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Philadelphia Water, Sewer and Stormwater Rate Board
c/o Ms. Marie McNeill
Philadelphia Water Department
1101 Market Street, Fifth Floor
Philadelphia, PA 19107

RE: Philadelphia Water Department’s Response to the Hearing Officer’s Reports

Dear Hearing Officer Brockway and Members of the Rate Board:

This correspondence is submitted by the Philadelphia Water Department (“Department” or “PWD”) in response to the Hearing Officer’s Reports captioned “Cost Allocation and Rate Design Issues” and “Customer Service Issues.” The Department’s comments are set forth in the Attachments to this letter designated below which are incorporated herein by reference.

Attachment A - Cost Allocation/Rate Design Issues; and
Attachment B - Customer Service and Related Issues.

Thank you for your attention to this matter.

Respectfully submitted,

/s/ Andre C. Dasent

ANDRE C. DASENT, ESQUIRE
Attorney for Philadelphia Water Department

Attachment A

The following comments are submitted by the Department in response to the Hearing Officer's Report, concerning Cost Allocation and Rate Design Issues (the "Report").

SUMMARY

The Department submits that the Report should include a discussion of additional factors relevant to the evaluation of the Public Advocate's request that the Board establish separate and higher rates for water service supplied to all City of Philadelphia accounts (as compared to non-City accounts).

As noted in the Department's testimony, the proposed schedule of rates and charges for general service customers reflects a continuation of the existing rate structure approved in prior rate proceedings, including a water service charge which varies by meter size and declining block volume rates, as well as a continuation of discounts for certain categories of customers that are eligible for discounts (PWD Statement 9A at 63-65). The Department's rate structure for water service has been in use for decades, and when challenged has been upheld by courts as just, reasonable and non-discriminatory. *See, e.g., Monaghan v. City of Philadelphia*, 1956 WL 6492 (C.C.P. Philadelphia County 1952) (approving rates based on meter size and charitable discounts which have been in existence since 1878).

The Public Advocate's proposal would require the Board to establish separate water usage rates for all City-owned and City-leased properties. City accounts consist of over 1,400 accounts associated with water and wastewater services supplied to various municipal entities within the City of Philadelphia. (PWD Statement 9A at 22 and Exhibit BV-E3, Table SW-12). Examples of City and City-leased accounts include accounts for government offices, Water Department facilities, the Philadelphia Gas Works, City airports and port facilities, police and fire stations, prisons, parks, playgrounds, recreation centers, health centers and libraries. (See Supplemental Attachment SI-8 to the Department's Rate Filing: City of Philadelphia Five Year Financial and Strategic Plan for Fiscal Years 2017-2021).

The Public Advocate's recommendation purports to establish higher rates for City accounts and City facilities based upon the demand characteristics associated with City leased and government-owned facilities. Public Advocate witness Jerome Mierzwa, however, conceded that he did not know what types of leased or government owned facilities are included within the categories of impacted accounts. (Tr. 53-55 (4/11/2016)). Therefore, the assumed demand characteristics he proffers in support of his recommendation to increase City rates by 8.5% (significantly higher than other customer types) are completely arbitrary. In evaluating the propriety of the Advocate's recommendation, the Board should consider the potential impact of same on public swimming pools (as an example of its arbitrary and unfairly discriminatory effect). That is, under its recommended rate structure, public swimming pools at a City-owned recreation centers in a low-income neighborhoods would be charged higher water rates than a privately-owned swim club or hotel swimming pool with the same usage patterns in Center City or high-income neighborhoods. This result departs from cost of service principles and, in light of the above example, is obviously arbitrary and unfairly discriminatory.

It bears emphasis that Mr. Mierzwa testified that he did not use actual demand data or perform a formal demand study of actual daily or hourly demands of all City accounts to support his recommendation. (PA St. 2 11; Tr. 67-68 (4/11/2016)). Instead he used surrogate data with no application to the City leased and government owned facilities. There is no actual data to support Mr. Mierzwa's proposal to change the Department's rate structure. Given this fact and the arbitrary impacts described above, his recommendation should be rejected. Any change in rate structure should be supported by a demand study and a comprehensive examination of customer impacts.

