

Approved as to form:

Lombardi
Chief Counsel

Attest:

CITY OF PITTSBURGH

Stanley M. Rosoff
Secretary to Mayor

David L. Lawrence
Mayor

Attest:

Virginia Kelly
Acting Chief Clerk

James L. Drolin
Director, Department of Public Works

Approved as to form:

D. J. [Signature]
City Solicitor

Countersigned:

Edward J. [Signature]
City Controller



April 29, 1955
EXAMINED BY Robert M. Marshall
ALLEGHENY CITY SOLICITOR

MEMORANDUM OF UNDERSTANDING

MADE October 16, 1996.

BY AND AMONG

The City of Pittsburgh (hereinafter called "CITY") and the Allegheny County Sanitary Authority (hereinafter called "ALCOSAN") and Pittsburgh Water and Sewer Authority (hereinafter called "PWSA").

WITNESSETH:

WHEREAS, CITY and ALCOSAN entered into an Agreement dated May 1, 1955, (the "Agreement") the terms of which included a requirement that ALCOSAN prepare and submit to CITY a quarterly report which lists all delinquent sewage accounts; and

WHEREAS, upon receipt of said report, CITY is required to pay ALCOSAN the face amount of all such delinquent accounts; and

WHEREAS, upon receipt of payment from CITY, ALCOSAN assigns to CITY all such accounts for the sole use and benefit of CITY (§12 of Agreement); and

WHEREAS, CITY desires to implement a more efficient collection procedure; and

WHEREAS, PWSA services a majority of the same accounts and has an extensive collection process in place; and

WHEREAS, CITY and PWSA desire to enter into an agreement for PWSA to assume collection of delinquent sewage accounts which would be combined with the delinquent water accounts for collection purposes; and

WHEREAS, CITY shall maintain all obligations to ALCOSAN as delineated in the Agreement; and

WHEREAS, CITY desires to assign certain of its rights of collection under the Agreement to PWSA; and

WHEREAS, the CITY, ALCOSAN and PWSA are desirous of entering into an Agreement (Memorandum of Understanding) regarding payment of delinquent accounts presently due and owing by the CITY to ALCOSAN, as well as payment of the quarterly delinquent accounts required to be paid by the CITY pursuant to the Agreement.

NOW, THEREFORE, in consideration of the promises and the undertakings of each party to the other, the parties hereto, each intending to legally bind itself, its successors and its assigns, covenant and agree as follows:

1. The CITY has by separate Agreement, assigned to PWSA all its rights to collect delinquent sewage accounts which have been assigned to the CITY by ALCOSAN in accordance with the terms of the Agreement.
2. The parties hereto acknowledge that there are certain delinquent sewage accounts due and owing to ALCOSAN by the CITY, which delinquencies are listed on Exhibit "A" attached to this Agreement. The parties further acknowledge that additional delinquent accounts may accrue prior to the execution of this Agreement, and those accounts are covered by the terms and conditions of this Agreement. PWSA agrees to pay to ALCOSAN on behalf of the CITY all outstanding delinquent sewage accounts as listed on Exhibit "A", as well as such other accounts which may have accrued to the date of the execution of this Agreement. ALCOSAN shall prepare an updated list of all delinquent accounts due and owing by the CITY to ALCOSAN and PWSA shall, within thirty (30) days of the final execution of this Agreement, pay such sum to ALCOSAN.

3. PWSA acknowledges and agrees that it is assuming the CITY's obligation under the terms of the Agreement to pay the quarterly delinquent accounts as submitted by ALCOSAN and shall pay the quarterly delinquent accounts in accordance with the terms and conditions contained in the Agreement.

4. The CITY shall neither be relieved of nor shall any of its obligations be diminished as set forth in the Agreement by the terms of this Memorandum of Understanding. The CITY shall continue to be primarily obligated to ALCOSAN under the terms of the Agreement and the CITY shall continue to have the primary obligation to pay ALCOSAN the amount of any outstanding delinquent sewage account. In the event that any required payment is not timely made by PWSA in accordance with the terms of this Agreement, the CITY shall make such payment within thirty (30) days of a receipt of notification from ALCOSAN of PWSA's failure to make timely payment. Such notice shall contain the amount due for which the CITY agrees to pay ALCOSAN.

5. Subject to Paragraph 4 hereof, PWSA agrees that it shall perform all functions required under the Agreement to be performed by the CITY with regard to delinquent accounts. In connection with processing of delinquent accounts, the parties agree:

- A. Quarterly delinquent account reports (and other necessary account information) shall be prepared by ALCOSAN and forward directly to PWSA, with a copy of such transmittal being sent to the CITY.
- B. CITY shall continue to pay ALCOSAN directly for all CITY property accounts.
- C. Delinquent credit adjustment checks issued by ALCOSAN as a result of exonerations will be made payable to and forwarded to PWSA, as of the effective date of this Agreement.

D. Where necessary in connection with the delinquent accounts, ALCOSAN shall communicate directly with PWSA.

6. This Memorandum of Understanding shall become effective as of January 1, 1996, and shall remain in full force and effect until the date of the expiration of the Agreement or until the parties mutually agree to the termination of this Memorandum of Understanding.

7. The validity or unenforceability of any particular provisions of this Memorandum of Understanding shall not affect the other provisions hereof.

8. No change or modification of this Memorandum of Understanding shall be valid unless the same be in writing and signed by all parties hereto.

9. This instrument contains the entire Agreement of the parties hereto and no modification, amendment, change or discharge of any term or provision of this Agreement shall be valid or binding unless the same is in writing and signed by all the parties hereto. No waiver of any terms of this Agreement shall be valid unless signed by the party against whom such waiver is asserted.

10. This Agreement may be executed in several counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

11. This Agreement is entered into by the City of Pittsburgh pursuant to Resolution #619, effective August 16, 1996, and by ALCOSAN pursuant to Board action, September 26, 1996, approved on September 26, 1996, and by PWSA pursuant to Resolution #68 of 1996, approved on June 14, 1996.

IN WITNESS WHEREOF, the parties have duly executed this Memorandum of Understanding on the day and year first above written.

CITY OF PITTSBURGH

WITNESS:

M. Linda Gungewere

By: [Signature]

Mayor

WITNESS:

Roy R. Hays

By: [Signature]

Director, Department of Finance

ALLEGHENY COUNTY SANITARY
AUTHORITY

WITNESS:

By: [Signature]

Chairman of the Board

PITTSBURGH WATER AND SEWER
AUTHORITY

WITNESS:

Roy R. Hays

By: [Signature]

Chairman of the Board

EXAMINED BY: [Signature]

Assistant City Solicitor

APPROVED AS TO FORM: [Signature]

DEPUTY City Solicitor, City of Pittsburgh

APPROVED AS TO FORM: [Signature]

Special Counsel, Allegheny County Sanitary Authority

APPROVED AS TO FORM: [Signature]

Solicitor, Pittsburgh Water and Sewer Authority

Date Assigned	Round	Number Accounts	Date Posted	Amount	Payments	Attach B
8/11/95	143-B	8476	8/23/96	247,540.90		
9/15/95	143-B	4931		308,526.44		
10/31/95	143-B	7054		235,230.91		
10/31/95	143-B	505	8/23/96	13,610.02		
11/01/95	143-B	268	8/23/96	7,162.64	268,314.16	
		21234		811,970.91		543,656.75
12/06/95	144-B	5070		231,597.70		
12/26/95	144-C	8781		241,842.96		
01/17/96	144-C	7077		198,971.40		
12/13/95	144-C	507		13,783.03		
02/15/96	144-C	325		6,320.33		
		21760		692,515.42		692,515.42
01/18/96	145-D	8717		254,829.17		
04/26/96	145-D	5114		255,567.39		
05/08/96	145-D	7236		207,924.99		
03/12/96	145-D	511		14,203.10		
04/11/96	145-D	313		7,182.65		
		21891		739,706.80		739,706.80
06/25/96	146-E	8734		244,839.40		
07/01/96	146-E	5002		217,387.85		
07/09/96	146-E	7008		197,214.19		
07/10/96	146-E	496		13,925.73		
07/17/96	146-E	281		6,093.76		
		21521		679,460.93		679,460.93
08/01/96	147-F	8684		261,124.34		
08/07/96	147-F	5352		372,026.54		
09/13/96	147-F	7424		294,914.59*		
09/16/96	147-F	564		15,772.08*	Total Due	\$3,599,227.50

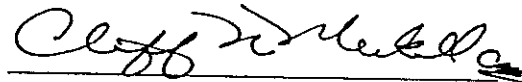
- * 1. These amounts are included in the total due. Payment of these amounts will be due within the 30-day period after execution of the Agreement.
2. The following payment is presently due from the City, but is not delinquent:
- | | | | |
|----------|-------|-----|-------------|
| 10/08/96 | 147-F | 354 | \$20,098.00 |
|----------|-------|-----|-------------|

RESOLUTION NO. 68 OF 1996

**Authorizing a Memorandum of Understanding with
Allegheny County Sanitary Authority (ALCOSAN) and the
City of Pittsburgh in Connection with the Collection of Delinquent Sewage Bills**

RESOLVED, that the proper Officers of the Pittsburgh Water and Sewer Authority on behalf of said Authority, are hereby authorized and directed to enter into a Memorandum of Understanding with Allegheny County Sanitary Authority (ALCOSAN) and the City of Pittsburgh in connection with the collection of delinquent sewage bills. Said memorandum to be in a form approved by the Executive Director and the Authority Solicitor.

DULY ADOPTED AT A REGULAR
MEETING OF THE PITTSBURGH
WATER AND SEWER AUTHORITY
HELD ON JUNE 14, 1996.



Secretary

AGREEMENT

MADE October 18, 1996.

B
E
T
W
E
E
N

CITY OF PITTSBURGH, a municipal corporation of the Commonwealth of Pennsylvania, (hereinafter called "CITY"),

A
N
D

PITTSBURGH WATER AND SEWER AUTHORITY, a municipal authority of the Commonwealth of Pennsylvania (hereinafter called "AUTHORITY").

WHEREAS, CITY and the Allegheny County Sewer Authority (hereinafter called "ALCOSAN") entered into an agreement dated May 1, 1955 (a copy of which is attached as Exhibit "A"), the terms of which require the purchase by CITY from ALCOSAN of all delinquent sewage accounts and grant the subsequent right of CITY to collect those accounts for the sole use and benefit of CITY; and

WHEREAS, AUTHORITY provides water service to a majority of the same accounts and has an extensive collection process in place for collecting delinquent water accounts; and

WHEREAS, CITY and AUTHORITY desire to continue collection efforts to increase cost effectiveness; and

WHEREAS, CITY, AUTHORITY and ALCOSAN have entered into a Memorandum of Understanding allowing CITY to assign certain of its rights of collection to AUTHORITY, including purchasing said delinquent sewage accounts from ALCOSAN and assuming collection of those accounts; and

WHEREAS, CITY and AUTHORITY desire to delineate the rights and obligations of the parties pursuant to the Memorandum of Understanding.

NOW, THEREFORE, in consideration of the promises and the undertakings of each party to the other, the parties hereto each intending to legally bind itself, its successors and its assigns, covenant and agree as follows:

1. In the assignment by CITY to AUTHORITY of its right to collect delinquent sewage accounts pursuant to the Memorandum of Understanding, CITY hereby grants to AUTHORITY the right to pursue and enforce any and all remedies now available or hereafter to become available to it, to compel payment by any customer whose sewage charges are delinquent, together with penalties, interest and cost, which may be due and owing by him or it, including but not limited to termination of water service, at the sole discretion of AUTHORITY and without interference from CITY.

2. In addition to the outstanding delinquent accounts which have accrued since September 15, 1995, and have been assigned to AUTHORITY pursuant to the Memorandum of Understanding, CITY will assign all other delinquent sewage accounts received by CITY since January 1, 1990. In addition, CITY will assign to AUTHORITY all those delinquent sewage accounts prior to January 1, 1990, which have liens of record and/or which are in current payment plans.

3. CITY shall pay or cause to be paid to AUTHORITY the sum of Three Million Fifty-Nine Thousand Four Hundred Forty-Four Dollars and One Cent (\$3,059,444.01) which shall be derived from the sale of delinquent sewage liens. CITY also agrees that AUTHORITY can credit an additional Four Hundred Thousand Dollars (\$400,000.00) against AUTHORITY payments payable to CITY.

AUTHORITY acknowledges that the above-referenced payment and credit shall be accepted as payment in lieu of assigning certain delinquent sewage accounts to AUTHORITY.

CITY acknowledges that those payments and credits do not relieve CITY of the obligation to assign those accounts referenced in Paragraph #2 above which are not sold by CITY.

4. CITY shall assign its right to AUTHORITY to lien properties as stated in the terms and conditions of the ALCOSAN Agreement.

5. CITY assigns to AUTHORITY its right to be reimbursed by ALCOSAN for the reasonable added clerical expenses incurred for preparing lists of metered water data and of flat-rate bills, pursuant to the terms and conditions of the ALCOSAN Agreement.

6. AUTHORITY may request and CITY may agree that City will place at public sale under the Second Class City Treasurer's Sale and Collection Act certain properties upon which the delinquent sewage accounts have not been paid. Properties will be placed at sale only to the extent that it is lawful to do so and at the sole discretion of CITY.

7. CITY agrees to seek court orders to exonerate those delinquent sewage charges that have been deemed by AUTHORITY to be uncollectible.

8. CITY shall continue to pay ALCOSAN directly and in a timely manner for all CITY properties and Three Taxing Body properties. Failure to do so shall be considered a breach of this Agreement.

9. CITY shall pay AUTHORITY all monies collected by CITY from September 15, 1995, for any delinquent sewage accounts that have been assigned to AUTHORITY.

10. In the event that either party to this Agreement believes that the other party has breached any of its obligations under this Agreement, that party agrees to notify the other party of such alleged breach and permit that party of a period of sixty (60) days after receipt of such notice to cure any alleged breach.

11. In the event of any dispute between AUTHORITY and CITY with respect to any matters set forth in this Agreement, excepting, however, disputes arising out of renegotiation hereof, such disputes shall be settled by arbitration in accordance with the provisions of the Act of April 25, 1927 P.L. 381 as amended, of the Commonwealth of Pennsylvania. In any such case three arbitrators shall be appointed, one by AUTHORITY, one by CITY, and one by the two arbitrators so appointed by AUTHORITY and CITY. The decision of a majority of the arbitrators shall be binding and conclusive upon AUTHORITY and CITY. The expense of such arbitration, exclusive of expenses of each party in its own behalf, shall be borne equally by the parties.

12. This Agreement may be amended in any respect by mutual, written agreement of the parties.

13. All notices required under this Agreement shall be in writing and shall be mailed by certified mail or delivered as follows:

13.1. Notices to AUTHORITY shall be sent to the Executive Director, Pittsburgh Water and Sewer Authority, 441 Smithfield Street, Pittsburgh, Pennsylvania 15222.

13.2 Notices to CITY shall be sent to the Mayor, City of Pittsburgh, Pittsburgh, Pennsylvania 15219.

14. This Agreement shall not be assignable by either party without the written consent of the other.

15. This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania.

16. To the extent that any provision hereof conflicts with any provision of any Trust Indenture securing any indebtedness of the AUTHORITY, the provisions of the Trust Indenture shall prevail.

17. In case of any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement; and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained therein.

