

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

**MARCH 1, 2016 PUBLIC INPUT HEARING**

Questions Posed by Mr. Haver	Philadelphia Water Department Responses
1. How many times in the past ten years did the Water Department fail to draw down the Rate Stabilization Fund in the amount projected in the City's Five Year Plan?	<b>Response:</b> The Departments has consistently outperformed its projections for the Rate Stabilization Fund. For the recent rate filing, the Department's projections align with the City's approved PICA 5 year plan where applicable.
2. Where are the funds in the Rate Stabilization Fund held? If so, which bank? Who makes the decision where the fund is held and does that person receive a fee?	<b>Response:</b> RSF funds are held by U.S. Bank National Association. The City Treasurer's Office makes the determination as to where RSF funds are held. The City Treasurer's Office does not receive a fee for this determination other than the normal appropriation from the Water Fund.
3. Does PGW have a rate stabilization fund? If so, how large is it? How many other water utilities in the Commonwealth have rate stabilization funds? How large are they and how often do the utilities which have sate stabilization funds fail to meet annual projections of the amount of the fund.	<b>Response:</b> PGW does not have a rate stabilization fund, as it is not defined in their 1998 General Ordinance as such. But PGW and other large utilities do maintain cash reserves. For a survey of peer water utilities that maintain cash reserves comparable to or exceeding that of the Department, please see the Testimony of Katherine Clupper (PWD Statement 7 at pages 5-8).
4. Does the Water Department have the right to take more water than it is currently using from the Delaware and Schuylkill Rivers? If so, how does the Department use that resource as an economic development tool?	<b>Response:</b> Yes. The City is authorized by the Pennsylvania Department of Environmental Protection to withdraw up to 423 million gallons per day ("MGD") from the Delaware River and up to 258 MGD from the Schuylkill River. The allocation levels are well above the average annual daily treated water supplied at the Department's three water treatment plants. The Department is perennially interested in additional utilization of existing treatment capacity both locally (retail) and the region (wholesale). The Department is not an economic development authority.
5. Does the Department use its purchasing power to help the City of Philadelphia? How much of what the Department buys is from a source inside the City of Philadelphia? How does the Water Department attempt to buy from local businesses? If the Water Department uses its purchasing power to support Philadelphia businesses, would the businesses lead to higher revenues for the Philadelphia Water Department?	<b>Response:</b> Water Department is a department of the City of Philadelphia and therefore follows the City's procurement rules. The City Procurement Department's Services, Supplies and Equipment Division centrally purchases commodities required by City departments to provide their services to the public. For procurement contracts, those vendors that are certified as a Local Business Entity, (LBE) it may be possible to reduce their bid price by a pre-determined percentage as part of the bid evaluation process to determine the lowest bidder. If a bid is received in the amount of \$1 million or less, the LBE preference is ten percent (10%). For all other bids, the LBE preference is five percent (5%).
6. How does the Philadelphia Water Revenue collection rate compare to the collect rate of Philadelphia Gas Works? Does it make sense for the	<b>Response:</b> The overall collection rates for both utilities on a rolling twelve month basis are comparable at 96%. The issue of working more closely with PGW, in a

