

**SUMMARY OF WATER, SEWER AND STORMWATER RATE BOARD QUESTIONS
DIRECTED TO THE PHILADELPHIA WATER DEPARTMENT**

(FEBRUARY 22, 2016 PRESENTATION)

Questions Posed by the Water Rate Board	Water Department Responses
1. What are the primary specific cost increases (and/or revenue reductions) that give rise to the rate increase requirements for Fiscal Year 2017; for Fiscal Year 2018?	Response: See Presentation to Water Rate Board (“Presentation”), Slide 38.
2. Please describe the basis for allocating the proposed rate increases across services (water, wastewater, stormwater) and across customer classes (residential, commercial, industrial, etc.).	Response: See Presentation, Slides 36-37 and PWD Statement 9A (Section 3 – Projected Cost of Service Allocations).
3. Does the Department expect overall retail and wholesale customer water usage and sales to increase or decrease during the rate period?	Response: See Presentation, Slide 25; Tr. 53.
4. Why did the Bucks County Water and Sewer Authority terminate its wholesale water contract with the Department in 2014? Does the Department expect to lose or add any other wholesale customers in the near future.	Response: See Presentation Transcript (“Tr.”) at page 51-53.
5. Please describe the purposes of the Rate Stabilization Fund and Residual Fund and state how those funds will be affected by the proposed rate increase. How much has the Rate Stabilization Fund increased or decreased during the period since the last rate proceeding?	Response: See Presentation Slides 22-23, 33.
6. Please describe the Department’s bond coverage requirements and the expected coverages that will result under the proposed rate increases in FY 2017 and FY 2018.	Response: See Presentation Slide 22, 34.
7. Please describe the major factors affecting the Water Department’s bond ratings.	Response: See Public Financial Management (“PFM”) Presentation, Slide 3-5.
8. Please describe and quantify any expected payments to be made from the Department to the City’s General Fund during the Fiscal Year 2017 and 2018 rate period.	Response: See Tr. 134-135; Presentation Slide 28.
9. Why is the Department switching from Automatic Meter Reading (AMR) to Advanced Metering Infrastructure (AMI)? What are the anticipated quantifiable costs and benefits of that decision and when is it supposed to be implemented?	Response: See Tr. 116-125.
10. Please describe the Department’s proposal to implement the low income program that has been	Response: See Tr. 96-115, 183 and Presentation Slide 26.

mandated by the recent City ordinance. What are the expected cost and revenue impacts of the proposal and how does the Department propose to recover any additional costs and lost revenues from customers?	
11. Please briefly discuss the Department's efforts to ensure the safety of the City's water supply, particularly with respect to the level of lead in the drinking water.	Response: See, Tr. 125-127; 132.
12. The Department has refinanced some of its debt for debt service savings in recent years. What other measures has the Department taken in recent years to reduce its revenue requirements?	Response: See, PWD Statement 2 at pages 3-4 and response to Question 20 below.
13. The federally mandated (unfunded) long-term control plan seems to be a major challenge for the Department both now and in the future. Are there any new and more stringent federal or state rules on the horizon which may impact future revenue requirements?	Response: See, Tr. 127-132 and Attachment A.
14. Two of the three bond rating agencies in their formal reports have explicitly mentioned the new Water Rate Board as a concern in the setting of future rates for the utility, (see attachments appended to Melissa LaBuda's testimony). Can the department share what was verbally said about this in its meetings with the rating agencies?	Response: See, Tr. 136-138.
15. Please describe the status of the AMI initiative (e.g., business plan; other supporting documentation).	Response: See, Tr. 116-125.
16. Please confirm that the stormwater incentive programs will continue during the Rate Period.	Response: Yes. See, PWD Exhibit 5(Rate Case Assumptions).
17. Please discuss the Long Term Control Plan (LTCP) and costs related to it.	Response: See, PWD Statement 4 at pages 3-5; see also, Tr. 127-132.
18. Please identify your Top 10 recipients of rate discounts, excluding senior citizens.	Response: See Attachment B.
19. Please provide support for declining usage (retail customers) assumed in the rate filing.	Response: See Tr. 77-78 and response to PA-EXE-161.
20. Please confirm the continuing benefits associated with the operation of the Biosolids Recycling Center. (Tr. 133)	Response: Continuing benefits are estimated at \$11 million annually over the life of the project (which extends well beyond the Rate Period).
21. Please provide an explanation for the declining number of customer accounts since 2010. (Tr. 79; 202)	Response: The customer count utilized in rate filing was based upon improved metrics developed by Raftelis Financial Consultants. See, Testimony of Henrietta Locklear, Exhibit HL-2, Appendix D Summary Digest page 7 and page 10.

