

PWD Exhibit 1 - Notifications of Rate Filing

- 1. Notification of Rate Filing to the Philadelphia Water, Sewer and Storm Water Rate Board**
- 2. Notification of Rate Filing to the Philadelphia City Council**
- 3. Plain Language Statement of Reasons for Request**
- 4. Public Notice of Proposed Rate Changes**



The ARAMARK Tower
1101 Market Street, 5th Floor
Philadelphia, Pennsylvania 19107-2994

Debra A. McCarty
Commissioner

January 8, 2016

Bernard Brunwasser, Chair
Philadelphia Water, Sewer and Storm Water Rate Board
c/o Frances Beckley, Esquire
17th Floor, One Parkway
1515 Arch Street
Philadelphia, PA 19102

Re: Notice of Proposed Changes in Water, Wastewater and Stormwater Rates and Charges
(FY 2017-2018) – Philadelphia Water Department

Dear Philadelphia Water, Sewer and Storm Water Rate Board:

The purpose of this correspondence is to notify the Philadelphia Water, Sewer and Storm Water Rate Board of changes in rates and charges proposed by the Philadelphia Water Department ("Department") for water, sewer and stormwater service to become effective July 1, 2016 or as soon thereafter as procedural requirements permit.

This notice is transmitted consistent with the ratemaking authority and procedural requirements specified in Sections 5-801 and 8-407 of the Philadelphia Home Rule Charter and Sections 13-101 of the Philadelphia Code. This notice is provided together with supporting engineering, financial and related data documenting the need for rate relief as developed by the Department and the rate consulting firm of Black & Veatch Corporation.

Please note that an electronic copy of the entire rate filing is being made available on a CD which is enclosed with this transmittal. An itemization of documents included in the rate filing is set forth in the attached Index for Notification of Rate Filing. For your convenience, hard copies of the following documents are also provided (a) the prepared testimony of Department and expert witnesses of Black & Veatch, Public Financial Management and Raftelis Financial Consultants, Inc.; together with (b) the cost of service study, supporting work papers and budgetary, financial, engineering, regulatory and operational information supporting the application for rate relief.

As always, the Department management staff will be available to discuss the proposed changes in rates and answer any questions you may have with regard to same.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Debra A. McCarty". The signature is fluid and cursive, written over a horizontal line.

Debra A. McCarty
Water Commissioner

Enclosures

**PHILADELPHIA WATER DEPARTMENT RATE PROCEEDING
(FY 2017-2018)**

INDEX FOR NOTIFICATION OF RATE FILING*

Tab No.	Statement/Exhibit	Description of Statement/Exhibit
<u>Philadelphia Water Department Statements</u>		
1.	PWD St.-1	Direct Testimony and Exhibit of Debra A. McCarty
2.	PWD St.-2	Direct Testimony and Exhibits of Melissa LaBuda
3.	PWD St.-3	Direct Testimony and Exhibit of Stephen J. Furtek
4.	PWD St.-4	Direct Testimony and Exhibit of Joanne Dahme and Erin Williams
5.	PWD St.-5	Direct Testimony and Exhibit of James Palladino
6.	PWD St.-6	Direct Testimony and Exhibit of Michelle Bethel and Mark Harvey
7.	PWD St.-7	Direct Testimony of Katherine Clupper
8.	PWD St.-8	Direct Testimony and Exhibits of Raftelis Financial Consultants, Inc.
9.	PWD St.-9A	Direct Testimony and Exhibits of Black & Veatch Corporation
	PWD St.-9B	Supplemental Direct Testimony and Exhibits of Black & Veatch Corporation
<u>Philadelphia Water Department (PWD) Exhibits</u>		
10.	PWD Exhibit-1	Notifications of Rate Filing
11.	PWD Exhibit-2	Financial Plan
12.	PWD Exhibit -3	Proposed PWD Regulations
13.	PWD Exhibit-4	Standard Interrogatories and Responses with Attachments
14.	PWD Exhibit -5	Assumptions Provided to the Public Advocate on 12/8/15
15.	PWD Exhibit -6	Black& Veatch Corporation Cost of Service Work Papers
16.	PWD Exhibit-7	Newspaper Notices (to be provided upon publication)