<p>Water Department to work with Philadelphia Gas Works to develop its new meter reading devices? Is there any reason why there can't be combined services?</p>	<p>variety of areas, has been raised in the past. Areas of greater cooperation are in evidence with regard to enforced main replacements and assistance in examining options for the proposed affordable rates program (comparing our plans with PGW's Customer Responsibility Program).</p>
<p>7. How soon can the Water Department expand its HELP loan program to help families that want to replace the lead inlet pipe that brings water into their home?</p>	<p><b>Response:</b> The Department anticipates proposing a comprehensive program to address lead service lines in the coming months. The proposed program will likely have budget impacts during the proposed rate period.</p>
<p>8. Can the Water Department examine the process of lining pipes and encapsulating the lead as a lower cost option than replacing all of a house's pipes?</p>	<p><b>Response:</b> The Department has a robust corrosion control treatment program to minimize lead and copper levels in drinking water. The Department adds zinc orthophosphate as part of the treatment process. This practice creates a thin coating inside the pipe. The coating prevents water from coming in direct contact with the lead solder or the lead pipe, essentially encapsulating the lead.</p>
<p>9. If energy prices are one of the drivers of this rate increase, why hasn't the Water Department reviewing Lucid Pipes or other technologies that can generate electricity and heat from its water mains? If the Portland, Oregon water can install such devices, why can't the Philadelphia Water Department do as well to eliminate at least a part of the rate increase?</p>	<p><b>Response:</b> The Department has reviewed the in-pipe turbine technology sold by Lucid Energy and one other company. Based on that review, the Department determined that the payback period for using these technologies is not economically feasible at current electric rates. Portland's massive transmission lines with high elevation drops and large flow rates and high velocity are conducive to low head in line hydroelectric projects. Philadelphia does not have similar conditions that would make this technology feasible at this time. As the Department also noted in the rate filing, Portland Oregon has some of the highest monthly water, sewer and stormwater rates in the country. The typical monthly bill in Portland currently is \$143.68 per month, compared to \$67.43 in Philadelphia.</p>
<p>10. In calculating the cost of the low income plan, is it not prudent to offset the cost of the program against the avoided costs of collections, terminations and reconnections?</p>	<p><b>Response:</b> The new affordability program has the potential to reduce costs of collections over time to offset some portion of program costs. However, the proposed program also includes some forgiveness for customers with delinquent balances on their accounts which can drive-up account write-off costs in the short term.</p> <p>The implementation considerations surrounding the new program (which have yet to be finalized) can also impact program costs and benefits. It is not prudent to project either costs or benefits associated with delinquency forgiveness or collections cost avoidance until we know more. In the second year of the program, we can start to gather program performance metrics which will form a reasonable basis for future projections.</p>
<p>11. Is it permissible for a member of the Water Rate Board to offer testimony at this proceeding and then sit in judgment of the proposed rate increase? On February 22, of 2016, Mr. Brunwasser provided testimony, it appears on page 187 of the notes of testimony. Mr.</p>	<p><b>Response:</b> Mr. Brunwasser addressed the issue of the Department's prior technical default and associated credit rating downgrade at the February 22, 2016 hearing (Tr. 187). The subject matter of his statement was an historic fact that is documented in the public record; and</p>

<p>Brunwasser provides testimony to support how the Water Department uses different bonds. How can Mr. Brunwasser remain objective about his own testimony? Is there any adjudicatory proceeding in the Commonwealth of Pennsylvania that allows for a finder of fact to first advocate a position?</p>	<p>could be disputed or further explained by the parties, if Mr. Brunwasser's recollection was incorrect. In point of fact, his statement was accurate.</p> <p>It should also be noted that it is not unusual for administrative agencies to take administrative notice of historical facts such as PWD's technical default in 1990. This is an objective fact that can be readily verified. Moreover, Mr. Brunwasser was appointed to the Rate Board because of his knowledge of the utility and general expertise in ratemaking and financial matters. Finally, it should be noted that the explanation offered by Mr. Brunwasser also looked backward in time and did not suggest a pre-disposition as to rate filing proposals which are projections for FY2017 and 2018.</p>
<p>12. And finally, were does the Philadelphia Water Department project consumers will find the money needed to pay the rate increase it is proposing? The proposed rate hike is projected to be 12%. Does the Water Department project Philadelphians will see 12% increases in pay, social security or some other form of income? If not, where does the Water Department project the money will come from to pay the higher bills and will the transfers of funds from where they are currently being spent to the Water Department hurt Philadelphia's economy?</p>	<p><b>Response:</b> Unlike private utilities, the Philadelphia Water Department does not make a profit and does not have investors or shareholders who receive a rate of return on their investment. The Department is sensitive to the challenges that our rate payers face and diligently works to provide our services as cost effectively as possible. The proposed rate increase is based upon our best judgment as to what is necessary for the Department to provide safe drinking water and essential wastewater services at the most affordable rates possible.</p>