

PHILADELPHIA, WATER, SEWER AND STORMWATER RATE BOARD

Outline of Rate Proposals

A. REVENUE REQUIREMENTS

Operations & Maintenance (O&M) Expenses

For each category listed below (and subcategory where applicable):

- Budgeted vs. actual expenses for 2015 and 2016, budgeted and estimated actual expenses for 2017
 - Budgeted 2018 and projected actuals for 2018, 2019, 2020 & 2021 expenses
- Note: PWD does not project expenditures based on 100% of the base year budget. PWD projects expenditures based on historical actual expenditure trends. The base year budget is adjusted by the actual to budget spend factors to estimate actual expenses and then projected for the test period.
1. Labor
 2. Purchase of Services (power, chemicals, biosolids disposal¹, other)
 3. Materials, Supplies and Equipment
 4. Contributions, Indemnities, Refunds & Taxes
 5. Payments to Other Funds
 - a. City charges excluding pensions, pension contributions
 - b. Payment to construction fund, rate stabilization fund, etc.
 6. Liquidated Encumbrances²

Supporting Information:

- Identification of significant new facilities and/or programs and the impact on expenses
- Budgeted vs. filled positions for 2015, 2016 and 2017
- Budgeted positions for 2018 and projected positions for 2019, 2020 & 2021
- Reasons for significant increases or decreases in staffing
- Percentage increases in salaries & wages³ by year for 2018 through 2021 under collective bargaining agreements (as applicable)
- Updated required pension and fringe contributions
- Potential risks in the O&M budget for 2018 and projected 2019 through 2021 expenses

Capital Improvement Program (CIP) and Debt Service

For each category listed below:

- Budgeted vs. actual values for 2015 & 2016, budgeted and estimated actual values for 2017
 - Budgeted 2018 and projected 2019, 2020 & 2021 values
1. Capital Construction - value of contractual commitments

¹ PWD has a long-term contractual obligation with Philadelphia Municipal Authority (PMA) which contracts with Synagro to provide biosolids processing and disposal. These costs are represented as contractual expense and detailed breakdowns of individual elements are not included in the financial plan and cost of service analysis.

² Liquidated encumbrances are not delineated in the financial plan tables as they are included in the expense projections. Exhibit ML-3 provides summary level estimates of liquidated encumbrances.

³ These are stated in the Financial Plan: Revenue and Revenue Requirements Assumptions document.

2. Capital Cash Flow Needs (amounts needed to pay construction and related bills)
3. Sources and Uses of Capital Funds
 - a. Source: cash-financed construction
 - b. Source: proceeds of bonds or other obligations
 - c. Other sources of funds
 - d. Sources vs. uses, including end-of-year construction fund balances
4. Debt Service on Outstanding Obligations
5. Debt Service on Future Obligations
 - a. Amount and timing of each future debt issuance
 - b. Cost of issuance, terms of bonds and interest rate assumptions
 - c. Debt service, by year
6. Debt Service Coverage

Supporting Information

- CIP (including all future years)
- Potential risks on the CIP, debt service and debt service coverage for 2018 and projected 2019, 2020 & 2021 figures
- Executive summary of relevant reports regarding capital investment needs, the CIP, CIP performance indicators, etc., where applicable
- Rating Agency reports (most recent)
- Peer comparison: credit ratings, debt service coverage, and reserves
- Market comparison: differences in the long-term borrowing rates for credit rating between BBB, A and AA.

Other Revenues Requirements (as applicable)

Deposit to reserve funds (required or discretionary) or other needs

B. REVENUE, CASH FLOW & RATE PROPOSAL

Customer Base

Customer Characteristics: For each of the last three years through 2016, and projected for 2017 and 2018, and projected/proposed for 2019, 2020 & 2021, as applicable:

- Number of customers by meter size and by class and the % change by year (in-City, at year-end)
- Annual volume of water sales by meter size and by class and the % change by year (in-City)
- Annual volume of wastewater sales and % change by year (outside-of-City)
- Annual typical residential usage, stormwater billing characteristics and total bill
- Annual usage and billings for the ten largest customers

Supporting Information:

- Notes regarding any factors that will significantly affect water demand and/or stormwater characteristics in 2018 through 2021 and the estimated effect on revenues.

Revenues⁴

For each category listed below:

- Budgeted vs. actual receipts for 2015 and 2016

⁴ Revenues presented in Budgets are projections at the time of the Budget development. While this data is available, it would be more meaningful to the Board to provide comparisons of the projected revenues reflected in the prior rate decision.

- Budgeted 2017 and 2018 and projected 2017, 2018, 2019, 2020 & 2021 customer receipts
 1. In-City Customer Receipts by Customer Type
 2. Wholesale wastewater revenue
 3. Receipts from Miscellaneous Fees and Charges
 4. Interest Earnings
 5. Other Revenues Including Transfers from the Rate Stabilization Fund

Rates

For 2019, 2020 & 2021 (proposed/projected):

1. Proposed rates for water, wastewater & stormwater including rate increases and illustrated impacts on customers as designated in the Rate Board regulations (i.e. residential, seniors and small commercial).
2. Illustration of the rates and charges for customers under the TAP affordability assistance program
3. Proposed rates and charge for miscellaneous fees and charges

Supporting Information:

- Billings vs. collections by year for 2015 and 2016, and estimated for 2017, as well as budgeted figures and 2018 and projected 2019, 2020 & 2021
- Update regarding the progress in affordability assistance TAP implementation. Estimates of the number of customers that will be approved for TAP and the basis for updated estimated of the revenue impact by year vs. the projected customer numbers and revenue effects in the most recent rate proceeding.
- Steps taken since the last rate proceeding regarding new account creation and account/service restoration
- Other available reports since the last rate proceeding regarding customer service (as applicable)
- Potential risks in the revenue projected for 2018, 2019, 2020, & 2021

Cash Flow

1. Days Cash on Hand and Impacts of Requested Fund Balances
 - a. End-of-the-year cash on hand⁵ for 2015,2016 and 2017 (projected vs. actual), as well as budgeted 2018 and projected 2019, 2020 & 2021
 - b. Explanation of the manner in which each of the funds listed in 3 and 4 below affects the requested revenue requirements and rates in the rate filing, as well as how each impacts debt service coverage (where applicable)
2. Rate Stabilization Fund⁶
 - a. End-of-year balances, additions and withdrawals by year for 2015, 2016 and 2017 (projected vs. actual), as well as projected 2018, 2019, 2020 & 2021
4. Residual Fund, and Other Available Funds⁷
 - a. End-of-year balances, additions and withdrawals by year for 2015, 2016 and 2017 (projected vs. actual), as well as projected 2018, projected 2019, 2020 & 2021

⁵ Days Cash on Hand is not calculated nor presented as part of the financial plan.

⁶ PWD does not use budgeted RSF amount to develop rates and charges.

⁷ Fund balances are based on projections. Budgeted amounts are not utilized to set rates and charges.

5. Cost of Service vs. Projected Revenues⁸ (for 2015, 2016 and 2017, projected 2018 2019 through 2021)
 - a. Total costs of providing in-City water service, wastewater service and stormwater service vs. projected revenue for each service by year.
 - b. Total cost of providing outside-of-City water service and wastewater service vs. the projected revenue for each service by year
 - c. Total cost of providing miscellaneous services vs. and projected revenue for each service by year.
6. Initial Projections (high level) of Revenue Requirements and potential overall revenue increases on 2022 & 2023

⁸ Only projected cost of service and revenues are available for the test period.