* An electronic copy of the entire rate filing is being made available on a CD enclosed herewith. The Department's statements, notifications, financial plan, proposed regulations, standard interrogatories and responses without the attachments, assumptions provided to the Public Advocate, and cost of service work papers are being provided in hard copy for your convenience.



The ARAMARK Tower
1101 Market Street, 5th Floor
Philadelphia, Pennsylvania 19107-2994

Debra A. McCarty
Commissioner

January 8, 2016

Honorable Darrell L. Clarke
Office of the President
Philadelphia City Council
City Hall, Room 490
Philadelphia, PA 19107

Re: Notice of Proposed Changes in Water, Wastewater and Stormwater Rates and Charges
(FY 2017-2018) – Philadelphia Water Department

Dear President Clarke:

The purpose of this correspondence is to notify Philadelphia City Council of changes in rates and charges proposed by the Philadelphia Water Department ("Department") for water, sewer and stormwater service to become effective July 1, 2016 or as soon thereafter as procedural requirements permit.

This notice is transmitted consistent with the ratemaking authority and procedural requirements specified in Sections 5-801 and 8-407 of the Philadelphia Home Rule Charter and Sections 13-101 of the Philadelphia Code. This notice is provided together with supporting engineering, financial and related data documenting the need for rate relief (as developed by the Department and the rate consulting firm of Black & Veatch Corporation).

Please note that an electronic copy of the entire rate filing is being made available on a CD which is enclosed with this transmittal. An itemization of documents included in the rate filing is set forth in the attached Index for Notification of Rate Filing. For your convenience, hard copies of the following documents are also provided (a) the prepared testimony of Department and expert witnesses of Black & Veatch, Public Financial Management and Raftelis Financial Consultants, Inc.; together with (b) the cost of service study, supporting work papers and budgetary, financial, engineering, regulatory and operational information supporting the application for rate relief.

As always, the Department management staff will be available to discuss the proposed changes in rates and answer any questions you may have with regard to same.

Very truly yours,

A handwritten signature in blue ink, appearing to read "D. McCarty", is written over a faint, larger version of the signature.

Debra A. McCarty
Water Commissioner

Enclosures

cc: Members of City Council

**PHILADELPHIA WATER DEPARTMENT RATE PROCEEDING
(FY 2017-2018)**

INDEX FOR NOTIFICATION OF RATE FILING*

Tab No.	Statement/Exhibit	Description of Statement/Exhibit
<hr/> <u>Philadelphia Water Department Statements</u>		
1.	PWD St.-1	Direct Testimony and Exhibit of Debra A. McCarty
2.	PWD St.-2	Direct Testimony and Exhibits of Melissa LaBuda
3.	PWD St.-3	Direct Testimony and Exhibit of Stephen J. Furtek
4.	PWD St.-4	Direct Testimony and Exhibit of Joanne Dahme and Erin Williams
5.	PWD St.-5	Direct Testimony and Exhibit of James Palladino
6.	PWD St.-6	Direct Testimony and Exhibit of Michelle Bethel and Mark Harvey
7.	PWD St.-7	Direct Testimony of Katherine Clupper
8.	PWD St.-8	Direct Testimony and Exhibits of Raftelis Financial Consultants, Inc.
9.	PWD St.-9A	Direct Testimony and Exhibits of Black & Veatch Corporation
	PWD St.-9B	Supplemental Direct Testimony and Exhibits of Black & Veatch Corporation
 <u>Philadelphia Water Department (PWD) Exhibits</u>		
10.	PWD Exhibit-1	Notifications of Rate Filing
11.	PWD Exhibit-2	Financial Plan
12.	PWD Exhibit -3	Proposed PWD Regulations
13.	PWD Exhibit-4	Standard Interrogatories and Responses with Attachments
14.	PWD Exhibit -5	Assumptions Provided to the Public Advocate on 12/8/15
15.	PWD Exhibit -6	Black& Veatch Corporation Cost of Service Work Papers
16.	PWD Exhibit-7	Newspaper Notices (to be provided upon publication)