18. CITY shall have the right to terminate the Agreement any time upon ninety (90) days written notice to AUTHORITY. AUTHORITY shall have the right to terminate the Agreement at any time upon ninety (90) days written notice to the CITY.

19. This Agreement is entered into by the City of Pittsburgh pursuant to Resolution No. 619, effective August 16, 1996, and by AUTHORITY pursuant to Board Action, Co. #105, approved on October 18, 1996.

IN WITNESS, WHEREOF, the parties have duly executed this Agreement on the day and year first above written.

ATTEST:

M. Linda Langewere
Witness

CITY OF PITTSBURGH

By:

Mayor

ATTEST:

Ralph R. Hony
Witness

By:

Director, Department of Finance

ATTEST:

Angela G. Slicks
Witness

By:

Pittsburgh Water and Sewer Authority
Chairman of the Board

EXAMINED BY:

[Signature]
Assistant CITY Solicitor

APPROVED AS TO FORM:

DEPUTY

[Signature]
CITY Solicitor

APPROVED AS TO FORM:

[Signature]
Pittsburgh Water and Sewer Authority
Solicitor

COUNTERSIGNED:

[Signature]
CITY Controller

11-8-96
ANTHONY J. POKORA - DEPUTY CONTROLLER

contn/alcosan

Approved as to form
Della McCann & Chillico, PC
Attorney at Law
City of Pittsburgh

BY

[Signature]



RESOLUTION NO. 105 OF 1996

**Authorizing an Agreement with the City of Pittsburgh
for the Collection of Delinquent Sewage Bills**


WHEREAS, the Authority and the City of Pittsburgh have entered into a Memorandum of Understanding with the Allegheny County Sanitary Authority in connection with the collection of delinquent sewage bills; and

WHEREAS, the City desires to assign the collection of said bills to the Authority, pursuant to the Memorandum of Understanding; and

WHEREAS, it is necessary to delineate the rights and obligations of the parties.

NOW, THEREFORE, BE IT RESOLVED, that the proper Officers of the Pittsburgh Water and Sewer Authority on behalf of said Authority, are hereby authorized and directed to enter into an agreement with the City of Pittsburgh in connection with the collection of delinquent sewage bills. Said agreement to be in a form approved by the Executive Director and the Authority Solicitor.

DULY ADOPTED AT A REGULAR
MEETING OF THE PITTSBURGH
WATER AND SEWER AUTHORITY
HELD ON OCTOBER 18, 1996.


Secretary

FIRST AMENDMENT TO 1955 AGREEMENT

THIS FIRST AMENDMENT TO 1955 AGREEMENT (this "Amendment") is made and entered into this 25 day of MARCH, 2004, by and among the ALLEGHENY COUNTY SANITARY AUTHORITY, a body politic and corporate, created pursuant to the Municipality Authorities Act of 1945, as amended (referred to as either "Alcosan," the "Sewage Agency" or the "Sanitary Authority"), the CITY OF PITTSBURGH, a municipal corporation of the Commonwealth of Pennsylvania located within the County of Allegheny (the "City") and the PITTSBURGH WATER AND SEWER AUTHORITY, a body corporate and politic created pursuant to the Municipality Authorities Act of 1945, as amended ("PWSA" and together with Alcosan and the City, the "Parties").

RECITALS

WHEREAS, Alcosan and the City are parties to that certain Agreement of May 1, 1955 regarding sewage treatment plant design, construction and operation (the "1955 Agreement"), also referenced by the City as Mayor's Contract No. 2718-87 and Controller's Contract No. 13887;

WHEREAS, Alcosan currently bills each user or water user (as such term is defined in the 1955 Agreement) individually in accordance with Sections 8 through 13 of the 1955 Agreement, such bills based on information supplied by the City;

WHEREAS, the City and PWSA are parties to that certain Management Agreement dated October 18, 1996 (the "Management Agreement"), pursuant to which Management Agreement the parties thereto agreed that PWSA would assume management for the City's water and sewage rights, obligations and responsibilities, including the City's rights and obligations with respect to Alcosan;

WHEREAS, Alcosan, the City and PWSA are parties to that certain Memorandum of Understanding dated October 17, 1996 (the "Memorandum"), pursuant to which Memorandum the parties thereto agreed that PWSA would assume the City's rights, obligations and responsibilities to collect delinquent sewage accounts, although the City would remain obligated to Alcosan in respect of the same;

WHEREAS, Alcosan and the City, along with PWSA, in light of the Management Agreement and the Memorandum, desire to amend the 1955 Agreement to change the billing structure under the 1955 Agreement whereby the City would pay to Alcosan the aggregate amount of all service charges incurred by water users in the City;

WHEREAS, in order to accommodate such billing structure, the Parties desire to set forth certain specific payment, retainer and dispute resolution arrangements in respect thereof; and

WHEREAS, with respect to the foregoing recitals, the Parties desire to set forth their mutual understanding in accordance with the terms and conditions set forth herein.

NOW, THEREFORE, intending to be legally bound hereby, the Parties hereto agree that the foregoing recitals hereby are incorporated herein and further agree as follows:

Section 1. Definitions For Purposes of this Amendment. In respect of the Management Agreement and the Memorandum, the parties hereto hereby agree that all references to "the City" in the 1955 Agreement and hereinafter set forth in subsequent provisions in this Amendment shall mean and include the City and PWSA until the Management Agreement is terminated or expires by its terms, at which time such references to "the City" shall mean only the City of Pittsburgh as set forth in the preamble of this Amendment.

Section 2. Amendments to the 1955 Agreement.

(a) Paragraph 8 of the 1955 Agreement is hereby amended to add the following sentence at the end of the first paragraph thereof:

For purposes of this Agreement, the term "user" or "water user" shall also include lots or parcels of land that are abandoned or subject to sheriff's sale if such lot or parcel remains connected to the Sewage Disposal System.

(b) Paragraph 14 of the 1955 Agreement is hereby amended in its entirety as follows:

The City shall have the option of paying the aggregate amount of all sewage charges which, under Paragraph 8-13 of this Agreement, would be payable by its water users (the "Aggregate Payment Method"), in consideration of the performance of the Sewage Agency of the City's legal duty to cease the pollution of the waters of the Commonwealth. In such event, the individual charges of each water user shall be computed in the same manner as hereinbefore set forth, but instead of sending individual bills to all water users, all such individual bills shall be totaled for each City ward, and the total amount thereof with respect to each City ward shall be billed to the City as provided below.

In respect of the foregoing, the City and the Sewage Agency hereby agree that during each calendar quarter the Sewage Agency will issue invoices to the City as follows: (i) in the first month of each calendar quarter one invoice for the total billings for City wards 16 through 28, (ii) in the second month of each calendar quarter one invoice for the total billings for City wards 1 through 10, and (iii) in the third month of each calendar quarter one invoice for the total billings for City wards 11 through 15, 29, 30, 31, 32, and for flat-rate customers in the City and cycle 1500 monthly customers. Each of the foregoing invoices will reflect charges and payments due for the three (3) full calendar months preceding the invoice date. The City covenants that so long as the Aggregate Payment Method is in effect the City will pay the total of each such invoice within thirty (30) days after the date of each of the Sewage Agency's respective invoices.

The City further covenants that so long as the Aggregate Payment Method is in effect, the City will establish, pay into and replenish an escrow account from which the Sewage Agency may make direct withdrawals in accordance herewith, an amount equal to two (2) months of the average aggregate PWSA billings for all City Wards for the immediately upcoming calendar quarter, which amount shall be adjusted on a quarterly basis, as determined by the Sewage Agency (the "Sewage Payment Escrow") for amounts due under the Aggregate Payment Method. The City acknowledges and agrees that the Sewage Payment Escrow represents security for payments due under the Aggregate Payment Method and is not a prepayment of any amounts due under the Aggregate Payment Method. Any amounts outstanding beyond above-mentioned thirty (30) day payment period may, at the Sewage Agency's option, be drawn down from the Sewage Payment Escrow, which amount shall be immediately replenished by the City. The Sewage Agency will provide written notice to the City as soon as is reasonably practicable, but in no event less than three (3) business days following the date of any such draw downs from the Sewage Payment Escrow. Provided that the City complies with the obligations stated below with respect to any amounts in dispute, disputed amounts shall not be drawn from the Sewage Payment Escrow. Any non-disputed amounts which remain outstanding beyond thirty (30) days and which the Sewage Agency Escrow is insufficient to pay, shall incur interest at a rate equal to the lesser of one and one-half percent (1½%) per month or the maximum interest rate allowed by law.

If there is a dispute regarding any amounts due hereunder, the City must notify the Sewage Agency in writing within thirty (30) days of the date of the invoice from which the dispute arises. Notification of any such dispute must include detailed information regarding such dispute, including, but not limited to, the specific amount in dispute and the account(s) from which such dispute arises. In the event of a dispute, any amounts not disputed shall be paid by the City in accordance with the provisions set forth hereinabove. Within ten (10) days of such notice the Executive Director of the Sewage Agency, or his or her designee, and the Executive Director of the PWSA, or his or her designee, shall meet to resolve the dispute. If the foregoing dispute is not resolved within ten (10) days of such referral, the dispute shall be resolved by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "AAA"), as modified herein.

- (a) Arbitration shall take place in Pittsburgh, Pennsylvania. All disputes shall be initiated by the service of a written notice by one party to the other party of the

intent to arbitrate and filing of such notice with the AAA. Each party shall bear its own costs and expenses of arbitration and shall pay one-half (1/2) of any joint fees, costs and expenses of arbitration including, without limitation, the costs of room rental, transcripts and fees of the arbitrator and of AAA itself.

(b) The parties shall jointly designate a single, independent arbitrator or otherwise have an arbitrator selected by AAA in accordance with the Commercial Rules of Arbitration of the AAA. The arbitration hearing must be conducted within four (4) months of the date of filing of the intent to arbitrate with the AAA. The hearing shall be conducted in accordance with the Federal Rules of Evidence then in effect. The decision of the arbitrator, including any remedy or relief granted, including specific performance, shall be in writing and shall be rendered no later than fourteen (14) days after the close of the hearing. The decision of the arbitrator shall be final, binding upon the parties hereto and non-appealable and judgment thereon may be entered in any court of competent jurisdiction.

(c) Each party in arbitration shall be entitled to discovery pursuant to the Commercial Arbitration Rules or decisions of the arbitrator. Notwithstanding the foregoing, all discovery shall be completed within sixty (60) days of the date of the appointment of the arbitrator. Furthermore, all discovery must be completed no later than fifteen (15) days prior to the arbitration hearing. The time period for discovery may be extended by the arbitrator for good cause, provided that the arbitrator is able to meet the schedule specified above in Section (B).

(d) Notwithstanding the existence of any dispute, each party shall continue to perform under the contract, other than the issue in dispute, during the pendency of the dispute.

A change to the Aggregate Payment Method set forth in this Paragraph 14 may be made upon the written request of the City to the Sewage Agency, provided that the City has duly enacted an ordinance providing for the same. Any such change to the Aggregate Payment Method is subject to the approval of the Sewage Agency, formally given by resolution of its board.

Section 3. The City hereby requests to exercise the Aggregate Payment Option set forth in Paragraph 14 of the 1955 Agreement, as amended herein, pursuant to and in accordance with the terms and conditions set forth therein, and hereby represents that an ordinance providing for the same has been duly adopted and attached hereto as Exhibit A.

Section 4. Alcosan, by resolution of its board, attached hereto as Exhibit B, hereby approves the City's exercise of the Aggregate Payment Option pursuant to and in accordance with the terms and conditions of Paragraph 14 of the 1955 Agreement, as amended herein.

Section 5. In accordance with Section 2 of this Amendment and Paragraph 14 of the 1955 Agreement, as amended herein, contemporaneous with the execution of this Amendment the City shall deposit Six Million One Hundred Thousand Dollars (\$6,100,000) into the Sewage Payment Escrow.

Section 6. The terms and conditions of this Amendment shall be governed by, and interpreted in accordance with, the laws of the Commonwealth of Pennsylvania, without regard to its conflicts of laws provisions.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their duly authorized representatives as of the day and year first above written.

ALLEGHENY COUNTY SANITARY AUTHORITY


 Arletta S. Williams, Executive Director

CITY OF PITTSBURGH

By: _____
 Name (printed): _____
 Title: _____

By: _____
 Name (printed): _____
 Title: _____

PITTSBURGH WATER AND SEWAGE AUTHORITY

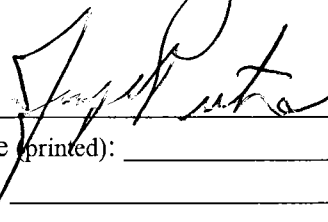

 By: _____
 Name (printed): _____
 Title: _____

Exhibit A

Ordinance

Exhibit B

Resolution

COOPERATION AGREEMENT

Dated as of the 15th day June, 1995 but effective as of January 1, 1995 (the "Effective Date") between the City of Pittsburgh, a municipal corporation of the Commonwealth of Pennsylvania (the "City") and The Pittsburgh Water and Sewer Authority, a body corporate and politic, organized and existing under the laws of the Commonwealth of Pennsylvania (the "Authority").

WHEREAS, pursuant to a Lease and Management Agreement dated March 29, 1984 (the "Lease"), the Authority and the City provided for (i) the lease of the then existing water and sewer systems (the "System") to the Authority by the City; (ii) the operation and maintenance of the System by the Authority and (iii) the creation of an agency relationship between the Authority and City whereby the City provided services necessary to operate the System as agent of the Authority; and

WHEREAS, the City and the Authority have agreed to (i) provide for the termination of the City's status as an agent for the Authority, and (ii) provide for the provision of certain services to the Authority by the City;

NOW THEREFORE, in consideration of the mutual premises and intending to be legally bound hereby, the parties agree as follows:

I. DEFINITIONS:

"Capital Expenses" shall mean all expenditures made by the Authority or by the City, acting on behalf of the Authority, in carrying out the Construction Project and any Capital Additions to the System except for those hereinafter excluded. These expenditures shall include but not be limited to all engineering expenses whether undertaken by Authority or City employees or subcontracted by the City on behalf of the Authority.

"Actual Direct Expenses" shall mean all expenses directly related to the Authority (i.e., employee medical insurance premiums) and incurred by the City on behalf of the Authority. Expenses in this category are either documented by a third party invoice or specifically identifiable in the City's records. These expenses shall be determined by the City and the Authority on a mutually agree-upon basis. Actual Direct Expenses shall be paid monthly by the Authority to the City.

"Public Works Salaries and Wages" shall mean the apportioned share of Public Works Salaries and Wages directly attributable to the operation and maintenance of the sewer system. Public Works Salaries and Wages shall be paid monthly by the Authority to the City.

"Saw Mill Run Project" shall mean all those capital expenditures necessary to improve the sewer system in the Saw Mill Run Basin as set forth in pages 79 through 81 of the Green International, Inc. Water and Sewer Systems contract with the City dated December 9, 1983.

"Overhead Expenses" shall mean all expenses indirectly related to the Authority (i.e., payroll processing and benefits administration) and incurred by the City in relation to providing materials, services, supplies, etc. to the Authority under the terms of this Agreement. Expenses in this category are not documented by a third party invoice or specifically identifiable in the City's records. Overhead expense rates are to be determined annually by a City indirect cost allocation plan prepared by a certified public accounting firm. Overhead Expenses shall be paid monthly by the Authority to the City.