Attachment A

Question: The federally mandated (unfunded) long term control plan seems to be the major challenge for the Department both now and in the future. Are there new and more stringent federal or state rules on the horizon which may impact future revenue requirements?

Answer: Yes. A number of proposed agency actions and rules under the Clean Water Act, Clean Air Act and Safe Drinking Water Act may impact future revenue requirements. The following are some examples.

Clean Water Act

Water Quality Standards and Criteria

- *Proposed Wissahickon Creek Phosphorus TMDL.* In May of 2015, EPA published a draft proposal to establish a total maximum daily load (“TMDL”) for total phosphorus in the Wissahickon Creek Watershed. TMDLs establish the maximum amount of pollutants that a waterbody can receive without exceeding the water quality standard for that pollutant. This proposed TMDL would require reductions in the amounts of phosphorous entering the watershed from wastewater treatment plants, stormwater runoff and other sources.
- *Dissolved Oxygen.* The Delaware River Basin Commission recently announced that it is examining whether the current water quality criteria for dissolved oxygen in the Delaware River may need revision to be better protective of fish reproduction.

National Pollution Discharge Elimination System (NPDES) Permits

- The most recent drafts of the NPDES permits prepared by PaDEP for discharges from the City’s Wastewater Treatment Plants and Municipal Separate Storm Sewer System (NPDES MS4 permit) contain a number of more stringent requirements than exist in the current permits. For example, the draft NPDES permit for the municipal separate storm sewer system includes additional monitoring and mitigation requirements, and the draft NPDES permit for the Northeast Water Pollution Control Plant would require the Water Department to investigate and address the problem of trash in the Tookany-Frankford Creek and develop programs to address the trash problem if it is shown that Combined Sewer Overflow outfalls are conveying trash to the creek channel.

Consent Order and Agreement/ Administrative Order/ Combined Sewer Overflow (CFO) Policy/ Long Term Control Plan (LTCP) Guidance

- The City’s Consent Order and Agreement with PADEP and the Administrative Order for Compliance on Consent with EPA require the City to submit an Evaluation and Adaptation Plan (EAP) and modeling reports to PaDEP and EPA on October 30, 2016. Following review of these documents by EPA and PADEP, the City must make revision to the EAP and LTCP as appropriate.
- EPA recently sent a letter to the Water Department requesting that the Department develop and evaluate additional alternatives for controlling combined sewer overflows pursuant to EPA’s CSO Control Policy and LTCP Guidance. The Department must submit the analysis to EPA for review and comment by January 31, 2017.

Clean Air Act

- *Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units; Final Rule.* On October 23, 2015, EPA published a final rule commonly known as the Clean Power Plan. The rule would establish for the first time greenhouse gas emission guidelines for existing power plants. On February 9, 2016, the U.S. Supreme Court stayed the rule pending the disposition of the petitions for review in the U.S. Court of Appeals and a petition for writ of certiorari, if such a writ is sought. The outcome of the appeal may have an impact on future energy prices.

Safe Drinking Water Act

- *Unregulated Contaminant Monitoring Rule.* On December 11, 2015, EPA proposed a new Safe Drinking Water Act rule that will require public water systems to analyze drinking water samples for 30 new unregulated contaminants that do not have health based standards and report the results to EPA. The comment period on the proposed rule closed on February 9, 2016. The rule would require public water system to incur implementation costs beginning in 2017.

- *Revised Total Coliform Rule.* EPA's revised total coliform rule establishes new monitoring requirements for total coliform bacteria beginning on April 1, 2016. A proposed revision to PaDEP's rule was published in the Pennsylvania Bulletin on October 3, 2015, and will take effect upon final-form publication.

- *Lead and Copper Rule.* EPA may be issuing new monitoring requirements for lead and copper in tap water through new guidance and/or proposed amendments to the existing rule.

- *Disinfection Requirements Rule.* Proposed amendments to PADEP's drinking water rules related to microbial protection and disinfection requirements were proposed in the Pennsylvania Bulletin on February 20, 2016. The proposed rule would strengthen the current distribution system disinfection requirements. Comments will be accepted until April 19, 2016. The proposed rulemaking will go into effect upon final-form publication.