* An electronic copy of the entire rate filing is being made available on a CD enclosed herewith. The Department's statements, notifications, financial plan, proposed regulations, standard interrogatories and responses without the attachments, assumptions provided to the Public Advocate, and cost of service work papers are being provided in hard copy for your convenience.

**PLAIN LANGUAGE STATEMENT OF REASONS FOR REQUEST TO INCREASE WATER,
SEWER AND STORMWATER RATES AND CHARGES**

The Philadelphia Water Department (“Department” or “PWD”) has asked the Philadelphia Water, Sewer and Stormwater Rate Board (“Rate Board”) to increase water, sewer and stormwater rates and charges by 6.20% in FY 2017 and 5.50% in FY 2018. New rates are proposed to become effective on July 1, 2016, subject to the review and authorization of the Rate Board. The main reasons that the Department is seeking rate relief are as follows:

- The Department last filed for an increase in rates in 2012. Since that time the Department has incurred unavoidable increases in operating costs in several areas, including renewal and replacement of aging infrastructure, regulatory compliance, and employee wages, health care costs and pension costs. Due to the foregoing, the Department must now request authority to raise rates to meet increased revenue requirements associated with these expenses.
- Without the requested rate relief, the Department’s financial results would deteriorate further in FY 2017 and thereafter. This would jeopardize the Department’s ability to appropriately invest in infrastructure improvements necessary to maintain system reliability and customer service levels.

The Department has filed proposed regulations setting forth proposed changes in rates and charges, together with engineering, financial and economic documentation or the reasons why rate relief is needed. Such documentation includes the following:

- (1) a public notice of the proposed rate change with clear estimates of the effects of proposed rate changes on customer bills, including but not limited to the impact of the proposed increase on typical customers;
- (2) all financial, engineering and other data upon which proposed rates and charges are based; and
- (3) evidence demonstrating that such rates and charges (A) were developed in accordance with sound utility ratemaking practices; (B) are consistent with current industry standards for such rates and charges; and (C) are consistent with the Department’s bond covenants and other legal requirements.

Philadelphia Water requests rate increase over two years.

Not for profit.

Unlike private utilities, we don't make a profit. But we do need to raise enough money to provide essential water, sewer, and stormwater services, repair and upgrade our aging system, and meet new regulatory challenges.

Summary of request:

1 How will the rate increase impact water bills?

A typical residential bill would increase about \$8.00 over a two-year period. Different water usage will result in higher or lower charges.

3 How do Philadelphia's rates compare?

Our rates remain competitive locally and nationally.

5 We keep costs as low as possible.

As a public utility, our goal is not to profit, but to get the most out of every dollar.

7 New rates process: Every customer can participate.

The Water Rate Board and process allows all of our customers to have a voice.

2 Why are rates changing?

Rates must change to fund critical investments in aging infrastructure.

4 What would a typical water bill pay for?

Rates support crucial upkeep of all facilities and our vast pipe network to provide essential water, sewer and stormwater services.

6 Assistance is available for those who need it.

We provide assistance programs to customers to help maintain water service.

PUBLIC NOTICE OF PROPOSED RATE CHANGES

To Our Customers:

On January 8, 2016, the Philadelphia Water Department ("Department") filed an advanced notice with the Philadelphia Water, Sewer and Stormwater Rate Board ("Rate Board") of the Department's intent to propose an increase in water, sewer and stormwater rates effective July 1, 2016. The proposal is subject to the review and authorization of the Rate Board.