"System" shall mean all plants and equipment, structures, facilities, lands, easements, rights of way, water lines and sewer lines, patents, copyrights, contracts with municipalities or authorities outside the boundaries of the City, water treatment plants, pumping facilities, reservoirs, storage tanks, distribution mains, service lines and appurtenances, sewers, inlets, manholes, diversion structures, pumping stations, force mains, including but not limited to the assets described in Sections 3.3 and 4.3 of the System Evaluation prepared by Green International, Inc. and dated December 9, 1983, as amended and supplemented, which report is incorporated herein by reference.

II. TERMINATION OF AGENCY RELATIONSHIP:

A. As of the Effective Date the agency relationship between the City and the Authority provided for in the Lease is terminated. The Authority, as of the Effective Date, will assume sole responsibility and prerogative for management and operation of the System and all risks attenuated thereto.

B. As of the Effective Date all positions in the Water Department and certain positions in the Water and Sewer Division of the Department of Engineering and Construction and the Department of Public Works listed on Exhibit A hereto are eliminated from the City of Pittsburgh budget and those positions will be created by the Authority and filled in the manner required by the applicable collective bargaining agreements. City employees in those positions receiving worker's compensation at the time of the elimination of those positions by the City shall be entitled to the same position at the Authority upon their eligibility to return to work if such is within 24 months of their last day of work, all in accord with letters of the Authority dated December 19, 1994, to such employees.

- C. The Authority shall recognize the American Federation of State, County and Municipal Employees, District Council 84, Local 2719 (AFSCME 2719); the American Federation of State, County and Municipal Employees, District Council 84, Local 2037 (AFSCME 2037); and the Pittsburgh Joint Collective Bargaining Committee (the "PJCBC") as the collective bargaining agents for the employees of the Authority previously employed by the City and shall negotiate with each of them a collective bargaining agreement that offers such employees wages, benefits and other terms and conditions that are at least equivalent to the terms and conditions offered to City employees for the contract term commencing January 1, 1995.
- D. The Authority shall offer non-union employees whose positions are terminated by the City benefits which are at least equivalent to the benefits currently provided by the City and including continuity of participation in the City pension plan.
- E. The Authority certifies that it has accepted the provisions of the Workers' Compensation and Occupational Disease Acts, as amended and supplemented, insofar as the performance of any work of the Authority and that it will insure or provide for the insurance of its liability thereunder in accordance with the terms of the acts.
- F. The City shall transfer, to the Authority on Effective Date or as soon as practicable thereafter, the documents, equipment, files, maps, records and reference data related to the System, (the "Inventory") acquired by the City for the benefit of the Authority since the effective date of the Lease. All Inventory transferred shall be listed and approved for transfer by the Department of General Services.
- G. On a date to be determined by the Authority but not prior to January 1, 1996 and with a minimum of ninety (90) days written notice, the City shall transfer any personnel then assigned to the Water and Sewer Division of the Department of Engineering and Construction or any other City department and assigned to the operation and maintenance of the System as listed on Exhibit B, to the Authority. Any related equipment, files, maps, records and reference data shall also be transferred at that time.
- H. All accounts receivable of the Authority, whether previously billed or not by the City, upon collection will be paid to the Authority.
- I. As between the City and the Authority, it is understood and agreed that the City will continue to retain responsibility and liability for all Capital Expenses on the Saw Mill Run project and the Authority shall not be responsible for such Capital Expenses.

III. SERVICES TO BE PROVIDED BY THE CITY TO THE AUTHORITY:

A. Subject to the general supervision, direction and control of the Authority in the exercise and discharge of its public duties under the Municipality Authorities Act together with other applicable laws and regulations, the City shall render to the Authority the following services which shall be paid for as provided in Section VII below:

1. Department of Public Works:

The Department of Public Works shall continue to operate and maintain the sewer system portion of the System which is the sewers, inlets, manholes, diversion structures, pumping stations and force mains (the "Sewer System") within the City until such time as that function is transferred to the Authority, pursuant to Section II. G. The services to be provided shall include, but not be limited to, the following:

- (a) TV inspection of sewers.
- (b) Cleaning of sewers, catch basins and manholes.
- (c) Repair of catch basins and manholes.
- (d) Repair and/or replacement of sewers.
- (e) Administration of the Annual Catch Basin/Manhole Contract.
- (f) Administration of the Annual Catch Basin Cleaning Contract.
- (g) Operation and maintenance of diversion chambers and sewage pump stations.
- (h) Investigation of complaints and problems involving sewer system.
- (i) Working with Authority staff in the planning, design and construction phase management of capital improvement projects performed by the Authority.
- (j) Maintaining files, records and maps of the sewer system.
- (k) As long as the Asphalt Plant is owned by the City, furnish asphalt for use on restoration or construction projects performed or contracted by the Authority.
- (l) Any other services as may be agreed upon by the parties.

2. Department of Engineering and Construction:

- (a) Print plans, specifications and contract documents as required by the Authority.
- (b) Perform field survey services as requested by the Authority.
- (c) Any other services as may be agreed upon by the parties.

3. Department of General Services:

- (a) Provide telephone and data services for the Authority.
- (b) Provide radio communication services for the Authority.
- (c) Take and process photos prior to construction for various capital improvement projects as requested by the Authority.

- (d) Provide vehicles, maintenance, service, repairs and insurance as set forth in Article V hereof.
- (e) Furnish fuel and other fluids necessary for Authority vehicles and equipment.
- (f) Any other services as may be agreed upon by the parties.

4. Law Department:

- (a) Represent the Authority in actions against it as requested by the Authority.
- (b) Provide services for obtaining property and/or rights-of-way as requested by the Authority.
- (c) Provide services associated with assessments for sewer service as requested by the Authority.
- (d) Any other services as may be agreed upon by the parties.

5. City Information System:

- (a) Provide "mainframe computer services" needed for customer billing, financial reporting and processing of payroll and invoices and other functions.
- (b) Any other services as may be agreed upon by the parties.

6. Finance Department:

- (a) Issue payroll checks for the Authority staff.
- (b) Administer benefit programs, including but not limited to the pension plan, health care, dental benefits and worker's compensation claims (as provided herein).
- (c) Any other services as may be agreed upon by the parties.

B. The City shall furnish such other services to the Authority at such times as may be required and requested by the Authority.

IV. CITY CAPITAL PROJECTS:

From time to time the City undertakes capital improvement projects which include construction, replacement and/or modification of the System as a part of their improvements. The Authority shall reimburse the City for all Capital Expenses incurred by the City for such System improvements as follows:

A. Current Projects:

- (i) The Authority shall pay the City for all City capital projects which are under contract or completed as of the Effective Date but for which the City has not been fully reimbursed by the Authority. The City shall

invoice the Authority for reimbursement, with the invoice including backup data to adequately support the invoice. Such backup data shall include a description of the project, the System facilities constructed or to be constructed and the cost, not to be exceeded, of such improvements.

- (ii) To be reimbursed for City capital projects awarded after the Effective Date, which include construction replacement and/or modification of the System, the Authority shall approve the proposed construction plans and specifications, as they relate to the System improvements, prior to the City advertising for bids for the project. The City shall invoice the Authority for reimbursement with the invoice including backup data to adequately support the invoice.

V. VEHICLES:

A. The City hereby subleases to the Authority vehicles leased to the City by the Equipment Leasing Authority and currently being used by the Authority. The vehicles will be used in the ordinary and usual work for which they are designed provided that any such use is in conformity with all applicable laws, any insurance policies and any warranties of the manufacturer with respect to the vehicles.

B. The City agrees to maintain, service, repair and insure said vehicles to the same extent as the City would, in the prudent management of its properties, for similar equipment owned or leased by the City and to the extent required to maintain the vehicles in good operating condition and in compliance with any applicable requirement of law or of any governmental authority having jurisdiction thereof.

C. The Authority will not permit any vehicles to be used or operated in violation of any law or any rule, regulation or order of any governmental authority having jurisdiction thereof. The Authority shall be responsible for the payment of all fines and penalties resulting from the Authority's use of the vehicles.

D. The Authority may return any vehicles to the City at its discretion at any time and shall return such vehicles at such location as the parties shall agree. Upon the expiration of the term of this Agreement or any prior termination of the Agreement for any reason, the Authority shall return any remaining vehicles to the City.

E. The Authority will reimburse the City for the costs of the services provided under the sublease in accordance with the terms of this Agreement.

VI. WATER EXONERATION HEARING BOARD:

A. The City shall maintain in existence the Water Exoneration Hearing Board with such changes to its composition as shall be recommended by the Authority and approved by City Council. After hearings, the Board shall recommend to the Authority the manner in which disputes as to rates or service shall be resolved, including recommendations as to exoneration, but the decision of the Board of the Authority shall be final in all such cases, subject to the right of appeal to the Court of Common Pleas under Local Agency Law.

VII. PAYMENTS BY THE AUTHORITY TO THE CITY:

A. The Authority shall reimburse the City for all City Expenses incurred by the City through December 31, 1994, inclusive, for the operation and maintenance of the System in accordance with the provisions of the Lease and Maintenance Agreement dated March 29, 1984.

B. The Authority shall reimburse the City for equalization payments made by the City to the Pennsylvania American Water Company or upon mutual agreement, make such payments directly to the Pennsylvania American Water Company.

C. Beginning January 1, 1995 and for each year thereafter, the City shall budget and pay expenditures required to provide the services under this Cooperation Agreement (including Actual Direct Expenses, Public Works Salaries and Wages and Overhead Expenses). The Authority shall pay the City monthly Actual Direct Expenses, Public Works Salaries and Wages and Overhead Expenses for such services where applicable.

D. In addition to other payments to the City provided for herein, the City shall be entitled to receive up to 600,000,000 gallons of water each year to be used by the City, its departments, agencies and instrumentalities (i.e., Pittsburgh Zoo, Phipps Conservatory, National Aviary in Pittsburgh and Schenley Golf Course) and as the City may be contractually obligated to provide as of the Effective Date hereof. The City shall not receive a credit for any water not so used. To the extent in excess of 600,000,000 is used, the Authority may offset that cost against moneys owed the City hereunder.

E. The Authority will reimburse the City for all worker's compensation benefits paid by the city on behalf of those employees in positions described in II B above. As to worker's compensation claims that may be filed subsequent to the date the positions are eliminated from the City budget, for injuries occurring prior to the date the positions are eliminated from the City budget the Authority will either directly pay the claim or reimburse the City for any benefits paid.

F. Neither the credit or taxing power of the City shall be pledged for payment of any Authority Indebtedness, and the City shall not be liable for any Authority debt payments.

G. The parties hereby agree that the Authority at its discretion may terminate any or all of services provided by the City. Such termination shall be effective upon a minimum of ninety (90) days written notice from the Authority to the City.

VIII. RATES:

A. The Authority shall establish rates pursuant to the covenants contained in the indenture securing the Authority's debt obligations, which shall be in an amount sufficient but no higher than necessary to meet the Authority's obligations thereunder together with the City's Overhead Expenses, all reasonable contingencies and to meet its obligations as they come due.

B. In conformity with Article III, Section Two of the By-laws of the Authority, the Authority shall hold a regular meeting of its Board each year to consider or establish rates. It is understood and agreed that the Authority may meet at any other times if the Authority determines that its existing rates will not produce sufficient revenues to meet its outstanding obligations and otherwise as needed pursuant to VIII A above.

IX. COOPERATION:

A. The City and the Authority shall cooperate with each other to the end that reasonable and adequate service shall be provided to customers of the system.

B. The City shall grant to the Authority all necessary easements and rights of way which may be required in addition to those heretofore leased by the City to the Authority.

C. The Authority shall not be required to pay for fees or charges for City permits or licenses.

X. INSURANCE AND INDEMNIFICATION:

A. The City shall and hereby does assume sole responsibility for all claims, including employee claims, demands, lawsuits, judgments against the City or the Authority arising from any work or service provided (i) in connection with the System on behalf of the Authority before the Effective Date of this Agreement and (ii) in connection with the Sewer System on or after the Effective Date.

B. The City may purchase excess limits insurance applicable to the Sewer System and, if it does so, it shall include the Authority as an additional insured; and the City shall be solely responsible for the payment of the premium.

C. The City shall and hereby does assume responsibility for all claims, demands, lawsuits, judgments against the City or the Authority arising from any work or service provided

to the Authority on or after the effective date of this Agreement; and the City does hereby indemnify, save harmless and agree to defend the Authority from and against all such claims, demands, lawsuits and judgments arising from any work or service provided to the Authority.

D. The City shall indemnify, save and hold harmless, and defend Authority, its officers, agents and employees from all liens, charges, claims, demands, losses, costs, judgments, liabilities and damages of every kind and nature whatsoever, including court costs and attorney's fees, arising by reason of City's intentional or negligent failure to perform any services under this Agreement; any act, error or omission of the City or any agent, employee, licensee, contractor or subcontractor of City, intentional or negligent, of any of the terms, conditions or provisions of this Agreement.

E. The City hereby indemnifies and saves harmless the Authority from any and all claims, including costs and reasonable attorney fees, based upon alleged improper expenditures made by the City in violation of Federal, State, or Local Law or if contrary to the provisions of any indenture or similar agreement securing Authority indebtedness.

XI. DEFICIENCIES IN PERFORMANCE:

If in the opinion of the Authority the City fails to operate and maintain the Sewer System in accordance with the standards prevailing prior to the lease of said system by the City to the Authority, the Authority shall so advise the City in writing, describing the specific deficiencies on which the opinion is based, and shall request the City to explain in writing said deficiency within thirty days of receipt of said notice. If the City fails to satisfy the Authority within said period, the Authority may direct the City in writing to correct such deficiency. The City shall thereupon take steps toward correction of said deficiency within sixty days after receipt by it of written notice by the Authority, or, if the City disagrees, it may exercise its rights to call for arbitration under Article XII hereof within said sixty day period. If the City shall fail to take steps to correct the deficiency within sixty days after receipt of the Authority notice or within sixty days after an adverse arbitration decision, whichever is later, then the Authority may itself cause the corrective work to be done. It is understood and agreed that all such corrective work shall be undertaken at the Authority's expense, and that the City assumes no liability for costs incurred to correct any of such deficiencies.

XII. SETTLEMENT OF DISPUTES:

In the event of any dispute between the Authority and the City with respect to the matters set forth in Paragraph XI of this Agreement, excepting, however, disputes arising out of renegotiation hereof, such disputes shall be settled by arbitration in accordance with the provisions of the Act of April 25, 1927 P.L. 381 as amended, of the Commonwealth of Pennsylvania. In any such case three arbitrators shall be appointed, one by the Authority, one by the City, and one by the two arbitrators so appointed by the Authority and the City. The

decision of a majority of the arbitrators shall be binding and conclusive upon the Authority and the City. In the event of the failure of the two arbitrators appointed by the Authority and the City to effect the appointment of a third arbitrator within two weeks after the appointment of the second, the third arbitrator shall be appointed by the trustee at that time under the trust indenture. The expense of such arbitration, exclusive of expenses of each party in its own behalf, shall be born equally by the parties.

XIII. AMENDMENTS:

This agreement may be amended in any respect by mutual written agreement of the parties.

