

City of Philadelphia, Water, Sewer and Storm Water Rate Board
September Monthly Meeting Notes
9/11/2019, 1515 Arch Street, 18th Floor, Rooms 18-025 (Mayor's Media Room)

Board Members Present

Irwin "Sonny" Popowsky, Chair
Tony Ewing, Vice Chair
Abby Pozefsky

By Phone: Rasheia Johnson

Absent: Folasade Olanepikun-Lewis

Also Present

Daniel W. Cantú-Hertzler
Rob Ballenger
Scott Schwarz
Ji Jun
Steven Liang

Mr. Popowsky called the meeting to order at 3:02 p.m. Mr. Ewing moved to accept the minutes from the May 8, 2019 monthly meeting, and Ms. Pozefsky seconded the motion. The May 8 meeting minutes were approved unanimously, with no abstentions. Ms. Pozefsky then moved to approve the June 27th, 2019 Tap Rider Special Meeting minutes, Mr. Ewing seconded, and the minutes were approved unanimously, with no abstentions.

Mr. Schwarz then gave a summary report on the Water Department stakeholder meetings, which took place on July 30, 2019, August 13, 2019, and September 10, 2019 respectively. Materials from these meetings have been posted on the Rate Board's website. The meetings each covered a separate issue: respectively, the current rate structure that the Water Department utilizes; stormwater credits; and the expansion of the rider that currently covers the costs of TAP (Tiered Assistance Program) to also include the Water Department's pension costs.

The City has used its current declining block rate structure since 1951. The Department is currently considering moving away from a declining block rate structure to either an inclining block or flat rate. Mr. Schwarz stated that the Department has received requests from some environmental groups to move away from the structure and that the declining block rate has been abandoned by most water utilities throughout the country.

Mr. Popowsky asked some clarifying questions about the change. First, as to whether the Water Department distinguishes between residential and commercial water customers, Mr. Schwarz responded that the Water Department does not. Second, as to whether moving to an alternative rate structure would require distinguishing between the two, Mr. Ballenger explained that there is not much need to distinguish between the two, since the water usage thresholds are sufficiently high that most residential users would never meet the threshold to require different rate calculations.

The second issue was stormwater credits, the stormwater incentives program that went into effect in 2010 and were revised in 2012. Since 2012 the credits have remained largely untouched. Currently changes are being considered that range from putting a time limit on when a credit

could be claimed to raise the threshold for acquiring a stormwater credit. The current threshold requires a developer to divert a minimum of 1 inch of rainwater; the proposed change would increase the minimum to 1.5 inches of rainwater to make it consistent with the City's regulations on building a new development.

The last major issue concerned expanding the rate rider, which currently covers TAP costs, by making it also cover the Department's pension costs. Mr. Schwarz explained that because of the inherent unpredictability of pension costs, it could make sense to change the policy.

Mr. Popowsky responded that an alternative way for dealing with such issues was to utilize deferred accounting. For example, if pension expenses were overstated in one year, then a deferred account would be created that could be collected in the next case or vice-versa. Mr. Schwartz said that he would consult with Melissa LaBuda about this possibility.

Ms. Pozefsky then asked Mr. Schwarz and Mr. Ballenger whether, looking holistically, they had any other issues that they would like to be discussed in the future. Mr. Ballenger noted that in the last rate case Community Legal Services made a recommendation "that there should be no additional allocations of cost on the water side on the first block because of other allocations that have to do with maximum capacity." CLS would like that issue addressed in the future, potentially through modifying the declining block rates, but that issue could need further study.

Mr. Ballenger raised a stormwater credit issue that he said was first brought up by the Water Department's consultant, Black and Veatch. B&V suggested a potential interim adjustment on the credit based on a study on how long the stormwater credit could work in the manner it does without shifting an undue burden of costs to residential customers.

Mr. Schwarz also mentioned the potential for the Department to move from volumetric rates to fixed rates in its calculations.

There was also discussion of the timeline for filing of the Advance Notice of the next rate proceeding. Mr. Schwarz reaffirmed to the Board the Department's intention to file it in February.

Mr. Ewing then asked Mr. Popowsky whether he had participated in his consultative sessions he had mentioned in prior meetings. Mr. Popowsky said that he did go to Washington D.C. for a Water Finance conference and served as the keynote speaker; where he spoke about the TAP-Rider program.

After these issues, Mr. Popowsky spoke briefly about the items for upcoming meetings, including the Water Department's full report on its stakeholder meetings and the simple rate model that Ed Markus is producing for the Board.

No one having further questions or issues to discuss, the Board voted to adjourn.

Meeting adjourned at 3:42 PM.