

MOON TOWNSHIP MUNICIPAL AUTHORITY

December 1, 2011

Dear MTMA customer,

Recently, you may have seen media reports concerning the challenges facing Western Pennsylvania utilities that provide sanitary sewer service.

ALCOSAN, the region's largest sewage treatment agency, provides treatment service to 83 municipalities in Allegheny County. Each of these 83 municipal sewage systems are under a PA Department of Environmental Protection (DEP) consent order and agreement to address system deficiencies. Additionally, ALCOSAN is under a consent order and agreement with the U.S. Environmental Protection Agency to correct sewage system deficiencies. Very large rate increases are expected for ALCOSAN customers to address these problems.

Typical deficiencies include excessive combined storm/sanitary sewer overflows and sanitary sewer overflows. These deficiencies can result in restrictions on recreational use of rivers due to elevated bacterial levels. Untreated sewage discharge also negatively affects the aquatic life environment.

The Moon Township Municipal Authority (MTMA) does NOT discharge sewage to the ALCOSAN system. MTMA discharges sewage to three treatment facilities located in Moon Township. Two of these treatment plants are owned by MTMA, one is jointly owned by MTMA and the Coraopolis Water and Sewer Authority. These facilities serve Moon Township, Coraopolis Borough, Crescent Township, South Heights Borough, the airport and portions of Robinson, North Fayette and Findlay Townships.

Fortunately, MTMA is not subject to any consent order and agreements. However, we do face some of the same regulatory challenges. MTMA will be proactive to efficiently and responsibly address these issues over an extended period of time to minimize total cost. We must implement our solution before we find ourselves in a position similar to ALCOSAN and other local municipalities who are under consent order and agreements. These systems are subject to timelines, penalties and construction of facilities that may be a quick fix but not necessarily the most cost effective long term or in the long term best interest of the utility system.

VCP Contributes to Sewage System Issues

One of the primary factors contributing to regional sewage system problems is deteriorating vitrified clay pipe (VCP) sewers. Areas served by VCP tend to be much more susceptible to high peak sewage flow rates during and after rainfall and snow melt events. VCP is also susceptible to root intrusion, cracking and even collapse. These problems can cause sewer backups into homes.

VCP sewers were installed in Moon Township through the late 1970's. Plastic sewers installed since then have proved to be much more reliable. Still, approximately 50 percent of MTMA sanitary sewers are VCP, about 85 miles of sewer mains plus service lines. Since 1996, MTMA has performed internal closed circuit TV inspection of all its VCP sewers resulting in the repair of significant deficiencies. However, even with these repairs, VCP sewers represent a major long term liability to our community. Our observation is that VCP sewers are subject to root intrusion and will continue to deteriorate over time regardless of repairs.

MTMA to Replace all Sewers Within 20 years

The MTMA mission statement clearly describes the intention that we: *“Meet or exceed all local, state and federal regulations for collection, treatment and discharge of wastewater at the lowest possible long-term cost to our customers.”*

We believe reliable sanitary sewer service can be provided at the lowest long term cost if all MTMA owned VCP sewers are replaced with new, more reliable pipe. We have set a goal to complete this task within 20 years.

Effect of this Project on Rates

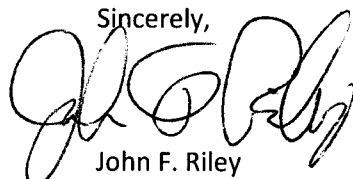
The MTMA water rate of \$3.50/1,000 gallons is the lowest in the Pittsburgh region. The current sewage service rate of \$5/1,000 gallons is considered a low rate regionally. MTMA has been able to keep rates low by avoiding long term debt and managing most improvement projects with our own forces. To fund this VCP sewer replacement project, the sewer rate will increase to \$7/1,000 gallons for billing effective Jan. 1, 2012.

By making this investment now we will significantly reduce future maintenance needs, allow peak sewage flow reduction and facilitate regulatory compliance. The MTMA engineers and Board of Directors believe this investment will allow us to postpone and reduce the scope of facility expansions. This will reduce future borrowing and resulting rate increases. The result will be to allow the lowest long term sewage service rates to you, our customers. Since water and garbage rates will not change, the average customer using all three services (*water, sewage and trash*) will pay \$10 more per month.

With this MTMA rate increase, the average residential customer using 15,000 gallons of water and sewer service per quarter will pay \$52.50/month. A comparison of local water and sewer charges follows:

Moon Township	-	\$52.50/month
Hopewell Township w/ Creswell water	-	\$80.45/month
Coraopolis Borough	-	\$96.20/month
Findlay Township	-	\$63.55/month
Robinson Township	-	\$75.78/month

Should you have any questions or wish to discuss this matter, do not hesitate to call me at 412-264-4300.

Sincerely,

John F. Riley
General Manager