XIV. NOTICES:

All notices required under this Agreement shall be in writing and shall be mailed by certified mail or delivered as follows:

1. Notices to the Authority shall be sent to the Executive Director, the Pittsburgh Water and Sewer Authority, 441 Smithfield Street, Pittsburgh, Pennsylvania 15222.
2. Notices to the City shall be sent to Mayor, City of Pittsburgh, Pittsburgh, Pennsylvania 15219.

XV. ASSIGNMENT:

This Agreement shall not be assignable by either party without the written consent of the other.

XVI. TERM AND TERMINATION:

The term of this Agreement shall be forty (40) years commencing on the Effective Date. The City shall have the right to terminate this Agreement at any time upon ninety (90) days written notice to the Authority; provided, however, that any such termination shall be subject to the City providing for the payment in full of all existing liabilities, contingent and otherwise, of the Authority. The Authority shall have the right to terminate this Agreement at any time upon ninety (90) days written notice to the City.

The City understands that it may be required to enter into a supplemental agreement to extend the term of this Cooperation Agreement for such period as may be necessary to cover future financing by the Authority of Capital Additions.

Notwithstanding the foregoing provision for extension of the term of this Agreement to cover future financings, it is understood and agreed that, subject to appropriate amendment of the Articles of Incorporation of the Authority extending its term of existence, this Cooperation Agreement shall be automatically renewed at the expiration of three (3) additional terms of five (5) years each, unless either party at least one year prior to the expiration of each renewal term shall request in writing a renegotiation for the subsequent term. If such renegotiations fail to produce a written agreement within the twelve month period, this Agreement shall continue for at least six (6) months after the end of the then current term.

XVII. GOVERNING LAW:

This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania.

XVIII. CONFLICT:

To the extent that any provision hereof conflicts with any provision of any Trust Indenture securing any indebtedness of the Authority, the provisions of the Trust Indenture shall prevail.

XIX. SEVERABILITY:

In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement; and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained therein.

XX. MISCELLANEOUS:

This Agreement shall be effective as of January 1, 1995.

The City is authorized to enter into this Agreement pursuant to Resolution No. 12, approved January 24, 1995, effective January 24, 1995; and the Authority is authorized to do so pursuant to Resolution No. 47 of 1995 duly adopted at a special meeting of its board held on March 31, 1995.

IN WITNESS WHEREOF, This Agreement has been duly executed this 27th day of July, 1995.

ATTEST:

Ronan A. Minerva
Secretary Treasurer

ATTEST:

M. Linda Gengware
Secretary to the Mayor

Approved as to Form:

Stephen M. Moraw
City Solicitor

THE PITTSBURGH WATER AND SEWER
AUTHORITY

By Joseph P. Sestini
Authorized Officer

CITY OF PITTSBURGH

By T. Hugh
Mayor

EXHIBIT A

Positions Transferred
as of Effective Date

	<u>Position</u>	<u>Current Employee</u>	<u>Union</u>
1.	Project Manager,E&C	Borneman	Non-Union
2.	Project Engineer, E&C	Jones	Non-Union
3.	Staff Engineer, E&C	Troianos	AFSCME
4.	Project Manager, Public Works	Lockard	Non-Union

EXHIBIT B

Positions to be Transferred
at a Later Date

	<u>Position</u>	<u>Current Employee</u>	<u>Union</u>
1.	Project Engineer, E&C	Bailey	Non-Union
2.	Engineer Tech. III, E&C	Waldorf	Non-Union
3.	Staff Engineer, E&C	Kasper	AFSCME
4.	Engineer II, E&C	vacant	AFSCME
5.	Engineer II, E&C	Eichelman	AFSCME
6.	Clerk Typist II, E&C	Schaub	AFSCME

APPENDIX C

No. 12

1/25/95

RESOLUTION

authorizing the Mayor and the Director of Water Department to execute a Cooperation Agreement and amendments thereto with the Pittsburgh Water and Sewer Authority to provide for the creation of a fully operating Authority.

Be it resolved by the Council of the City of Pittsburgh as follows:

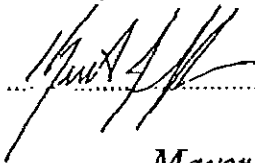
Section 1.

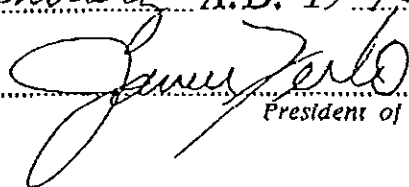
The Mayor and the Director of the Department of Water are hereby authorized to execute, on behalf of the City of Pittsburgh and in a form approved by the City Solicitor, a Cooperation Agreement with the Pittsburgh Water and Sewer Authority providing for:

1. The termination of the City's status as an agent for the Authority.
2. The amendment and restatement of the terms of the Lease and Management Agreement dated March 29, 1984.
3. The provision of certain services to the Authority by the City and payment therefor.
4. The recognition of the American Federation of State, County and Municipal Employees, District Council 84, Local 2719 (AFSCME 2719); the American Federation of State, County and Municipal Employees, District Council 84, Local 2037 (AFSCME 2037); and the Pittsburgh Joint Collective Bargaining Committee (the "PJCBC") as collective bargaining agent for the employees of the Authority previously employed by the City and members of these unions.
5. The establishment of a coordinated bargaining committee among the City, AFSCME 2719, AFSCME 2037 and the Pittsburgh Water and Sewer Authority for purpose of collective bargaining
6. The incorporation of all the provisions of Resolution No. 15 of 1995 adopted by the Board of the Pittsburgh Water and Sewer Authority on January 13, 1995.

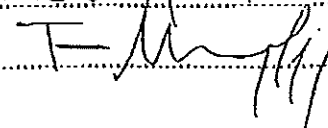
SECTION 2. Any Resolution or Ordinance or part thereof conflicting with the provisions of this Resolution is hereby repealed so far as the same affects this Resolution.

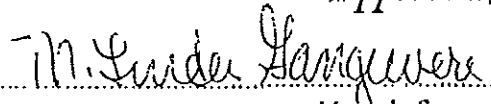
Enacted in Council, this 17th day of January A.D. 19 95

Attest: 
Clerk of Council.


President of Council.

Mayor's Office January 24 19 95

Approved: 
Mayor

Attest: 
Mayor's Secretary.

Recorded in Resolution Book, Vol. 129 Page 8, 25th day of Jan 19 95

JAN 26 1995

EFFECTIVE DATE

TUS-I-R6 Attach E

JAN 24 1995

No. 12 App. 95FILE OF COUNCIL
SERIES 1995FILE NO. 6BILL NO. 1420

Presented by Mr. Ricciardi, December 13, 1994

In Committee on Public Works, Water and Environmental Services,

January 11, 1995

Affirmatively Recommended

EFFECTIVE DATE: JAN 26 1995

RESOLUTION authorizing the Mayor and the Director of Water Department to execute a Cooperation Agreement and amendments thereto with the Pittsburgh Water and Sewer Authority to provide for the creation of a fully operating Authority.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF PITTSBURGH AS FOLLOWS:

SECTION 1. The Mayor and the Director of the Department of Water are hereby authorized to execute, on behalf of the City of Pittsburgh and in a form approved by the City Solicitor, a Cooperation Agreement with the Pittsburgh Water and Sewer Authority providing for:

1. The termination of the City's status as an agent for the Authority.
2. The amendment and restatement of the terms of the Lease and Management Agreement dated March 29, 1984.
3. The provision of certain services to the Authority by the City and payment therefor.

4. The recognition of the American Federation of State, County and Municipal Employees, District Council 84, Local 2719 (AFSCME 2719); the American Federation of State, County and Municipal Employees, District Council 84, Local 2037 (AFSCME 2037); and the Pittsburgh Joint Collective Bargaining Committee (the "PJCBC") as collective bargaining agent for the employees of the Authority previously employed by the City and members of these unions.

5. The establishment of a coordinated bargaining committee among the City, AFSCME 2719, AFSCME 2037 and the Pittsburgh Water and Sewer Authority for purpose of collective bargaining

SECTION 2. Any Resolution or Ordinance or part thereof, conflicting with the provisions of this Resolution is hereby repealed so far as the same effects this Resolution.

No.

269

App.

APR 18 1995⁹⁵

FILE OF COUNCIL

SERIES 1995

FILE NO. 209

BILL NO. 1823

Presented by Mr. Ricciardi, April 4, 1995

In Committee on Public Works, Water & Environmental Services, April 10, 1995

Affirmatively Recommended

EFFECTIVE DATE: APR 24 1995

RESOLUTION authorizing a Cooperation Agreement and amendments thereto with the Pittsburgh Water and Sewer Authority to provide for the creation of a fully operating authority.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF PITTSBURGH AS FOLLOWS:

SECTION 1. The Mayor is hereby authorized to execute, on behalf of the City of Pittsburgh and in final form approved by the City Solicitor, a Cooperation Agreement with the Pittsburgh Water and Sewer Authority (the "Authority") providing for

1. The provision of certain services to the Authority by the City and payment therefore.
2. The recognition of the American Federation of State, County and Municipal Employees, District Council 84, Local 2719 (AFSCME 719); the American Federation of State, County and Municipal Employees, District Council 84, Local 2037 (AFSCME 2037); and the Pittsburgh Joint Collective Bargaining Committee (the "PJCBC") as collective bargaining agent for the employees of the Authority previously employed by the City and members of these unions.
3. The establishment of a coordinated bargaining committee among the City, AFSCME 2719, AFSCME 2037 and the Pittsburgh Water and Sewer Authority for purpose of collective bargaining.

SECTION 2. Any Resolution or Ordinance or part thereof, conflicting with the provisions of this Resolution is hereby repealed so far as the same effects this Resolution.

Passed in Council APR 11 1995

Approved APR 18 1995

TOM MURPHY

Recorded MAYOR 129 page 106
in City Clerk's Office.

TUS-I-R6 Attach E
No. 270 App. APR 18 1995 95

FILE OF COUNCIL

SERIES 1995

FILE NO. 210BILL NO. 1824

Presented by Mr. Ricciardi, April 4, 1995

In Committee on Public Works, Water & Environmental Services, April 10, 1995

Affirmatively Recommended

EFFECTIVE DATE: APR 24 1995

RESOLUTION authorizing a Capital Lease Agreement and amendment thereto with the Pittsburgh Water and Sewer Authority to provide for the rental of the Water and Sewer System by the Authority and the option to acquire and the terms thereof.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF PITTSBURGH AS FOLLOWS:

SECTION 1. The Mayor and the Director of Finance are hereby authorized to execute, on behalf of the City of Pittsburgh and in final form approved by the City Solicitor, a Capital Lease Agreement with the Pittsburgh Water and Sewer Authority (the "Authority") providing for

1. Termination of the Lease and Management Agreement dated as of March 1, 1984, between the City and the Authority.
2. Total rent to the City in the amount of not less than \$75,000,000, such amount to be due in full in the initial three years of the Agreement.
3. The term of the Agreement shall be not less than thirty (30) years; at the expiration of the term, the Authority shall have the option to acquire the Water and Sewer System from the City in consideration of the payment of \$1.00.

SECTION 2. Any Resolution or Ordinance or part thereof, conflicting with the provisions of this Resolution is hereby repealed so far as the same effects this Resolution.

Passed in Council APR 11 1995Approved APR 18 1995**TOM MURPHY**Recorded in R.B. 129 page 206
in City Clerk's Office.

RESOLUTION NO. 47 OF 1995

Providing for Authorization, Issuance and Sale of Water and Sewer System Subordinated Revenue Bonds and Execution of all Financing Documents and Certificates for the purpose of Providing Funds for Acquisition of Capital Assets; Authorizing a Cooperation Agreement with the City of Pittsburgh; Authorizing a Capital Lease Agreement

WHEREAS, the Pittsburgh Water and Sewer Authority (the "Authority") is a public body, politic and corporate, exercising public powers of the Commonwealth of Pennsylvania as an authority thereof, duly organized and validly existing under the provisions of the Municipality Authorities Act of 1945, Act of May 2, 1945, P.L. 382, as amended; and

WHEREAS, the Authority was established in 1984 for the purpose of assuming responsibility for operating, maintaining and improving the water supply distribution and waste water collection system in the City of Pittsburgh (the "Water and Sewer System"); and

WHEREAS, the Authority has previously entered into a Lease and Management Agreement dated as of May 1, 1984 (the "Lease and Management Agreement") for the lease of the Water and Sewer System from the City of Pittsburgh (the "City") and pursuant to which, subject to the general supervision, direction and control of the Authority, the City operates and maintains the Water and Sewer System as the Authority's agent; and

WHEREAS, the Lease and Management Agreement obligates the Authority to make certain annual payments to the City (the "City Amounts"); and

WHEREAS, in order to reduce the costs to the Authority, the Authority desires to acquire the Water and Sewer System pursuant to the terms of a Capital Lease Agreement, referred to herein and to redefine the operational services which are to be provided by the City to the Authority; and

WHEREAS, the Authority has determined that, assuming the requirements hereinafter set forth are met, it is in the best interest of the Authority to issue its Water and Sewer Subordinated Revenue Bonds (the "Bonds") in an aggregate issuance (proceeds) amount not to exceed \$125,000,000 in order to provide funds to make the above-described capital acquisition, to fund necessary reserve funds and to pay all fees and expenses incurred in connection therewith, including certain insurance premiums, surety bond fees, if any, and costs of the necessary consulting engineer's report, upon the conditions set forth herein; and

WHEREAS, the Bonds will be issued pursuant to a Subordinate Trust Indenture, referred to herein as the "Subordinate Indenture"; and

WHEREAS, the Bonds will be secured by a subordinate pledge to the Trustee of the receipts and revenues of the Authority (as defined in the Subordinate Trust Indenture), together with funds held under the Subordinate Indenture; such pledge being subordinate to the pledge by the Authority granted

pursuant to the existing Trust Indenture dated as of October 15, 1993 between the Authority and PNC Bank, National Association, as trustee; and

WHEREAS, in order to acquire the System and restructure the relationship between the Authority and the City it will be necessary for the Authority and the City to (1) terminate the existing Lease and Management Agreement, (2) enter into a Capital Lease Agreement providing the terms of acquisition of the Water and Sewer System by the Authority and (3) enter into a Cooperation Agreement providing for the City's undertaking to provide certain services for the Authority; and

WHEREAS, the Authority anticipates that it will be economically advantageous for the Bonds to be secured by a bond insurance policy to be issued by a bond insurer (the "Bond Insurer") pursuant to a "Commitment for Municipal Bond Insurance" (the "Commitment"); and

NOW, THEREFORE, BE IT

RESOLVED, that the Authority hereby determines to sell the Bonds by a public sale upon invitation (competitive bid).

RESOLVED, that the Capital Financing Committee made up of Paul Hennigan, Cliff Merckell and Dr. Rowan Miranda, as established by Board motion at the meeting of March 10, 1995, (the "Finance Committee") is hereby appointed the representative of the Board (1) to approve final terms of the request for proposal for purchase of the Bonds, as prepared by the Financial Advisor and acceptable to Disclosure Counsel, including but not limited to designation of series, maturities and call provisions, and (2) to review the proposals received to determine the highest conforming bid.

RESOLVED, that the Financial Advisor is hereby authorized and directed to solicit bond insurance for the Bonds and to solicit proposals for the purchase of the Bonds upon terms and conditions acceptable to the Finance Committee.

