

**SUMMARY OF QUESTIONS POSED BY LANCE HAVER AND
PHILADELPHIA WATER DEPARTMENT RESPONSES**

APRIL 16, 2018 PUBLIC INPUT HEARING

Questions Posed by Mr. Haver	Philadelphia Water Department Responses
<p>1. What is the breakdown of the rate increase on usage vs service charge vs sewer charge? For example, are the per gallon rates going up the same percentage as the service charge; as the sewer charge? What are the percentage of increase in each category; and what would happen to the average consumer if they reduce their usage by 11%; would they still see a rate increase?</p>	<p>Response: The breakdown of the rate increase on usage charges, service charge and stormwater charges varies based on meter size, usage and whether the property is residential or nonresidential property, but may be determined for a particular account by the proposed rates and charges in PWD Exhibits 3A through 3F. The proposed rate increases are not across the board increases applied to the water and wastewater service and quantity charges. The proposed increases are determined based on the cost of service analysis and rate design for each rate component</p> <p>Since the water and wastewater bill is comprised of service charges based on fixed monthly charges and volume charges based on unit rates and billed volumes, if customers reduce their billed volume by 11%, they will still see an increase in their bill by the end of the rate period.</p>
<p>2. On March 21st of this year, the Philadelphia Inquirer ran a story regarding “cross connections”. The water department was quoted as saying, “Generally, if a cross – connection is outside the home, The City will contract with a plumber and pick up the cost. Homeowners are responsible if the bad connection is inside”. Is this an accurate statement? If not, please supply the letter or email to the Inquirer seeking a correction. If so, please produce any and all written, rules, documents or regulations that explain, define or in any way make clear when the water department pays and when the home owner pays. Please supply the dates when the documents were created and the author of the documents.</p>	<p>Response: The statement is an accurate interpretation of the MS4 permit issued to the City by the Pennsylvania Department of Environmental Protection and Sections 500.0 through 500.6 of the Department’s regulations. The MS4 permit is attached to PWD’s Response to Skiendzielewski Discovery Set II. PWD’s regulations are available on the Department’s website.</p>

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<p>3. The Water Department is replacing water meters. PGW is replacing gas meters. Please provide all written correspondence with PGW pertaining to combining the meter replacement programs, all cost saving estimates that combining the meter replacement and billing would create. If no such estimate exists, and if the Water Department has not contacted PGW regarding combining the programs, please produce all documents showing it was considered and rejected. If there are no documents showing it was considered, please explain why such an opportunity to save rate payers money was not considered?</p>	<p>Response: The Water Department is not replacing water meters. The Water Department is replacing the Radio Frequency (RF) devices that transmit signals from meters to the City’s billing system. The Water Department and PGW have been in contact about installing and using RF devices for over twenty-five years. The Water Department has investigated potential synergies with both PGW and with PECO. The Water Department is nearing the end of a very successful 20-year meter reading contract. The Water Department is in the process of replacing that contract with another performance contract which will include the installation of new RF devices and all services required to deliver reliable and timely meter data to the billing system. The Water Department plans on replacing the RF devices during calendar years 2019 and 2020 to ensure maintaining high levels of service. PGW is currently in the very early stages of considering a change in its meter reading system. The Water Department has conducted extensive research on meter reading products which it will make available to PGW when PGW is ready to proceed. The systems that the Water Department has considered are capable of supporting gas as well as water meter reading.</p>
<p>4. How much money is currently in the Water Department’s rate stabilization fund?</p>	<p>Response: \$202 million as of end of year FY 2017.</p>
<p>5. Is it true that the Water Department has written it wants to retain a balance of 110 million dollar in the rate stabilization fund?</p>	<p>Response: No, it is not true. The Department is currently targeting \$150 million.</p>
<p>6. Is it true that in FY 2012 the Water Department projected that by FY 2018 it would have 110 million in the fund?</p>	<p>Response: No, it is not true.</p> <p>As documented in the record of the rate proceeding for the FY 2017 and FY 2018 Rates, PWD and the Water, Sewer and Stormwater Rate Board made significant efforts to establish reasonable projections for the basis of the FY 2017 and FY 2018 rates. Lower annual variances experienced in FY 2017 reflect these efforts. PWD believes that more rigorous financial</p>

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	management, as implemented during recent years, promises to yield lower variances going forward.
7. Is it true that the rate stabilization fund has \$90.7 million more than it was projected to have in the 2012 projections that were admitted as evidence at the public hearing on 4/16/17?	Response: No, it is not true
8. Is it true that the difference between what was projected to be in the fund and what is in the fund can be explained by saying the Water Department over collected and/or cut costs below project levels?	<p>Response: No, that is not a correct explanation.</p> <p>The financial projections in the 2012 rate case show that we out-performed projections in Fiscal Years 2013, 2014 and 2015 primarily due to:</p> <ol style="list-style-type: none"> 1. Actual revenue results exceeded projections by 1.47% per year on average, totaling \$28 million, for Fiscal Years 2013, 2014, and 2015. 2. Actual expense results were under projections from the previous rate case projections for Fiscal Years 2013, 2014 and 2015. The main reasons for differences are below: <ul style="list-style-type: none"> • Pension payments and health care costs were \$30 million lower than projections • Liquidated encumbrances were \$28 million higher than projections. The under projection of liquidated encumbrances (commitments cancelled) was due largely to an aggressive effort by the City’s Office of the Director of Finance to properly liquidate unused prior year fund commitments <ul style="list-style-type: none"> ○ Other expenses were \$20 million lower than projections <p>Because of the over performance of revenues and the under spending of expenses, the Net Revenues available for debt service were greater than projected, which lead to deposits in the Rate Stabilization Fund and subsequent increases in the Fund balances</p>
9. Why has the Water Department failed to draw down the funds as projected?	Response: Please see response to question 8.

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<p>10. If the Water Department were to have drawn down the 90.7 million as projected, would it still require the same size rate increase?</p>	<p>Response: No.</p> <p>Note that the proposed rate request is based on planned withdrawals from the Rate Stabilization Fund to offset revenue increases during the proposed FY 2019 to FY 2021 rate period.</p>
<p>11. Where are the funds in the Rate Stabilization fund kept? Why kind of account? What interest rate does the account pay? Where does that interest go? Who is charged with determining which bank and/or fund holds the funds in the rate stabilization fund?</p>	<p>Response: Funds are held at US Bank.</p> <p>The funds are invested as per the City’s investment policy and the investment management firm is Standish.</p> <p>Interest earnings from the rate stabilization fund are transferred to the Revenue Fund and counted as revenue.</p> <p>The City of Philadelphia Treasurer’s office determines the bank which holds the rate stabilization fund. Note the Rate Stabilization Fund was established in accordance with the 1989 General Bond Ordinance.</p>