

BEFORE THE
PHILADELPHIA WATER, SEWER AND STORM WATER RATE BOARD

In the Matter of a Proposed Rate Increase in :
Water, Sewer and Storm Water Rates : FY 2017-2018 Rates

POSITION PAPER
OF
RANDOLPH HAINES
OF THOMAS JEFFERSON UNIVERSITY
AS A MEMBER OF
THE PHILADELPHIA LARGE USERS GROUP

March 24, 2016

BEFORE THE
PHILADELPHIA WATER, SEWER AND STORM WATER RATE BOARD

In the Matter of a Proposed Rate Increase in :
Water, Sewer and Storm Water Rates : FY 2017-2018 Rates

POSITION PAPER OF RANDOLPH HAINES
OF THOMAS JEFFERSON UNIVERSITY
AS A MEMBER OF THE PHILADELPHIA LARGE USERS GROUP

Q. Please state your full name and business address.

A. My name is Randolph Haines. My business address is 214 South 11th Street, Philadelphia, PA 19107.

Q. Please identify your employer.

A. I am employed by Thomas Jefferson University and Jefferson University Hospitals ("Jefferson").

Q. How long have you worked for Jefferson?

A. I have worked for Jefferson for the past twenty-two years.

Q. What is your current position with Jefferson?

A. My current position is Energy Manager, which I have held for the past 19 years.

Q. What are your duties in your current position?

A. As Energy Manager, I am responsible for overseeing Jefferson's annual energy and utilities budget, which, including costs for water, wastewater, and stormwater, is currently \$21 million. I am also responsible for oversight of Jefferson's investments towards various conservation and efficiency projects.

Q. What is your educational and employment background prior to joining Jefferson?

A. I have worked in the project, maintenance, and facilities management field for the past thirty-seven years. For the first seventeen years, I worked in the metal working industry before moving to Jefferson. In 1997, I was promoted to Energy Manager, which was a newly created position evolving from the complexities created from the deregulation of energy in Pennsylvania, as well as the need to save utility and consumption costs. I am also a University of Pittsburgh graduate with a BS in Industrial Engineering. A summary of my work experience is attached as Exhibit ___(RH-1).

Q. Please provide some background regarding Jefferson.

A. Jefferson includes a hospital and three colleges situated on a thirteen-acre campus in Center City, Philadelphia. On an annual basis, Jefferson consumes approximately 230 million gallons of water per year.

Q. What facilities does Jefferson have in the service territory of the Philadelphia Water Department ("PWD")?

A. Jefferson currently has approximately 31 water and sewer accounts and 13 Fire Service accounts in PWD's service territory. Due to the critical care functions and the need for 100% reliability, many of the hospital buildings have dual services. Meter sizes range from one to eight inches.

Q. Please describe purpose of your statement.

A. Jefferson is a member of the Philadelphia Large Users Group ("PLUG"), which is an *ad hoc* group of similarly situated Large Commercial & Industrial ("C&I") high volume usage customers located in PWD's service territory. The purpose of my testimony is to discuss the impact of increases to PWD's rates for water, wastewater, and stormwater

charges upon large customers such as Jefferson. I will also address customer service issues impacting Large C&I customers in PWD's service territory.

Q. Are you familiar with the rate increase requested by PWD on February 8, 2016?

A. Yes. I understand PWD proposes to increase rates by approximately \$106 million over a two-year period, with an initial increase of \$35 million for fiscal year 2017 and a compound increase of \$71 million (\$35 million + \$36 million) for fiscal year 2018. I note that the proposed two-year proposal differs from PWD's historical practice of proposing compound annual rate increases covering 4-year periods.

Q. Are you concerned with the impact of PWD's proposed rate increases?

A. Yes. While I understand that PWD must recover the costs of its services, the rate filing shows the cumulative impact of the fiscal year 2017 and 2018 rate adjustments would increase non-residential water, wastewater, and stormwater rates by 10% - 20% for many customers (depending on meter size and configuration of gross and impervious area parcels). *See* Table C-5 to Exhibit BV-E1. These rate increases are significant, particularly following the prior rate case where the Water Commissioner approved compound annual rate increases increasing rates by \$140 million throughout fiscal years 2013, 2014, and 2015.

Q. Do you have any comments on specific components of the proposed rate increase?

A. Yes. I understand that the proposed rate increase accounts for a loss of \$8 million in annual wholesale water revenues following the termination of PWD's wholesale service contract with the Bucks County Water & Sewer Authority. In light of the burden imposed on remaining customers, I would encourage PWD to explore opportunities to

expand its wholesale supply service in order to spread fixed costs across a broader customer base.