RESOLVED, that the Chairman, the Vice Chairman or any member of the Finance Committee be, and hereby is, authorized and directed to execute and thereby accept on behalf of the Authority a proposal to purchase the Bonds, as determined by the Finance Committee; provided, however, that the issuance (proceeds) amount does not exceed \$125,000,000, the average interest rate does not exceed 7.00%, the net annual debt service payments on the Bonds (after credit for earnings on related reserve funds) is not in excess of the amounts shown on Schedule A attached hereto by more than \$5,000 in any one year and the final maturity of the Bonds is not later than September 1, 2026. Upon execution and acceptance of the purchase proposal, the following provisions shall become effective.

RESOLVED, that the Authority hereby authorizes the preparation of a Preliminary Official Statement to be used in connection with the sale of the Bonds and authorizes and approves its distribution and use in connection therewith in such form as shall be approved by Disclosure Counsel.

RESOLVED, that the Authority hereby authorizes the distribution and use of an Official Statement in connection with the sale of the Bonds and authorizes the Chairman, the Vice Chairman or any member of the Finance Committee to execute the Official Statement; such Official Statement to contain only such changes from the Preliminary Official Statement as shall be approved by the Finance Committee, such approval to be conclusively evidenced by the execution thereof by the board member.

RESOLVED, that in order to provide for the issuance of the Bonds and to establish the terms and conditions upon which the Bonds may be issued and delivered, and the terms and conditions upon which said Bonds are secured, the Authority shall execute and deliver to PNC Bank, National Association, as Trustee a Subordinate Trust Indenture in form and substance satisfactory to the members of the Finance Committee, such approval to be conclusively evidenced by the execution thereof of such board member.

RESOLVED, that the Chairman, the Vice Chairman or any member of the Finance Committee, and each of them hereby is authorized and directed to execute the Subordinate Trust Indenture in the name and on the behalf of the Authority and to acknowledge the same to be the act and deed of the Authority and the Secretary or Assistant Secretary of the Authority be and each of them hereby is, authorized and directed to affix the seal of the Authority to the Subordinate Trust Indenture when so executed, and to attest the same, and said officers or any of them be, and they hereby are, authorized and directed to deliver the Subordinate Trust Indenture to PNC Bank, National Association, as Trustee.

RESOLVED, that the Chairman, the Vice Chairman or any member of the Finance Committee and each of them hereby are authorized and directed to direct the Trustee to authenticate the Bonds and to deliver the Bonds when so authenticated, to the purchaser upon receipt therefor of the purchase price shown in the accepted purchase proposal.

RESOLVED, that the Chairman, the Vice Chairman or any member of the Finance Committee is hereby authorized and directed to execute the Bonds or to cause the Bonds to be imprinted with a facsimile of his signature and the Secretary or the Assistant Secretary of the Authority is hereby authorized and directed to cause to be affixed or imprinted upon the Bonds the corporate seal of the Authority, or a facsimile thereof, and to attest said seal or facsimile by his signature, or a facsimile thereof.

RESOLVED, that the Authority hereby approves and authorizes the execution and delivery of the Capital Lease Agreement, substantially in the form presented at this meeting, with such changes acceptable to the board member executing the same providing for payments to be made by the Authority to the City in an amount not greater than the maximum amount that can be financed (proceeds net of reserve funds and costs) with a bond issue having annual net debt service payments (after credit for earnings on related funds) no greater than the amounts set forth on Schedule A attached hereto plus \$5,000 (rounding amount) for any year. Such amount shall be payable during the initial three years as set forth in the Capital Lease Agreement, with transfer of title to the Authority at termination (on or about September 1, 2025) upon payment of \$1.00 and otherwise in form and substance satisfactory to the members of the Financial Committee, such approval to be conclusively evidenced by the execution thereof; and the Chairman, Vice Chairman or any member of the Finance Committee and each of them is authorized and directed to execute the Capital Lease Agreement in the name and on behalf of the Authority and any other officer of the Authority is authorized and directed to affix the seal of the Authority to the Capital Lease Agreement and to attest the same and cause the Capital Lease Agreement to be delivered.

RESOLVED, the Authority authorizes the execution and delivery of one or more investment agreements to provide for the investment of moneys under the Subordinate Trust Indenture.

RESOLVED, that the Authority hereby approves and authorizes the execution and delivery of the Cooperation Agreement substantially in the form presented at this meeting with such changes as acceptable to the board member executing the same, and the Chairman, Vice Chairman or any member of the Finance Committee and each of them is authorized and directed to execute the Cooperation Agreement in the name and on behalf of the Authority and any other officer of the Authority is authorized and directed to affix the seal of the Authority to the Cooperation Agreement and to attest the same and cause the Cooperation Agreement to be delivered.

RESOLVED, that PNC Bank, National Association, be and it hereby is appointed Trustee for the Bonds; Doepken Keevican Weiss & Medved and Kutak Rock are appointed Bond Counsel; Babst Calland Clements & Zomnir, P.C. and Ford & Council are appointed Disclosure Counsel; Chester Environmental is confirmed as consulting engineer to prepare the necessary engineer's report; Wheat First Butcher Singer is confirmed as Financial Advisor, and Maher Duessel is appointed accountant for purposes of providing necessary accounting services.

RESOLVED, that the Chairman, Vice Chairman, Secretary, Treasurer, Assistant Secretary Treasurer, Executive Director and Controller of the Authority are hereby authorized to execute and deliver any and all other certificates, instruments and documents, including financing statements and a commitment and policy for bond insurance, and to take all such other actions as may be necessary or appropriate to carry out and consummate the transactions contemplated by this Resolution, or as may be required by the Indenture and the purchase proposal, including, but not limited to, the issuance of the Bonds.


RESOLVED, that the proper officers of the Authority are hereby authorized to pay, or cause the Trustee to pay, upon the approval of the Chairman or Vice Chairman or Finance Committee, all fees and expenses incurred by the Authority in connection with the issuance of the Bonds and the other transactions contemplated in this Resolution.

RESOLVED, that neither the credit nor the taxing power of the City of Pittsburgh or the Commonwealth of Pennsylvania is pledged for the payment of the Bonds; nor shall the Bonds be deemed an obligation of said City or Commonwealth or any political subdivision thereof.

RESOLVED, that no recourse shall be had for the payment of the Bonds or for any claim based on the Bonds, the Indenture, the purchase proposal, the Preliminary Official Statement, the Official Statement, or the other documents mentioned herein, against any member, officer, or employee, past or present or future of the Authority, or of any successor body, either directly or through the Authority or any such successor body, whether by virtue of any constituted provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of such members, officers or employees being released as a condition of the issuance of the Bonds.

All resolutions or parts of resolutions inconsistent herewith are hereby rescinded, cancelled and annulled.

DULY ADOPTED AT A REGULAR
MEETING OF THE PITTSBURGH
WATER AND SEWER AUTHORITY
HELD ON MARCH 31, 1995.


Secretary

SCHEDULE A

Projected Schedule of Payments due pursuant to the Lease and Management Agreement dated as of March 1, 1984.

City of Pittsburgh



DEPARTMENT OF WATER

JOHN C. MILLER
DIRECTOR

Pennsylvania

December 5, 1973

Re: Legislation
Agreement
Western Pennsylvania Water Company

President & Members of Council
CITY OF PITTSBURGH

Gentlemen:

Attached is a proposed ordinance authorizing the Mayor and the Director of the Department of Water to enter into a new agreement with the Western Pennsylvania Water Company (formerly South Pittsburgh Water Company) to supply water service to certain consumers in the City of Pittsburgh through facilities of the Western Pennsylvania Water Company.

The proposed agreement is required due to the termination of the present agreement between the City and Western Pennsylvania Water Company effective February 1, 1974.

Very truly yours,

A handwritten signature in cursive script, appearing to read "John C. Miller".

John C. Miller
D I R E C T O R
DEPARTMENT OF WATER

Attachments

No. 675

AN ORDINANCE

PROVIDING FOR AN AGREEMENT WITH THE WESTERN PENNSYLVANIA WATER COMPANY (formerly South Pittsburgh Water Company) FOR THE PURCHASE OF WATER BY THE CITY OF PITTSBURGH AND FOR THE SUPPLYING OF WATER TO CERTAIN WATER CONSUMERS IN THE CITY OF PITTSBURGH THROUGH FACILITIES OF THE WESTERN PENNSYLVANIA WATER COMPANY.

The Council of the City of Pittsburgh hereby enacts as follows:

Section 1.

THE MAYOR AND THE DIRECTOR OF THE DEPARTMENT OF WATER, ON BEHALF OF THE CITY OF PITTSBURGH, ARE HEREBY AUTHORIZED TO ENTER INTO AN AGREEMENT, IN FORM APPROVED BY THE CITY SOLICITOR, WITH THE WESTERN PENNSYLVANIA WATER COMPANY (formerly South Pittsburgh Water Company) FOR THE PURCHASE OF WATER BY THE CITY OF PITTSBURGH AND FOR THE SUPPLYING OF WATER TO CERTAIN WATER CONSUMERS IN THE CITY OF PITTSBURGH THROUGH FACILITIES OF THE WESTERN PENNSYLVANIA WATER COMPANY.

SECTION 2 That any Ordinance or part of Ordinance, conflicting with the provisions of this Ordinance, be and the same is hereby repealed so far as the same affects this Ordinance.

Ordained and enacted into a law in Council, this 27th day of

December A. D. 1923

Lewis Mason
President of Council.

Attest: Louis C. Du Nard
Clerk of Council.

Mayor's Office December 27 1923

Approved: [Signature]


Attest: Annex Medynski
Mayor's Secretary.

Mayor.

Recorded in Ordinance Book, Vol 24 Page 179, 271 day of Dec 1923.

PITTSBURGH WATER AND SEWER AUTHORITY

TO: Paul Hennigan, Director
Department of Finance

FROM: Gregory Tutsock 
Acting Executive Director

DATE: June 20, 1996

SUBJECT: ELIMINATION OF SUBSIDY FOR PAWC CUSTOMERS

As requested, outlined below are the issues related to elimination of the subsidy the City of Pittsburgh ("City")/ Pittsburgh Water and Sewer Authority ("PWSA") pays for City residents who are PAWC customers.

1. Pursuant to Ordinance No. 675, the City of Pittsburgh entered into an agreement with the Western Pennsylvania Water Company predecessor to Pennsylvania American Water Company (hereafter "PAWC") by which the City agreed to reimburse PAWC for the difference between PAWC's water rates and the City's (now PWSA) rates. A copy of the agreement is attached.
2. Pursuant to the Cooperation Agreement between the City of Pittsburgh and the PWSA effective January 1, 1995, the PWSA agreed to reimburse the City for said payments. (The PWSA has been paying PAWC directly.)
3. To eliminate or alter the agreement between the City and PAWC would require that the City invoke the termination provisions of the Agreement. Such provisions require that the terminating party give the other party written notice six (6) calendar months prior to the expiration of the then current term. The process for such termination should be reviewed by the City Solicitor to determine what actions are required by the City to effectuate modifications or termination of the contract as this may require the approval of City Council.
4. It must also be determined if elimination of the subsidy would violate any of the various agreements that incorporated the former independent southern boroughs or municipalities into the City.
5. The PWSA has no ability and/or standing to terminate the agreement between the City and PAWC. However, the PWSA is more than willing to assist in the process.

If you have any questions or wish to discuss this further please let me know.

West Penn Water

A G R E E M E N T

Entered into this 28th day of December, 1973.

by and between the CITY OF PITTSBURGH, a municipal corporation of the Commonwealth of Pennsylvania, party of the first part, hereinafter sometimes referred to as the "CITY"

AND

WESTERN PENNSYLVANIA WATER COMPANY, Pittsburgh District, successor to South Pittsburgh Water Company by change of corporate title, a corporation of the Commonwealth of Pennsylvania, party of the second part, hereinafter sometimes referred to as the "WATER COMPANY"

WHEREAS, the Water Company supplies water and water services to its customers in certain parts of the City south and west of the Monongahela River; and

WHEREAS, the City is the owner of a waterworks plant, distribution system and facilities used in supplying water service to its customers in that portion of the City to the north and east of the Monongahela River; and

WHEREAS, under and by virtue of an Agreement dated August 13, 1958, the City has been purchasing water from the Water Company for resale to those customers of the Water Company who live in the section of the City south and west of the Monongahela River, a copy of which Agreement is attached hereto as Exhibit "A"; and

WHEREAS, the City has, under date of July 25, 1972, through its City Treasurer, City Solicitor and Director of the Department of Water, ~~notified the Water Company, pursuant to the~~ six-month termination clause of Paragraph 7 of the 1958 Agreement, that the 1958 Agreement is terminated, effective as of February 1, 1973, and subsequently the termination date was extended by mutual agreement to June 1, 1973, and was further extended to be terminated effective as of February 1, 1974; and

West Penn Water

A G R E E M E N T

Entered into this 28th day of December, 1973.

by and between the CITY OF PITTSBURGH, a municipal corporation of the Commonwealth of Pennsylvania, party of the first part, hereinafter sometimes referred to as the "CITY"

AND

WESTERN PENNSYLVANIA WATER COMPANY, Pittsburgh District, successor to South Pittsburgh Water Company by change of corporate title, a corporation of the Commonwealth of Pennsylvania, party of the second part, hereinafter sometimes referred to as the "WATER COMPANY"

WHEREAS, the Water Company supplies water and water services to its customers in certain parts of the City south and west of the Monongahela River; and

WHEREAS, the City is the owner of a waterworks plant, distribution system and facilities used in supplying water service to its customers in that portion of the City to the north and east of the Monongahela River; and

WHEREAS, under and by virtue of an Agreement dated August 13, 1958, the City has been purchasing water from the Water Company for resale to those customers of the Water Company who live in the section of the City south and west of the Monongahela River, a copy of which Agreement is attached hereto as Exhibit "A"; and

WHEREAS, the City has, under date of July 25, 1972, through its City Treasurer, City Solicitor and Director of the Department of Water, notified the Water Company, pursuant to the six-month termination clause of Paragraph 7 of the 1958 Agreement, that the 1958 Agreement is terminated, effective as of February 1, 1973, and subsequently the termination date was extended by mutual agreement to June 1, 1973, and was further extended to be terminated effective as of February 1, 1974; and

WHEREAS, the City desires to continue to subsidize the Customers, as that term is defined herein; and

WHEREAS, the parties hereto deem it appropriate to enter into a new agreement relative to the furnishing of water and water service to the Customers as that term is defined herein, subject to the filing and approval of such agreement with the Public Utility Commission of Pennsylvania, in accordance with Section 11 of the Public Utility Law (1937, May 28, P. L. 1053, art. IX, § 911; 86 P.S. § 1351);

NOW, THEREFORE, THIS AGREEMENT WITNESSETH, That in consideration of the covenants and agreements herein contained, it is hereby agreed that:

1. The Water Company shall continue to furnish water service to its customers in City Wards 29 through 32, inclusive, and in those portions of City Wards 16, 18, 19, 20 and 28 which are in certificated charter area of the Water Company, who now or hereafter are connected to the water lines of the Water Company in said areas (said customers being herein called the "Customers"). Quantities of water so purchased will be determined on the basis of meters of the Water Company located on the premises of the Customers.