Attachment B

The following comments are submitted by the Department in response to the Hearing Officer's Report concerning Customer Service and Related Issues (the "Report").

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The statement in the Summary of Positions that the Department did not focus on the merits of customer service complaints creates a false impression that the Department presented no evidence on the quality of its customer service. Report at 2. To the contrary, the Department notes the following examples of evidence of high quality customer service in several areas and efforts to improve customer service in response to complaints in other areas.

At the most fundamental level, the Department provides customer service on a daily basis in (i) purveying high quality drinking water, (ii) providing an adequate and reliable water supply and (iii) sustaining the region's watersheds and quality of life by managing wastewater and stormwater effectively – all in service to our customers. In this regard, the record indicates that the Department has repeatedly won awards for the quality of its water and wastewater services, as summarized below.

Drinking Water Quality

The Department has been selected to receive the 15-Year Director's Award for its water treatment program. It has also received the Governor's Award for Environmental Excellence. The Department consistently achieves Partnership for Safe Water ("Partnership") quality standards which are more strict than state and federal water quality regulatory requirements. PWD voluntarily adopted these standards as a member of the Partnership in 1996. See, Rate Presentation at 9; Tr. 11(2/22/16).

Wastewater Treatment

The Department's three water pollution control facilities have been selected to receive awards from the National Association of Clean Water Agencies ("NACWA"). NACWA's peak performance awards program recognizes member agency facilities for excellence in wastewater treatment as measured by their compliance with National Pollutant Discharge Elimination System ("NPDES") permits. The Department three facilities have been selected to receive two Platinum Awards and one Gold Award for the operation of its wastewater treatment facilities. The Department consistently achieves 100% compliance with NPDES regulatory requirements. See, Rate Presentation at 10; Tr. 11-12 (2/22/16).

In addition to the foregoing, the Department has mediated customer service issues identified in the last rate case and has established an enhanced customer complaint and informal hearing process, trained and hired staff associated with this process and has now completed numerous hearings acting upon the very issues raised in the mediation. This is a significant accomplishment providing due process protections to PWD customers.

Moreover, the Department has also proposed revisions to PWD Regulations (Chapter 1) to further act upon customer service concerns raised in the mediation. This Chapter addresses customer rights and obligations (including documentation required to establish an account). The Department requests that the Rate Board take administrative notice of the fact that it has filed proposed revisions to its regulations, as aforesaid, with the Department of Records on May 12, 2016. Any person affected by the proposed revised regulations may request a public hearing before the Water Commissioner. These proposed

revisions are currently posted on the Department of Record's web page at: <http://www.phila.gov/records//index.html>.

PWD and WRB are also working with other city agencies to cross train Call Center staff so as to improve efficiencies and service levels. In addition, the Water Department has implemented interactive voice recognition (IVR) for callers wanting to make a meter shop appointment and WRB is looking into implementing IVR to improve customer service for certain customer requests. See Tr. 135:4-139:7. There are many more activities providing significant customer service to our customers on a daily basis. Please note that all of the foregoing is being undertaken in tandem with planning related to the new Affordable Rates Program.

Also, as an extension of agreements made in the last rate case, the Department participated in a workshop on multi-year revenue requirement assumptions, as it indicated it would in the last rate case. See, PWD Brief at 9 (footnote 12), Proposed Findings of Fact 7 (footnote 3) and 362 – 375.

The Department notes that many of the positions in the post-hearing summaries of TURN and CLC were first articulated in their summaries submitted just a few minutes before the record closed on April 18, 2016 and are unsupported by any evidence in the record. See, Report at 12-15. Such statements should not be part of the Hearing Officer's Report as no opportunity was presented to rebut the positions taken; and these positions are plainly erroneous. By way of example, CLC's statement that PWD could create a repayment program where PWD advances the initial costs for privately owned piping and the customer repays PWD on a monthly program completely ignores the fact that such a program already exists and is funded at a level of approximately \$5 million annually. See discussion of Homeowners Emergency Loan Program of "HELP," in PWD Statement 4 at 8 and Exhibit JD-2. See also PWD Regulations, Chapter 2 (Customer Assistance Programs), Sections 200.0-200.5, available at <http://www.phila.gov/water/wu/ratesregulationsresp/Pages/Regulations.aspx>.