All Discount Customers

DISCOUNT_TYPE	Sum of Billings before discount	Sum of DISCOUNT AMOUNT	Count of WATER1 ACCOUNT	% Discount
Charity	\$ 13,569,545.78	\$ 3,365,448.12	2,313	25
Education	\$ 8,628,071.06	\$ 2,127,944.47	564	25
Hospital & University	\$ 19,031,703.79	\$ 4,708,957.77	741	25
PHA	\$ 14,375,655.09	\$ 697,733.27	7,429	5
Grand Total	\$ 55,604,975.72	\$ 10,900,083.63	11,047	

TOP 10	DISCOUNT_TYPE	Education	
	Sum of DISCOUNT AMOUNT		
	CUSTOMER_NAME	Total	% Discount
1	SCHOOL DISTRICT OF PHILA	2,089,453.36	25%
2	MASTERY CHARTER SCHLS-GRATZ (4010)	16,390.70	25%
3	MASTERY CHARTER SCHLS-HARRITY (1310)	4,898.48	25%
4	MASTERY CHARTER SCHLS-SMEDLEY (7420)	4,587.63	25%
5	MASTERY CHARTER SCHLS-MANN (4340)	3,726.63	25%
6	MASTER CHARTER SCHLS	3,663.01	25%
7	MASTERY CHARTER SCHLS-CLYMER (5220)	3,251.84	25%
8	MARITME ACADEMY CHARTER HS	1,543.48	25%
9	MASTERY CHARTER SCHOOLS FOUNDATION	429.34	25%
	Grand Total	2,127,944.47	

TOP 10	DISCOUNT_TYPE	Charity	
	Sum of DISCOUNT AMOUNT		
	CUSTOMER_NAME	Total	% Discount
1	ARCHDIOCESE OF PHILA	63,186.97	25%
2	PH SRS OF ST JOSE	57,240.60	25%
3	1260 HOUSING DVLPMNT CORP	51,741.81	25%
4	GIRARD COLLEGE	48,108.68	25%
5	GERMAN PROTESTANT HOME	46,693.49	25%
6	CATHEDRAL VILLAGE INC	43,205.05	25%
7	SIMPSON HOUSE OF THE UNITED METHODIST	39,839.77	25%
8	PAULS RUN	39,757.29	25%
9	ST JOSEPHS HOSPITAL	39,015.13	25%
10	FEDERATION HOUSING INC	38,322.05	25%
	Grand Total	467,110.84	

TOP 10	DISCOUNT_TYPE	Hospital & University	
	Sum of DISCOUNT AMOUNT		
	CUSTOMER_NAME	Total	% Discount
1	UNIVERSITY OF PENN	962,650.66	25%
2	TEMPLE UNIVERSITY	734,264.62	25%
3	UPHS GROUP 2 - HUP	442,177.37	25%
4	TJU JEFF HALL	387,130.71	25%
5	DREXEL UNIVERSITY	380,236.52	25%
6	CHILDREN'S HOSPITAL OF PHILADELPHIA	277,522.59	25%
7	ALBERT EINSTEIN PLAZA	245,449.02	25%
8	UPHS GROUP 4 - PPMC	160,823.87	25%
9	UPHS GROUP 3 - PAH	147,778.07	25%
10	PHILADELPHIA UNIVERSITY	106,836.32	25%
	Grand Total	3,844,869.75	

TOP 10	DISCOUNT_TYPE	PHA	
	Sum of DISCOUNT AMOUNT		
	CUSTOMER_NAME	Total	% Discount
1	PHILA HOUSING AUTHORITY	621,086.27	5%
2	GREATER GRAYS FERRY II PHA	9,832.84	5%
3	RICHARD ALLEN LP - PHA	7,868.57	5%
4	PHILA HOUSING AUTHORITY	6,708.62	5%
5	PHA NORRIS APTS LP	5,598.81	5%
6	BLACKWELL LP I PHA	4,363.25	5%
7	PHA MANTUA 2 LP	4,110.89	5%
8	MARSHALL SHEPHERD VILLAGE-PHA	4,029.23	5%
9	LUDLOW - PHA	3,727.58	5%
10	CAMBRIDGE II - PHA	3,336.89	5%
	Grand Total	670,662.95	