2. The work of reading the meters of the Customers shall be performed by the Water Company; and the Water Company shall render to each and every Customer monthly and/or quarterly statements, including final statements, of such meter readings together with a billing statement setting forth the amounts charged in accordance with the existing tariff and schedule of rates of the Water Company, as supplemented, amended or changed from time to time (including private fire protection). ~~Such billings by the Water Company shall contain a column marked C.A. (City Adjustment) which will reflect the amount to be paid on behalf of the Customer by the City. Said amount will be the difference, if any, between the Water Company bill calculated on the~~

~~current Water Company rates and a bill calculated on the current water rate schedule of the City.~~ It is specifically understood that the ~~Customer shall be and continue to be directly liable to the Water Company for all water services billed the Customer by the Water Company~~ in accordance with the established tariff rates of the Water Company; ~~provided, however, that in the event payments are made by the City pursuant to this agreement the Customer shall receive credit for such payment.~~ In no event shall the Customer be billed for any water service in an amount in excess of the established tariff rates of the Water Company.

3. The Water Company, at each billing period, shall provide the City with the list of billings to each Customer together with a statement setting forth the difference, if any, in each bill which would have resulted had the Customer been billed on the basis of the schedule of rates currently filed with the Water Company by the City. ~~The City shall pay to the Water Company the total amount of any such difference within 30 days after receipt of the list and statement.~~ The City shall in no event be entitled to any fee, discount or any service charge or any charge of any nature against the Water Company relative to the direct billings and direct sale of water by the Water Company to its Customers served within the corporate limits of the City on and after the extended termination date of February 1, 1974.

4. The City shall have the right, as its own expense, to check any and all of said meter readings from time to time as may be necessary to ascertain the correctness of any billings rendered by the Water Company to the City for the said excess payments due the Water Company by the City; and upon request by the City, the Water Company will test any of said meters in accordance with the rule for meter tests published in its rates, rules and regulations as in effect from time to time.

5. This Agreement does not give the City any control over the Customers or the Water Company's operations within the City; and the Water Company shall have the right to continue to regulate and control the delivery of water and the service to its Customers within the City in accordance with its existing charter rights and any amendments thereto, and in accordance with the rates, rules and regulations of the Water Company as approved from time to time by the Public Utility Commission.

6. It is agreed by the parties hereto that this Agreement, when it becomes fully effective in accordance with law, shall replace and supplant the said existing Agreement of August 13, 1958, identified as Exhibit "A" as annexed hereto, and also the Articles of Agreement between the City and the Water Company entered into on April 28, 1942, as incorporated into the rate schedule of the Water Company, a copy of which is attached hereto as Exhibit "B". It is further agreed that henceforth the City shall pay the Water Company for fire hydrants or fire hydrant services within the said City limits at the rates prescribed by the Water Company's tariff or schedule of established rates, as legally in effect from time to time.

7. It is the intention of the parties that this Agreement shall not become effective before the extended termination date February 1, 1974 of the said present existing Agreement of August 13, 1958, Exhibit "A" annexed hereto, and that such existing Agreement (Exhibit "A") shall continue to be in full force and effect until it has been replaced and supplanted by this Agreement. This Agreement shall become valid, pursuant to Section 911 of the Public Utility Law, thirty (30) days after an executed copy thereof is filed with the Pennsylvania Public Utility Commission or on approval thereof by the said Commission if an investigation is instituted by the Commission within the said period of thirty (30) days. It shall remain in effect

for an original term of two (2) years from and after its effective date or thirty (30) days after the effective date of a City water rate schedule which does not require a subsidy, in which event the Customers shall remain fully liable to the Water Company for the full amount of each billing, in accordance with the Water Company's established water rates, and as amended from time to time. It is hereby agreed that either party hereto may terminate this Agreement at the end of said original two-year term by giving the other party written notice thereof at least six (6) calendar months prior thereto, but in default of such notice this Agreement shall continue upon the same terms and conditions in force immediately prior to the expiration of the term hereof as are herein contained for a further period of one (1) year, and so on from year to year unless or until terminated by either party hereto giving the other written notice thereof six (6) calendar months prior to the expiration of the then current term.

8. The City shall provide to and confirm to the Water Company the names and addresses of all the Customers, together with current rate schedule of the City and any amendments or changes thereto as made from time to time.

9. It is hereby agreed that neither the purpose nor the intent nor the obligation of this contract is such as to impair or in any wise affect the exercise by the Public Utility Commission of the Commonwealth of Pennsylvania of any of the powers vested in it by the Public Utility Law (Act approved May 28, 1937, P. L. 1053, as amended).

10. This contract is entered into by the City by virtue of Ordinance No. 675 duly enacted, approved December 27, 1972, and by the Water Company pursuant to a Resolution of its Board of Directors duly passed on November 21, 1972.

IN WITNESS WHEREOF, the City has caused its corporate seal to be affixed hereto and these presents to be signed by the Mayor and the Director of the Department of Water, and the Water Company has caused its corporate seal to be hereto affixed, attested by its Assistant Secretary, and these presents to be signed by its President, the day and year first above written.

ATTEST

CITY OF PITTSBURGH

Norman Niedzwiedzki By John J. White (Seal)
Mayor

Dorance Niedzwiedzki John J. White
Director of Department of Water

ATTEST

WESTERN PENNSYLVANIA WATER
COMPANY, Pittsburgh District

E. M. Crowley By W. S. Harris (Seal)
Asst. Secretary President

EXAMINED BY W. J. Martin
Deputy City Solicitor

APPROVED AS TO FORM BY Robert L. ...
City Solicitor

COUNTERSIGNED John E. Mc Grady
City Controller

John E. Mc Grady
City Controller



No. _____
RESOLUTION

COPY

RESOLUTION AUTHORIZING AN AMENDMENT TO THE AGREEMENT DATED December 27, 1973 between the City of Pittsburgh and Pennsylvania-American Water Company, as corporate successor to Western Pennsylvania Water Company.

Be it resolved by the Council of the City of Pittsburgh as follows:

Section 1.

WHEREAS, the City is party to an Agreement dated December 28, 1973, with the Western Pennsylvania Water Company, Pittsburgh District (the "1973 Agreement"), providing for the subsidization of certain customers who purchase service from that Company;

WHEREAS, the Council of the City of Pittsburgh has previously adopted Resolution No. 675, on or about December 27, 1973, authorizing this subsidy;

WHEREAS, this subsidy has continued to increase annually since the City entered into the 1973 Agreement;

WHEREAS, the Pennsylvania Public Utility Commission recently authorized an additional increase in the rates of Pennsylvania-American Water Company, corporate successor to the Western Pennsylvania Water Company;

WHEREAS, the City wishes to amend the Agreement to limit in the future the amount of the subsidy authorized by the 1973 Agreement;

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF PITTSBURGH AS FOLLOWS:

SECTION 1. That the City's obligations under the 1973 Agreement between the City of Pittsburgh and the Pennsylvania-American Water Company, corporate successor to the Western Pennsylvania Water Company be amended as follows.

The amount of such subsidy that the City agrees to pay as set forth in Paragraph 2 of the 1973 Agreement shall be in accordance with Pennsylvania-American Water Company Tariff Water - Pa. P.U.C. No. 4, and including all supplements up to and through April 1, 1997. Said amount will be no greater than the difference, if any, between a Water Company bill calculated pursuant to the abovementioned tariff and a bill calculated on the current rate schedule of the Pittsburgh Water and Sewer Authority.

SECTION 2. That the Mayor and City Solicitor are authorized to enter into such agreements as needed to effect this Resolution.

**Pittsburgh Water and Sewer Authority
Relationship with Pennsylvania American Water Company**

PWSA Combined Water and Sewer Bill

PAWC Water Bill

Customer	Payment			Customer	Payment
	PWSA Water Rate				
					"Total" PAWC Water Charges

PWSA water and sewer customers

PWSA sewer only customers with water service
from PAWC

PITTSBURGH WATER AND SEWER AUTHORITY**MEMORANDUM**

TO: Joseph Preston Jr., Chairman PWSA
FROM: Gregory Tutsock, Executive Director PWSA
DATE: March 28, 2004
SUBJECT: SUBSIDY REPORT

As requested, following is financial and historical information on the rate subsidy paid by the Pittsburgh Water and Sewer Authority (PWSA) to Pennsylvania - American Water Company (PAWC) on behalf of City residents residing in the South Hills.

HISTORY OF SUBSIDY

In August 1958, the City of Pittsburgh entered into an agreement with the South Pittsburgh Water Company for the purchase and supply of water to the customers within the southern sections of the City. The Water Company would own and maintain the system, and provide the City with meter readings every quarter. The City would bill the customers and remit a discounted bulk payment to the Water Company. As best as can be determined at the time of the agreement, the rates charged by the Water Company were slightly less than the City rate. Factoring in the discount and the cost of billing and customer service the City would have generated revenues in excess of their costs. This arrangement remained in effect until the sale of the Water Company to the Western Pennsylvania Water Company in the early 70's.

1. Pursuant to Ordinance No. 675, approved December 27, 1972, the City of Pittsburgh (CITY) entered into an agreement (attached), with the Western Pennsylvania Water Company, predecessor to PAWC, which required the CITY to reimburse the Water Company the difference between water rates charged by the CITY and the water Company. These were originally referred to as equalization payments.
2. Beginning in 1985 the PWSA, as set forth in the Lease Management Agreement began reimbursing the CITY for the costs of operating the Department of Water. At that time, the Department of Water was responsible for budgeting and paying the subsidy to PAWC.
3. Pursuant of the Cooperation Agreement between the CITY and PWSA, effective January 1, 1995, the PWSA agreed to reimburse the CITY for the subsidy payments. The City subsequently requested that the Authority pay PAWC directly. See attached.

4. Since 1984, PWSA has directly or indirectly paid over \$50 million to PAWC. A yearly breakdown is attached.
5. Between 1985 and 1995, PAWC was contractually obligated to purchase 4 million gallons of water a day from the PWSA. This generated approximately \$2 million in revenue per year for the PWSA. As of September 30, 1995, PAWC ended the agreement. Currently PAWC only takes PWSA water on an as needed basis.

ELIMINATION OR MODIFICATION OF THE SUBSIDY

To eliminate or alter the agreement between the City and PAWC would require that the City invoke the termination provisions of the Agreement. Such provisions require that the terminating party give the other party written notice six (6) calendar months prior to the expiration of the then current term. The process for such termination should be reviewed by the City Solicitor to determine what actions are required by the City to effectuate modifications or termination of the contract as this may require the approval of City Council.

1. It must also be determined if elimination of the subsidy would violate any of the various agreements that incorporated the former independent southern boroughs or municipalities into the City.
2. The PWSA has no ability and/or standing to terminate the agreement between the City and PAWC. However, the PWSA is more than willing to assist in the process.
3. Previous attempts to cap (1997) or eliminate (2001) the subsidy have met resistance at City Council. PAWC has however continued to receive double-digit rate increase with no opposition from City Council or other elected officials representing the South Hills sections of the City.

If you have any questions or wish to discuss this further please let me know.

JACK WAGNER
42ND DISTRICT

HARRISBURG OFFICE
SENATE BOX 203042
HARRISBURG, PA 17120-3042
(717) 787-5300
FAX: (717) 772-5484

E-MAIL ADDRESS: wagner@dem.pasen.gov

DISTRICT OFFICE
1333 BANKSVILLE ROAD
SUITE 202
PITTSBURGH, PA 15216-3301
(412) 565-7974
FAX: (412) 565-7980

DISTRICT OFFICE
KENNEDY TOWNSHIP
1789 PINE HOLLOW ROAD
MCKEES ROCKS, PA 15136-1575
(412) 442-5836
FAX: (412) 442-5839



Senate of Pennsylvania

March 2, 1998

Greg

COMMITTEES

LAW AND JUSTICE - MINORITY CHAIRMAN

ENVIRONMENTAL RESOURCES AND ENERGY
URBAN AFFAIRS AND HOUSING
JUDICIARY
ETHICS

Members, Pittsburgh City Council
CITY OF PITTSBURGH
Room 510, City-County Building
Pittsburgh, Pennsylvania 15219

COPY

IN RE: Public Hearing
City of Pittsburgh / Pennsylvania American Water Company

Dear Council Members:

Thank you for the opportunity to testify at the Public Hearing on Thursday, February 12, 1998 regarding a proposed amendment changing the agreement between the City of Pittsburgh and the Pennsylvania American Water Company. Many of you brought up excellent points concerning the inequity that would exist if this proposal were to pass.

The bottom line related to this entire issue is that residents of the City of Pittsburgh south and west of the rivers would be required to pay more for water and, therefore, would be treated unfairly in comparison to residents north and east that presently purchase City of Pittsburgh water. As you know, an agreement has been in place for approximately 25-years to ensure that all residents of the City of Pittsburgh pay the same for water. When the Water and Sewer Authority was created in 1984, then Mayor Richard Caliguiri made a public commitment to keep equal water rates for

Members, Pittsburgh City Council
March 2, 1998
Page Two

all city residents. Unfortunately, this proposal put forth by the Administration would require residents south and west of the City to pay more.


I want to thank each and every one of you for taking the time to further analyze this proposal. It is my strong opinion, and I believe many of yours that this proposal is not in the best interest of having a unified city where all residents are treated equal regarding this critical life sustaining product -- water.

Sincerely,


JACK WAGNER

JW:tjb

cc: ~~The~~ Honorable Tom Murphy
Members, Pittsburgh Water & Sewer Authority
The Honorable Jay Costa, Jr.
The Honorable Frank J. Gigliotti
The Honorable Thomas C. Petrone
The Honorable William R. Robinson
The Honorable Harry A. Readshaw
The Honorable Don Walko



post-gazette.com

PG News

Click here to send us
News Tips

PG Home

PG News

Sports

A&E

Photo Journal

AP Wire

Business

Classifieds

Cars

Weather

Lifestyle

Search

PG Store

PG Delivery

Nation & World	Region & State	Neighborhoods	Business & Technology
Sports	Health & Science	Magazine	Editorial Opinion

None on council interested in killing water rate subsidy

Saturday, August 25, 2001

By Mark Belko, Post-Gazette Staff Writer

Coming off its summer recess, City Council was in no mood to cut off subsidies to residents in the city's southern neighborhoods who get their water from a private company rather than the Pittsburgh Water and Sewer Authority.

Councilman Jim Ferlo said yesterday any proposal to end the subsidy would be dead on arrival in council. Councilman Jim Motznik, who represents many of the residents who receive the subsidy, chastised water authority Chairman Joseph Preston for suggesting that the city drop the reimbursement, saying his comments were "disturbing."

The 29-year-old subsidy once again has become an issue because Pennsylvania-American Water Co., which supplies about 28,000 homes and businesses in the city's southern neighborhoods, has proposed a 12.4 percent statewide increase next year.

If approved, the increase would raise the subsidy paid by the water authority by roughly \$1 million, to \$4.6 million, in 2002. The city authority has yet to determine how to pay for the increase, which conceivably could raise rates for the vast majority of city residents covered by the city authority.

The situation prompted Preston to urge city government to at least revisit the subsidy and to perhaps eliminate it entirely. He pointed out that the city does not subsidize electric or gas bills.

That didn't sit well with Motznik, who said at yesterday's council meeting that the proposed Pennsylvania-American rate increase is a reason to keep the subsidy, not eliminate it.

"It's in place to treat our residents equally," he said.

Councilman Sala Udin said the city should look into "price controls" on water rate increases, adding that he is not sure the proposed increase is

post-gazette.com

Headlines by E-mail

"justifiable." Pennsylvania-American Water Co. has said it needs the increase to defray \$200 million in infrastructure improvements it has made.