The Department is requesting an overall rate increase of approximately \$106 million over two fiscal years. If the Department's proposal is approved, the monthly bill for a residential customer using 6 ccf of water per month would increase by 6.2% on July 1, 2016 and by an additional 5.5% on July 1, 2017. Non-residential increases vary widely based on meter size, the amount of water consumed and the gross and impervious area of each parcel. An example monthly bill for a small business customer using a 5/8 inch meter and using 5 ccf of water per month and having a 2,110 square foot lot with 1,794 square feet of impervious area will increase by 6.0% on July 1, 2016, and by an additional 5.3% on July 1, 2017. Examples of changes in customer bills are shown below:

Monthly water bills for different customer types			
Customer Type (Water meter size, monthly usage)	Current Typical monthly bill	Proposed July 1, 2016 monthly bill	Proposed July 1, 2017 monthly bill
Residential (5/8" meter, 600 cubic feet)	\$67.43	\$71.59	\$75.51
Residential with Fire Suppression Service (1" meter, 600 cubic feet)	\$72.90	\$77.09	\$81.25
Senior Citizen with Discount ¹ (5/8" meter, 600 cubic feet)	\$50.50	\$53.60	\$56.60
Small Business: Sample Laundromat (5/8" meter, 800 cubic feet)	\$360.53	\$366.46	\$386.73
Small Business: Sample Bakery (5/8" meter, 1,700 cubic feet)	\$420.94	\$431.84	\$456.28
Small Business: Sample Bar & Grill (5/8" meter and 11,000 cubic feet)	\$765.35	\$847.59	\$900.58

1. Typical rate for an income-eligible senior citizen residing on Residential Property as defined in the regulations and using 6 ccf of water per month.

The Department's Statement of Reasons explaining why the rate increase has been proposed and regulations impacted by the proposed rate change may be viewed by visiting the Rate Board's website at: <http://www.phila.gov/water/rateboard/Pages/default.aspx>.

Rate Board Role

The Rate Board is the local agency authorized to approve rate changes for the Department. The Rate Board will review and investigate the proposed rate increase. The Department must prove that the proposed rates are reasonable. After examining the rate filing, related testimony and exhibits, as well as the submissions of the Public Advocate and other parties, the Rate Board will decide the merits of the application for rate relief. As a result of this investigation, the final effect on customer bills may be different than that proposed in the Department's rate filing.

Actions You Can Take

You may challenge the Department's proposed rate changes by:

- 1. Sending a letter to the Rate Board.** You can tell the Rate Board why you object to the proposed rate increase in your letter. This information can be helpful to the Rate Board in investigating the rate change.
- 2. Attending or presenting testimony at Public Input Hearings.** You can attend or be a witness at a Rate Board public hearing. The Rate Board holds public input hearings as a part of its investigation of the rate request. At these hearings, you may present your views in person to the hearing officer and Rate Board. Your testimony becomes a part of the record of the proceeding. Public Input Hearings will be scheduled by the Rate Board around the City at venues and times to be announced by the Rate Board. There is no filing requirement to participate in Public Input Hearings.
- 3. File a notice to participate and present testimony at Technical Hearings.** If you want to participate in Technical Hearings, you must file a notice to participate with the Rate Board, consistent with their requirements, by February 29, 2016, unless an extension is granted. Such notice can be a letter addressed to the Rate Board and timely filed at the below address indicating your objections to the requested rate increase and your interest in participating in Technical Hearings. Upon filing the above notice, you then have the opportunity to participate in all hearings concerning the proposed rate increase. You can also receive all documents filed by other participants in the rate proceeding.

All correspondence for the Rate Board may be addressed to:

Philadelphia Water, Sewer and Stormwater Rate Board
City of Philadelphia Law Department
Attn: Frances Beckley
1515 Arch Street, 17th Floor
Philadelphia, PA 19102