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Press press@phila.gov

Independent Board Sets Water and Sewer Rates for Next Two Years

PHILADELPHIA – The Philadelphia Water, Sewer and Storm Water Rate Board, the independent City board that sets Water Department rates, announced that it has issued its Rate Determination regarding proposed water, sewer, and storm water rate increases in Philadelphia in Fiscal Years (FY) 2022 and 2023. Under the [Rate Determination](#), the rate increases originally proposed by the Water Department would be reduced by approximately 60 percent, and could be reduced further in FY 2023 pursuant to the terms of a Settlement reached between the Department and the Public Advocate, and approved by the Rate Board.

Following earlier Advance Notice, the Water Department filed Formal Notice on February 16, 2021 of its proposal to increase rates to recover additional revenues in Fiscal Years 2022 and 2023. The Water Department had withdrawn a similar General Rate Proceeding in the spring of 2020 due to the COVID-19 pandemic. In order to ensure that the interests of residential and other small water customers would be represented, the Rate Board contracted with Community Legal Services to serve as the Public Advocate in the proceeding. The Rate Board also retained a Hearing Officer to preside over public and technical hearings and to make recommendations to the Rate Board on the issues raised in the proceeding.

After a thorough review of the filing, including extensive discovery, four online public hearings, one technical hearing and substantial public comment, the Water Department and the Public Advocate submitted a [Joint Petition for Partial Settlement](#) dated May 5, 2021. On May 18, 2021, the Hearing Officer issued the [Hearing Officer Report](#) which recommended approval of the proposed settlement rates and resolution of other outstanding issues.

As originally filed, the proposed rate increases would have raised the Water Department's overall revenues by \$48.9 million in FY 2022 and by \$92.1 million in FY 2023 for a total increase of \$141 million. Under the Settlement approved by the Board the rates would increase by \$10.4 million in FY 2022 and a maximum of \$47 million in FY 2023, or a maximum total increase of \$57.4 million. The second year's rate increase could be reduced in a subsequent proceeding in early 2022 if the Department receives certain federal funds that would reduce the Department's operating expenses or if the Department's financial reserve funds exceed a determined level as a result of federal funding or for any other reason.

In accepting the Hearing Officer's recommendation to approve the settlement, the Rate Board stated: "The proposed settlement offers an innovative approach that could reduce projected rate increases in the event that the Water Department receives certain federal funds or if its financial reserves improve as a result of federal relief or for any other reason. Even if the full potential settlement rate increases go into effect, the rate increases over two years will be reduced from \$140.96 million to \$57.42 million, or by 60 percent from the Department's original request. We conclude that the rates set forth in the proposed settlement are just and reasonable and that the proposed settlement between the Philadelphia Water Department and the Public Advocate is certainly in the public interest."

Under the Settlement approved by the Rate Board, the monthly water, sewer and storm water bill for a typical residential customer using 500 cubic feet of water per month would increase from \$66.73 to

\$69.15 on September 1, 2021 and to \$73.58 on September 1, 2022. The rate increase in the second year could be lowered, but not increased, depending on the outcome of the early 2022 special rate proceeding.

The Settlement also contained a number of “non-rate” commitments by the Water Department to evaluate and report to the Rate Board on several customer service and policy issues. These include issues related to recertification, outreach and participation in the Tiered Assistance Program for low-income customers; improved language access for customer service materials; a possible extension of the moratorium on customer shutoffs; extended payment arrangements for customers who have fallen behind in their bills during the COVID pandemic; and improvements in billing practices related to tenants. While the Rate Board has no direct jurisdiction related to these service and policy issues, the Board found that the terms of the Settlement “represent potential significant protections and improvements for PWD’s customers and thus ultimately also benefit the Department.”

The Rate Board also resolved some unsettled issues with regard to the Tiered Assistance Program, under which lower-income customers pay a portion of their Water Department bills based on their household income and are to have arrearages forgiven over time if they make timely payments. The Rate Board reiterated that it lacked jurisdiction to compel changes to the TAP program requested by the Public Advocate, but required the Water Department to report monthly on the amount and type of arrearage forgiveness that the Department is providing to TAP customers, the result of its efforts to determine what legal and/or operational barriers must be overcome to implement ratable forgiveness for each month the TAP participant pays the TAP bill; and the efforts the Department is taking to reduce TAP denials and unnecessary recertification delays. The Rate Board also rejected the Water Department’s proposal to recover through the TAP-R surcharge rider costs associated with arrearage forgiveness earned by TAP program participants, because the record appeared to show that the general rates already took this into account.

This was the third full rate proceeding decided by the Rate Board, which was established by City Council pursuant to a 2012 amendment to the Philadelphia Home Rule Charter as an independent body to be responsible for setting the Water Department rates and charges. The Board conducted the rate proceeding in accordance with Council’s mandate and its own regulations. The Board’s Rate Determination, in addition to all of the documentation, including the public’s emails and testimony, can be found on the [Rate Board’s website](#).

The Rate Board filed its Rate Determination in this General Rate Proceeding with the City’s [Department of Records](#) on June 16, 2021. This enables the initial rate changes to go into effect September 1, assuming a timely compliance filing by the Water Department.

Also on June 16, the Rate Board filed another [Rate Determination](#) with the Records Department in a proceeding to make the required annual adjustment to the TAP-R water and sewer rate rider that funds the Tiered Assistance Program. Under this determination, effective September 1 the TAP-R rider on other customers’ water and sewer rates combined will increase by an average of another 21¢ per month for typical residential customers. All filings and proceedings of the Rate Board on this 2021 rate adjustment proceeding are also available on the Board’s [website](#).

The Members of the Rate Board, who serve on a volunteer basis, are:
Sonny Popowsky, Chair
Tony Ewing, Vice Chair

Rasheia R. Johnson, Secretary
Abby Pozefsky