Udin also suggested that the city consider the possibility of building its own water system to serve residents of the southern neighborhoods. He said the costs could be less expensive in the long run than continuing the subsidies, which cost the city \$44.8 million from 1985 to 2001.

Council President Bob O'Connor said he would call a meeting with representatives of the water authority to discuss the subsidy issue and to let them know "loud and clear" that council is not in favor of ending the subsidies.

Ferlo suggested that the authority consider selling city water to other communities to help pay for the subsidies.



post-gazette.com



Jump

Contact Us

Search

Site Map

Help

About PG

New

Corrections

Copyright © 1997-2004 PG Publishing. All rights reserved.

[Click here for Terms of Use and Privacy Policy.](#)

PITTSBURGH WATER AND SEWER AUTHORITY

MEMORANDUM

Board Correspondence

✓ Rates

TO: All Board Members

FROM: Gregory Tutsock *GT/vc*

DATE: May 14, 2001

SUBJECT: Updates re: Rates and Rate Subsidy

As requested at the Board Meeting last Friday, attached are copies of the reports listed above for your information and review.

Please feel free to call me if you need further information.

Attachments

Misc/updates re rates and rate subsidy

12/28/00

Page 1

**PITTSBURGH WATER AND SEWER AUTHORITY
RATE INCREASES BY YEAR**

Effective Date	% Inc.	Per 1,000 Gallon Charge			
		Residential	Commercial	Industrial	Health & Education
May 1, 1984	14.00%	*	*	*	
August 1, 1985	4.00%	\$1.44	\$1.42	\$1.32	
January 1, 1986	14.00%	\$1.64	\$1.62	\$1.51	
January 1, 1987	19.00%	\$1.95	\$1.93	\$1.80	
January 1, 1988	18.00%	\$2.30	\$2.28	\$2.12	
January 1, 1989	5.00%	\$2.42	\$2.39	\$2.23	
January 1, 1990	5.00%	\$2.54	\$2.51	\$2.34	
January 1, 1991	5.00%	\$2.66	\$2.64	\$2.46	
January 1, 1992	8.50%	\$2.89	\$2.86	\$2.67	
January 1, 1993	3.50%	\$2.99	\$2.96	\$2.76	
January 1, 1994	4.00%	\$3.11	\$3.08	\$2.87	
September 27, 1994	9.50%	\$3.42	\$3.38	\$3.14	
October 1, 1995	9.90%	\$3.76	\$3.71	\$3.45	
October 1, 1996	0.00%**	\$3.76	\$3.71	\$3.45	
January 1, 1997	0.00%	\$3.76	\$3.71	\$3.45	
April 1, 1998	2.50%	\$3.85	\$3.79	\$3.54	
January 1, 1999	2.50%***	\$3.95	\$3.88	\$3.63	\$5.31
January 1, 2000	0.00%	\$3.95	\$3.88	\$3.63	\$5.31
January 1, 2001	0.00%	\$3.95	\$3.88	\$3.63	\$5.31

* Rate Structure in 1984 was based on Quarterly Consumption not Classification

** Originally 9.9% - Rescinded by PWSA Board

*** Health and Education Classification Created by PWSA Board - February 1999

RATE SUBSIDY PAID TO PAWC BY PWSA
1985 THROUGH 2001

1985	\$2,522,706
1986	\$2,877,316
1987	\$2,851,354
1988	\$2,317,409
1989	\$2,333,896
1990	\$2,420,346
1991	\$2,489,633
1992	\$2,848,897
1993	\$2,852,638
1994	\$2,831,697
1995	\$2,085,000
1996	\$1,670,000
1997	\$2,260,000
1998	\$2,525,514
1999	\$2,771,000
2000	\$3,547,920
(Projected) 2001	<u>\$3,600,000</u>
TOTAL	\$44,805,326



SEP 11 1997

City of Pittsburgh

Tom Murphy
Mayor

Department of Law

Jacqueline R. Morrow
City Solicitor

MEMORANDUM

TO: David Miller
Director
Office of the Budget

FROM: Rodney R. Akers
Assistant City Solicitor

DATE: September 10, 1997

RE: Pennsylvania-American Water Company Agreement – Subsidy Cap Legislation

Please find enclosed for your review the revised final version of proposed legislation to cap the annual subsidy paid to the Pennsylvania-American Water Company. Please disregard all earlier versions of this legislation. Dawn Botsford of the Pittsburgh Water & Sewer Authority has indicated her concurrence with the Section 1 language.

Please advise if there are further questions or concerns.

Enclosure

cc: Jacqueline R. Morrow, Esq. (w/ enclosure)
Timothy K. Equels (w/ enclosure)
Dawn A. Botsford, Esq. (w/ enclosure)

HIGHLIGHTS OF PUBLIC HEARING PAWC SUBSIDY CAP

Director Equels and Greg Tutsock presented PWSA's position of subsidy including history, cost and impact of cap.

Councilman Ferlo expressed his desire as to deregulating the water industry and questioned the amount of opposition to the PAWC rate increase requests by the City and PWSA.

Rodney Akers informed council that both the City and PWSA filed objections to the rate increase request and that the difference in rates is not considered when the PIUC makes a ruling.

Councilman Cohen seemed to be opposed to the cap and wanted a chart showing a comparison of PWSA and PAWC rate increases over the past ten years. He was also interested in finding a way to sell our bottled water.

Dick Neubauer from PAWC gave some brief comments on their company and the fact that they are neither for or against the subsidy cap. They get paid either way. He also stated that PWSA rates may some day exceed PAWC rates and the subsidy would disappear. He believes that their rates are competitive both in this area and around the country. Their rates would be lower if they were tax exempt like the PWSA.

Ferlo interjected that PAWC rates would be lower if they did not have to make a profit for their shareholders.

Greg Tutsock also reminded Council that the PWSA rates include moneys for sewer maintenance, something PAWC does not have responsibility for.

Councilman Ricciardi also reminded Council that the PWSA has contributed to a large number of City and URA projects over the years.

Senator Wagner expressed a desire to have a unified system within the City and to have all City residents notified of a PAWC rate increase. He also stated that former Mayor Caliguiri promised he residents of the South Hills that they would not pay rates higher than those of PWSA customers. This was done to obtain support necessary to create the PWSA.

Councilman Onorato is definitely against the cap for similar reasons to Wagner and Ferlo. He also expressed interest in acquisition of PAWC customers.

Director Equels explained in detail what would need to be done administratively, operationally and financially to obtain the PAWC customer base. He also explained the upcoming rate increase and the impact of not having the cap.

O'Connor sated the City and PWSA should determine if it is cheaper to pay the subsidy or purchase the system, and also explore sale of water to PAWC at a deeply discounted price.

Ferlo asked Senator Wagner to explore the legislative possibility of requiring PAWC to purchase water at the cheapest available price in a particular service area. He also asked questions related to the cooperation agreement and the subsidy, which Rodney Akers was to answer.

Overall sense is that there is not much support for the resolution and it should probably be pulled until we can get the support or let it drop altogether

VI. WATER EXONERATION HEARING BOARD:

A. The City shall maintain in existence the Water Exoneration Hearing Board with such changes to its composition as shall be recommended by the Authority and approved by City Council. After hearings, the Board shall recommend to the Authority the manner in which disputes as to rates or service shall be resolved, including recommendations as to exoneration, but the decision of the Board of the Authority shall be final in all such cases, subject to the right of appeal to the Court of Common Pleas under Local Agency Law.

VII. PAYMENTS BY THE AUTHORITY TO THE CITY:

A. The Authority shall reimburse the City for all City Expenses incurred by the City through December 31, 1994, inclusive, for the operation and maintenance of the System in accordance with the provisions of the Lease and Maintenance Agreement dated March 29, 1984.

B. The Authority shall reimburse the City for equalization payments made by the City to the Pennsylvania American Water Company or upon mutual agreement, make such payments directly to the Pennsylvania American Water Company.

C. Beginning January 1, 1995 and for each year thereafter, the City shall budget and pay expenditures required to provide the services under this Cooperation Agreement (including Actual Direct Expenses, Public Works Salaries and Wages and Overhead Expenses). The Authority shall pay the City monthly Actual Direct Expenses, Public Works Salaries and Wages and Overhead Expenses for such services where applicable.

D. In addition to other payments to the City provided for herein, the City shall be entitled to receive up to 600,000,000 gallons of water each year to be used by the City, its departments, agencies and instrumentalities (i.e., Pittsburgh Zoo, Phipps Conservatory, National Aviary in Pittsburgh and Schenley Golf Course) and as the City may be contractually obligated to provide as of the Effective Date hereof. The City shall not receive a credit for any water not so used. To the extent in excess of 600,000,000 is used, the Authority may offset that cost against moneys owed the City hereunder.

E. The Authority will reimburse the City for all worker's compensation benefits paid by the city on behalf of those employees in positions described in II B above. As to worker's compensation claims that may be filed subsequent to the date the positions are eliminated from the City budget, for injuries occurring prior to the date the positions are eliminated from the City budget the Authority will either directly pay the claim or reimburse the City for any benefits paid.

F. Neither the credit or taxing power of the City shall be pledged for payment of any Authority Indebtedness, and the City shall not be liable for any Authority debt payments.

LEASE AND MANAGEMENT AGREEMENT

Made March 29, 1984 but effective as of May 1, 1984 between the City of Pittsburgh, a municipal corporation of the Commonwealth of Pennsylvania (hereinafter called the "City") and The Pittsburgh Water and Sewer Authority, a body corporate and politic, organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter called the "Authority").

WHEREAS, the City has heretofore operated extensive water and sewer systems; and

WHEREAS, a capital improvement program is required to insure the continued satisfactory operation of the water and sewer systems; and

WHEREAS, it has been determined after extensive study and investigation that the best interests of the citizens of Pittsburgh will be served by the implementation of a seven (7) year capital improvement program for the water and sewer systems to be financed by the issuance of Authority revenue bonds; and

WHEREAS, the Authority and the City desire to enter into an Agreement whereby (1) the City will lease its existing water and sewer systems to the Authority and (2) thereafter the Authority will operate and

maintain said systems and (3) the Authority will designate the City as its agent to perform the services described in (2) above in order to provide essential protection to the holders of water revenue bonds of the Authority; to assure the continuation of adequate and efficient water and sewer service to consumers; and to secure a continuation of the efficient and economical administration and operation of said systems; and

WHEREAS, the City is willing to manage the water and sewer systems to be acquired by the Authority hereby, to the extent and upon the terms hereinafter provided.

NOW THEREFORE, in consideration of the mutual premises and intending to be legally bound hereby, the parties agree as follows:

I. Definitions:

"Additional Payments" shall mean an annual payment from the Authority to the City in consideration of this Lease.

"Capital Expenses" shall mean all expenditures made by the Authority or by the City, acting as agent for the Authority, in carrying out the Construction Project and any Capital Additions to the Water and Sewer System except for those hereinafter excluded. These expenditures shall include but not be limited to all engineering expenses whether undertaken by City employees or subcontracted by the City on behalf of the Authority.

"City General Obligation Debt" shall mean those existing debt obligations of the City allocable to the Water and Sewer System. A list thereof is attached hereto as Exhibit A.

"Direct Expenses" shall mean all expenses incurred by the City's Water Department and Public Works Department in the operation and maintenance of the Water and Sewer System.

"Indirect Expenses" shall mean all expenditures made by the City in carrying out the City's obligations under this Lease and Management Agreement which are not included in the Direct Expenses definition. Such Indirect Expenses shall include but not be limited to City General Obligation Debt payments, Western Pennsylvania Water Company equalization payments and all overhead costs of the City incurred hereunder including, but not limited to fringe benefits, pension and retirement benefits, space rental, data processing and administrative salaries. These expenses shall be determined solely by the City and shall be paid on an annual basis in accordance with this Agreement.

"Saw Mill Run Project" shall mean all those capital expenditures necessary to improve the sewer system in the Saw Mill Run Basin as set forth in pages 79 through 81 of the Green International, Inc. Water and Sewer Systems Evaluation dated December 9, 1983.

"Water and Sewer System" shall mean the plants and equipment, structures facilities, lands, easements, rights of way, water lines and sewer lines, patents, copyrights, contracts with municipalities or authorities outside the boundaries of the City, water treatment plants, pumping facilities, reservoirs, storage tanks, distribution mains, service lines and appurtenances, sewers, inlets, manholes, diversion structures, pumping stations, force mains, including but not limited to the assets described in Sections 3.3 and 4.3 of the Water and Sewer Systems Evaluation prepared by Green International, Inc. and dated December 9, 1983, which report is incorporated herein by reference and shall include the Project and any Capital Additions.

II. Lease from City to Authority:

A. The City agrees to lease and hereby does lease to the Authority, and the Authority agrees to lease and hereby does lease from the City, the Water and Sewer System as in existence as of the effective date of this Agreement, for the term and upon the conditions hereafter set forth in this Agreement.

B. This lease shall be for a term of fifty (50) years commencing on the effective date of this Agreement; provided, however, that the parties hereto may enter into a supplemental agreement further extending the term hereof for such period as may be necessary to cover future financings by the Authority of

Capital Additions. If such an extension is to be agreed upon, it shall be subject to the prior amendment by the Authority of its Articles of Incorporation increasing its term of existence to a date not exceeding fifty (50) years from the date of approval of such amendment.

C. Notwithstanding the foregoing provision for extension of the term of this Lease to cover future financings, it is understood and agreed that, subject to appropriate amendment of the Articles of Incorporation of the Authority extending its term of existence, this entire agreement, including but not limited to the lease from the City to the Authority shall be automatically renewed at the expiration of its fifty (50) year term for three (3) additional terms of five (5) years each, unless either party at least one (1) year prior to the expiration of each renewal term shall request in writing a renegotiation for the subsequent term. If such renegotiations fail to produce a written agreement within the twelve (12) month period, this Agreement shall continue for at least six (6) months after the end of the then current term.

D. It is understood and agreed that the City will retain responsibility and liability for all Capital Expenses on the Saw Mill Run project, and that the Authority shall not be responsible for such Capital Expenses.

III. Transfers to Authority:

A. As of the effective date of this Agreement, all accounts receivable, whether previously billed or not by the City, upon collection will be paid to the Authority.

B. As of the effective date of this Agreement, payment of all expenses incurred by the City through the operation and maintenance of the Water and Sewer System shall be made by the City. The Authority shall fully compensate the City for such payments.

IV. Management:

A. The Authority hereby appoints and designates the City as its agent to manage, operate and maintain the Water and Sewer System for a term co-extensive with the term of this Agreement as the same may hereafter be amended and supplemented, unless the Authority or the City shall previously terminate this Agreement as hereinafter provided; and the City hereby accepts and agrees to act as such agent for the Authority on the terms specified in this Agreement.

1. Subject to the general supervision, direction and control of the Authority in the exercise and discharge of its public duties under the Municipality Authorities Act

together with other applicable laws and regulations, the City shall have full charge and direction of the Water and Sewer System and shall render to the Authority the following services:

(a) The City shall keep accurate accounts and records with respect to the operation of the Water and Sewer System and shall prepare and furnish to the Authority such statements as may be reasonably requested.

(b) The City shall employ and direct the work of all persons required to operate and maintain the Water and Sewer System and shall fix, determine and negotiate the rates of pay of such persons, including fringe benefits.