Q. Does PWD's proposed filing address customer service matters?

A. Yes, as set forth in the Direct Testimony filed by PWD witnesses Michelle L. Bethel and Mark D. Harvey, the City of Philadelphia's Water Revenue Bureau provides meter reading and billing services for PWD. Operational customer service inquiries are addressed by PWD staff.

Q. Do you have any recommendations with regard to PWD's customer service?

A. Yes, I recommend that PWD consolidate customer service resources into a single point of contact for Large C&I customers.

Q. Please provide reasons supporting your recommendation.

A. PWD's current customer service model presents challenges for Large C&I customers. As previously noted, Jefferson purchases over 15 millions of gallons of water per month. While all customers are entitled to reasonable expectations of responsiveness, the per-customer economic impact arising from operational or billing issues for Large C&I customers justifies efforts to consolidate resources in a manner that would be impractical for Residential or Small C&I accounts. Accordingly, many other utility providers, whether water, steam, electric, or natural gas, employ Large C&I account managers tasked with managing communications and service issues specific to Large C&I customers and critical to safe and reliable service.

However, Large C&I customers on PWD's system lack a dedicated point of contact for customer service inquiries. For example, if I contact the Water Revenue Bureau to contest a bill showing charges for a period during which Jefferson had shut off service to

a meter for operational purposes, the Water Revenue Bureau staff may lack knowledge or understanding of the planned shut-off necessary to appropriately address the billing discrepancy. Conversely, PWD may have received notice of the shut-off, but might refer me back to the Water Revenue Board to resolve the billing questions. Such policies create an inefficient use of resources across the board, for PWD, the Water Bureau, and Jefferson.

Q. Does this conclude your testimony?

A. Yes.

Randolph (Randy) Haines, C.E.M., C.L.E.P., M.C.V.P., B.E.P., C.S.D.P

Energy Manager, Thomas Jefferson University

Mr. Haines has thirty nine (39) years' experience in project, maintenance and facilities management. The first seventeen (17) years of experience were in the metal working industry before moving to Jefferson, an urban teaching hospital in center city Philadelphia. In 1997, Mr. Haines was promoted to a newly created position of Energy Manager for the Jefferson Health System, an alliance of hospitals and research buildings in the Philadelphia region covering more than 10 million square feet and 32,000 employees. This position was created due to the complexities created from the deregulation of energy in Pennsylvania and to save utility consumption and costs.

In January 2001, Jefferson awarded a \$10 million contract to Alliant Energy – Cogenex, now Constellation Energy (ESCO) to install energy efficient lighting, variable frequency drives, additions to their building automation system, installation of venturi nozzle steam traps and the installation of an advanced metering system throughout the health system, which Mr. Haines is the primary overseer.

In October of 2005, Jefferson entered into an agreement with their local utility to build a 7000 Ton chilled water plant which was completed in April of 2007. After this project was underway, Jefferson awarded a \$6 million project to replace all of the chilled water pumps with variable frequency drives, control valves on all air handlers, new building automation controls and to install a new condensate return system (pumps with controls) in each of its buildings. Mr. Haines was the primary overseer of all of these projects which were completed in March of 2008. From 2001 to 2011, Jefferson has awarded a total of nine (9) phases of work to their ESCO to improve energy efficiency and water conservation.

A University of Pittsburgh Industrial Engineer graduate, Mr. Haines has worked at Eaton Corporation, Mitchell Industries, Delaval Condenser Division and Jefferson. He is past President of the Greater Philadelphia Chapter of the Association of Energy Engineers, past President of the Trenton – Princeton Chapter of the Association for Facilities Engineering and a member of ASHRAE and the Hospital Engineers. He has made numerous presentations at the AEE national and regional conferences. Mr. Haines was awarded the *International Energy Manager of the Year* for 2004 from the Association of Energy Engineers ("AEE"). In January of 2007, Mr. Haines wrote a chapter in the book, *Web Based Enterprise Energy and Building Automation Systems*. In September of 2008, Mr. Haines was elected the Region 1 Vice President of the AEE. This region includes most of the states in the Northeast United States. In November of 2009, Mr. Haines was inducted into the *AEE Energy Managers Hall of Fame*. Mr. Haines was elected as President of the National AEE for the 2014 term.