(c) The City shall pay budgeted operational expenses of the Water and Sewer System and any other expenses required to be paid by it under the terms of this Agreement.

(d) The City shall in the name of and on behalf of the Authority bill and collect all rates, rents and other charges for the use of the facilities of the Water and Sewer System and for the water itself, and, shall promptly cause the amounts collected to be deposited in the proper Authority trustee account. Billing shall be in accordance with the schedule of rates established from time to time by the Authority, and shall be made

not less than quarterly. Water meters shall be read by the City not less than annually.

(e) The City shall maintain in force all existing Pittsburgh Code requirements dealing with water meters, sewer connections and responsibility for maintenance of lines; and the City shall operate the Water and Sewer System in accordance City Code Water and Sewer requirements and with the rules and regulations relating to the Water and Sewer System adopted by the Authority. The City shall advise the Authority of existing City Code Water and Sewer Requirements within 60 days of the effective day hereof. Nothing herein shall prohibit the City from enacting future ordinances dealing with the aforesaid subjects, and the same when enacted shall be included herein.

(f) Contracts for maintenance of the Water and Sewer System which are subject to the competitive bidding requirements under the Pittsburgh Home Rule Charter and applicable statutes shall be prepared, advertised, bid and awarded by the City in accordance with applicable City bidding procedures.

(g) As agent for the Authority, the City shall prepare, advertise, bid and administer Authority contracts involving Capital Expenses which are subject to competitive bidding requirements under the

Municipality Authorities Act. The City shall follow and comply with the contract and bidding procedures set forth in said Act and in other applicable statutes. The Authority shall award and execute all such contracts as evidenced by the signature thereon of the Chairman or Vice Chairman of the Authority attested by the Secretary or Assistant Secretary thereof; and all such contracts shall be first authorized by proper action of the board of the Authority.

(1) Capital improvements contracts shall be paid from appropriate capital accounts of the Authority.

(h) The Authority shall execute any personal and professional service contracts involving Capital Expenses relating to the Water and Sewer System as evidenced by the signature thereon of the Chairman or Vice Chairman of the Authority attested by the Secretary or Assistant Secretary thereof; and all such contracts shall be first authorized by proper action of the board of the Authority.

(i) The City shall be responsible for the collection of delinquent water and sewer accounts in accordance with applicable law. Receipts from unliened delinquent accounts shall be the property of the Authority, and the City shall transmit such receipts to the Authority. The City shall maintain in existence its

Board of Water Assessors which shall, after hearing, recommend to the Authority the manner in which disputes as to rates or service shall be resolved, including recommendations as to exonerations, but the decision of the Board of the Authority shall be final in all such cases, subject to the right to appeal to the Court of Common Pleas under the Local Agency Law.

B. The Authority shall keep accurate accounts and records with respect to the operation of the Water and Sewer System and shall prepare and furnish to the City such statements as may be reasonably requested.

V. Payments by Authority:

A. The Authority shall fully compensate the City for all Direct Expenses actually incurred and expended by the City.

B. Neither the credit or taxing power of the City shall be pledged for the payment of any Authority indebtedness, and the City shall not be liable for any Authority debt payments.

C. The Authority shall in addition pay to the City (i) an amount equal to the Indirect Expenses billed to the Authority by the City, and (ii) the Additional Payment.

D. The Authority shall pay the City for all capital expenses incurred by the City, on behalf of the Authority, after the effective date of this Agreement, except expenses relating to capital projects or purchases under contract by the City as of the effective date of this agreement.

(1) It is understood and agreed that payments by the Authority of Indirect Expenses and Additional Payments are subordinated to the payment of the Authority's debt service.

VI. Authority Budget:

A. The Authority shall submit to the City not later than the first Monday of October of each year a proposed City Water Department operating budget for the next calendar year, which budget shall include all Direct Expenses reasonably expected to be incurred by the City in performing its obligation hereunder. The City shall include such budget in an unchanged form in its budget for the next calendar year.

(1) With respect to Direct Expenses for sewer system operation and maintenance, the Authority shall similarly submit a proposed budget for such expenses, and the City shall include funds therefor in its budget for the next calendar year.

B. Not later than the second Monday in January of each year, the City shall submit to the Authority the amount which

the Authority will be required to reimburse for Indirect Expenses and Additional Payments.

C. If the rates charged by the Authority are sufficient for the Authority to meet all of its outstanding liabilities and to reimburse the City for the Authority budget and all costs billed from the City to the Authority, the City shall in good faith use its best efforts to expend all of the money appropriated for the use of the City Water Department.

D. The City shall not amend the applicable portions of its Water Department operating budget in the aggregate, and no transfers between code accounts shall be made without notification to the Authority.

(1) With respect to Direct Expenses for sewer system operation and maintenance, the City shall not reduce the funds appropriated therefor.

VII. Rates:

A. The Authority shall establish rates pursuant to the covenants contained in the indenture securing the Authority's debt obligations which shall be in an amount sufficient but no higher than necessary to meet the Authority's obligations thereunder together with the City's Direct Expenses, Indirect Expenses and Additional Payment and all reasonable contingencies.

B. In conformity with article III section two of the By-laws of the Authority, the Authority shall hold a regular meeting of its Board each year to consider or establish rates. It is understood and agreed that the Authority may meet at any other times if the Authority determines that its existing rates will not produce sufficient revenues to meet its outstanding obligations.

VIII. Cooperation:

A. The City and the Authority shall cooperate with each other to the end that reasonable and adequate service shall be provided to customers of the Water and Sewer System.

B. The City shall grant to the Authority all necessary easements and rights of way which may be required in addition to those heretofore leased by the City to the Authority.

C. The Authority shall not be required to pay for fees or charges for City permits or licenses.

IX. Insurance and Indemnification:

A. The City shall remain solely responsible for all claims, lawsuits or judgments arising from the use, ownership, operation or maintenance of the Water and Sewer System prior to the effective date of this Agreement.

B. The City shall and hereby does assume responsibility for all claims, demands, lawsuits, judgments against the City or the Authority arising on or after the effective date of this agreement; and the City does hereby indemnify, save harmless and agree to defend the Authority from and against all such claims, demands, lawsuits and judgments, it being understood and agreed that the Authority may obtain and maintain in effect at the Authority's cost such "excess limits" insurance as it may deem advisable, and any such insurance shall name the City as an additional insured.

C. The City may also purchase excess limits insurance applicable to water and sewer operations and maintenance, and, if it does so, it shall include the Authority as an additional insured; and the City shall be solely responsible for the payment of the premium.

D. The City and the Authority shall each be responsible for the negligent acts or omissions of its own officers and employees, and each agrees to save the other harmless from any loss or liability arising out of the negligent acts or omissions of its own employees.

E. It is understood and agreed that the Authority may purchase errors and omissions insurance for the members of its board and for its executive director and that the Authority may

indemnify and save harmless the members of its Board from any claims arising from the performance of their duties.

F. The City hereby indemnifies and saves harmless the Authority from any and all claims, including costs and reasonable attorney fees, based upon alleged improper expenditures made by the City in violation of Federal, State, or Local Law or if contrary to the provisions of any indenture or similar agreement securing Authority indebtedness.

G. The City may include the cost of indemnification and Insurance in Direct Expenses, or Indirect Expenses, as appropriate.

X. Deficiencies in Performance:

If in the opinion of the Authority the City fails to operate and maintain the Water and Sewer System in accordance with the standards prevailing prior to the lease of said system by the City to the Authority, the Authority shall so advise the City in writing, describing the specific deficiencies on which the opinion is based, and shall request the City to explain in writing said deficiency within thirty days of receipt of said notice. If the City fails to satisfy the Authority within said period, the Authority may direct the City in writing to correct such deficiency. The City shall thereupon take steps toward correction of said deficiency within sixty days after receipt by it of written notice by the Authority, or, if

the City disagrees, it may exercise its rights to call for arbitration under Article XI, hereof within said sixty day period. If the City shall fail to take steps to correct the deficiency within sixty days after receipt of the Authority notice or within sixty days after an adverse arbitration decision, whichever is later, then the Authority may itself cause the corrective work to be done. It is understood and agreed that all such corrective work shall be undertaken at the Authority's expense, and that the City assumes no liability for costs incurred to correct any of such deficiencies.

XI. Settlement of Disputes:

In the event of any dispute between the Authority and the City with respect to the matters set forth in Paragraph X of this Agreement, excepting, however, disputes arising out of renegotiation hereof, such disputes shall be settled by arbitration in accordance with the provisions of the Act of April 25, 1927 P.L. 381 as amended, of the Commonwealth of Pennsylvania. In any such case three arbitrators shall be appointed, one by the Authority, one by the City, and one by the two arbitrators so appointed by the Authority and the City. The decision of a majority of the arbitrators shall be binding and conclusive upon the Authority and the City. In the event of the failure of the two arbitrators appointed by the Authority and the City to effect the appointment of a third arbitrator within two weeks after the appointment of the second, the third arbitrator shall be appointed by the trustee at that time under the trust indenture. The expense of such arbitration, exclusive of expenses of each party in its own behalf, shall be born equally by the parties.

XII. Amendments

This agreement may be amended in any respect by mutual written agreement of the parties.

XIII. Notices:

All notices required under this agreement shall be in writing and shall be mailed by certified mail or delivered as follows:

1. Notices to the Authority shall be sent to the Executive Director, The Pittsburgh Water and Sewer Authority 519 City-County Building, Pittsburgh, Pennsylvania 15219.

2. Notices to the City shall be sent to Director Department of Finance and Director Department of Water, City-County Building, Pittsburgh, Pennsylvania 15219.

XIV. Assignment:

This Agreement shall not be assignable by either party without the written consent of the other.

XV. The Authority shall not sell or assign, any property interests which it has obtained under this agreement without the written consent of the City.

XVI. Termination:

The City shall have the right to terminate this agreement at any time upon ninety (90) days written notice to the Authority; provided, however, that any such termination shall be subject to the the City providing for the payment in full of all existing liabilities, contingent and otherwise, of the Authority.

XVII. Governing Law:

This agreement shall be governed by the laws of the Commonwealth of Pennsylvania.

XVIII. Conflict.

To the extent that any provision hereof conflicts with any provision of any Trust Indenture securing any indebtedness of the Authority, the provisions of the Trust Indenture shall prevail.

XIX. Severability:

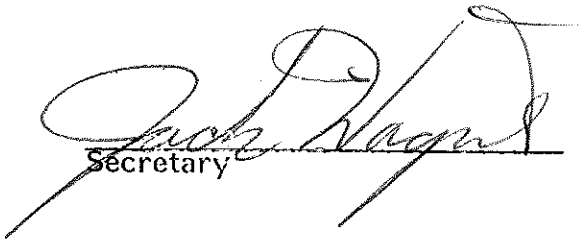
In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this agreement; and this agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained therein.

XX. This Agreement shall be effective as of May 1, 1984.

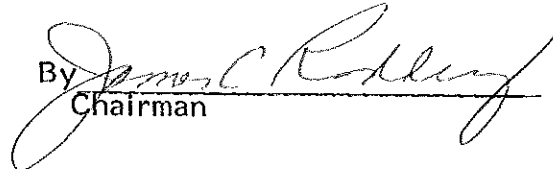
The City is authorized to enter into this agreement pursuant to Resolution No. 37, approved February 8, 1984, effective February 16, 1984; and the Authority is authorized to do so pursuant to Resolution No. 8 of 1984 duly adopted at a regular meeting of its board held on March 9, 1984.

IN WITNESS WHEREOF, This agreement has been duly executed the day and year first above mentioned.

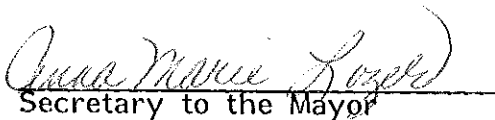
ATTEST:


Secretary

THE PITTSBURGH WATER AND
SEWER AUTHORITY

By 
Chairman

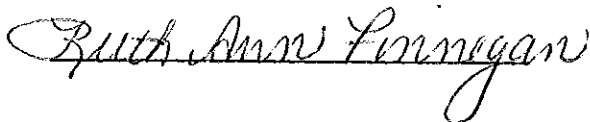
ATTEST:

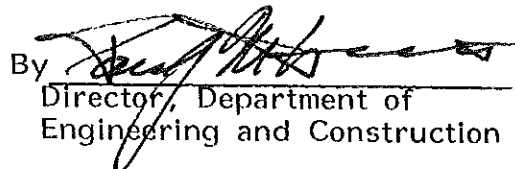

Secretary to the Mayor

CITY OF PITTSBURGH

By 
Mayor

WITNESS:



By 
Director, Department of
Engineering and Construction

Warren M. Weiss

By [Signature]
Deputy Director, Department of
Finance

Eugene R. Thomas

By Charles Lewis
Chief, Department of Fire

La. A. Boyd

By [Signature]
Director, Department of
General Services

Louise R. Brown

By Louise R. Brown
Director, Department of Parks
and Recreation

Bess Rubenstein

By [Signature]
Director, Department of
Public Works

Robert H. White

By [Signature]
Director, Department of Water

Examined by:

[Signature]
Deputy City Solicitor

Countersigned: MAR 29 1984

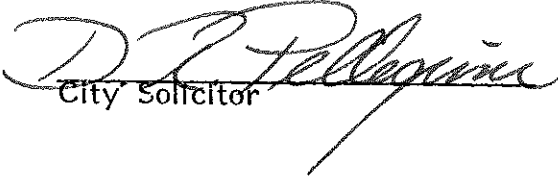
[Signature]
DEPUTY City Controller
26844

Approved as to form:
Grigsby, Gaca & Davies, P.C.
Solicitor to the Controller
City of Pittsburgh,

By Gregg P. Otto



Approved as to form:


City Solicitor

Approved as to form:


Authority Solicitor

EXHIBIT A

Amount of Existing Debt Obligations of the City
Allocable to the Water and Sewer Systems

<u>Year</u>	<u>Amount</u>
1984	\$1,758,000
1985	3,943,000
1986	4,008,000
1987	3,066,000
1988	3,794,000
1989	3,745,000
1990	3,610,000
1991	3,338,000
1992	3,228,000
1993	3,145,000
1994	3,051,000
1995	2,611,000
1996	2,609,000
1997	2,421,000
1998	2,247,000
1999	2,130,000
2000	2,129,000
2001	2,560,000
2002	2,781,000
2003	2,788,000
2004	2,798,000
2005	2,813,000
2006	2,819,000
2007	2,362,000
2008	983,000

RECEIVED

1984 MAR 27 AM 11: 28

CITY CONTROLLER'S OFFICE

LEASE AND MANAGEMENT
AGREEMENT

BETWEEN

CITY OF PITTSBURGH

and

THE PITTSBURGH WATER AND
SEWER AUTHORITY

Mead J. Mulvihill, Jr.
MANSMANN CINDRICH & HUBER

ATTORNEYS AT LAW
TWO CHATHAM CENTER

FIFTEENTH FLOOR

PITTSBURGH, PENNSYLVANIA 15219

(412) 642-2000

RESOLUTION NO. 8 OF 1984

RESOLVED that the proper officers of The Pittsburgh Water and Sewer Authority are hereby authorized and directed, on behalf of said Authority, to execute a Lease and Management Agreement with the City of Pittsburgh in the form attached hereto.