



PHILADELPHIA
WATER
— DEPARTMENT —

2022 Special Rate Proceeding Public Presentation



PWD is holding a Special Rate Proceeding to review approved FY 2023 water, wastewater and stormwater rates.

The Philadelphia Water Department (“PWD” or “Department”) is asking that rates approved for FY 2023 as a part of the settlement of the 2021 general rate case remain in place. As explained below, this is because no adjustment is warranted under the terms of the negotiated settlement. However, PWD also needs to eliminate its current financial deficit, meet day-to-day operating needs and to specifically address the following:

New regulations and rising costs are making it more expensive for PWD to maintain the City’s water infrastructure.

Critical capital projects that were delayed during the pandemic need to be completed in order to maintain operational reliability.

PWD cannot further significantly draw down its financial reserves. Instead, the Department must rebuild its financial position over the long term.



The 2022 Special Rate Proceeding will finalize FY 2023 rates.

By way of background, in January 2021, PWD filed its original rate request for Fiscal Years (FYs) 2022 and 2023. In June 2021, the Public Advocate and PWD reached a settlement to reduce proposed additional revenues to \$57 million - almost \$84 million less (60% lower) than the original \$141 million request. **This Special Proceeding will determine how much of the previously approved FY2023 revenue adjustment (\$34.1 million) PWD will be implemented.**

Revenues Authorized for FY2022 and FY 2023

Additional Revenues Proposed in Settlement (dollars in '000s)	FY 2022	FY 2023	Total
September 1, 2021	\$10,411	\$12,901	\$23,312
September 1, 2022		\$34,110	\$34,110
Total	\$10,411	\$47,011	\$57,422

Note: The Department did not receive a rate increase for FY 2021.

The full amount of the FY 2023 approved revenues is necessary for PWD to meet its requirements.

No adjustment to FY 2023 approved revenues is warranted under the Settlement.

As explained in PWD testimony, the Department has not 1) received the Federal Stimulus funding or 2) achieved reserve levels above the targeted minimum threshold, per the terms of the Settlement. Moreover, and importantly, the Department cannot afford to reduce FY 2023 approved additional revenues.

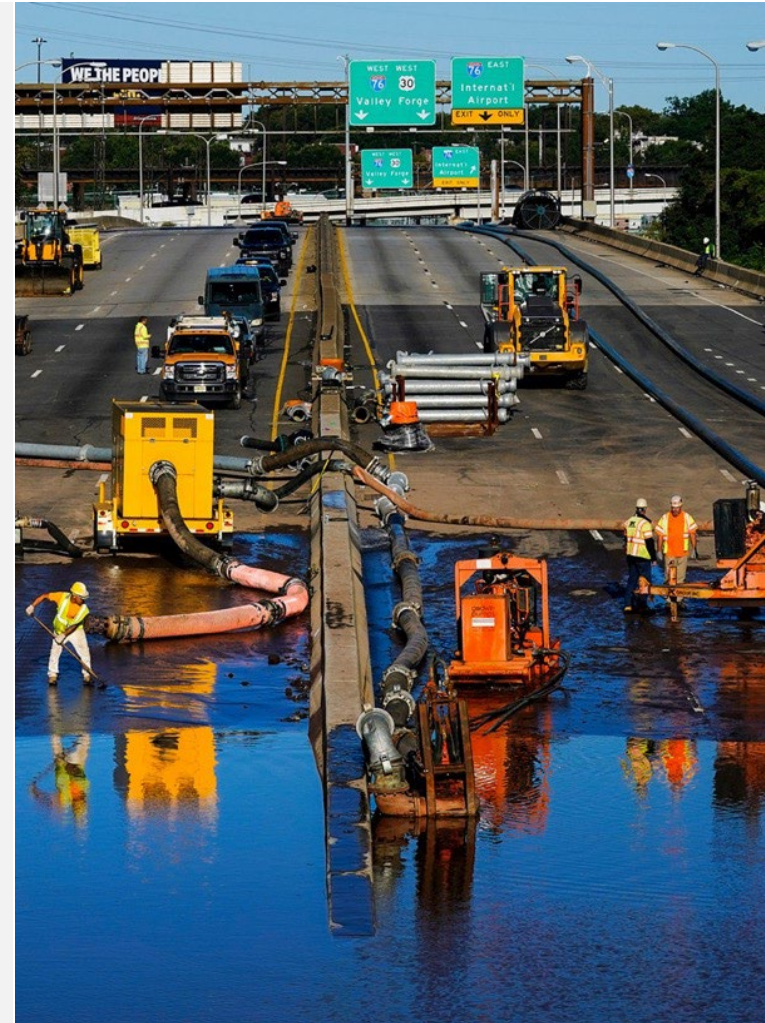
Over the past several years, PWD has tried to mitigate increases for ratepayers by utilizing its reserves and strategically planning capital projects. **PWD cannot further significantly draw down its financial reserves.** Instead, the Department must rebuild liquidity and improve financial position over the long term.



Costs continue to mount for the Department, limiting the utility's financial flexibility.

Just like our customers, PWD faces ongoing cost increases due to inflation.

- The Water Department relies on its financial reserves to address emergencies such as the pandemic and extreme weather events, like Hurricane Ida.
- The Water Department withdrew its requested revenue increase for FY 2021 in response to the COVID-19 pandemic. While this action helped customers in the short term, it placed additional financial strain on the Department.
- Further, rating agencies have made clear that depleting the Rate Stabilization Fund below \$120M or significant COA project delays **will likely result in a lower credit rating**. This could lead to higher costs for PWD and its customers.



Over the past 5 years, PWD has started and completed key capital projects valuing over \$500M.

2016-2017

Drinking Water System Security Upgrades at Various Locations \$ 16,000,000
Clear Water Basin at Baxter WTP \$125,600,000
Flood Relief in Germantown – Northern Liberties Phase 5 \$ 14,100,000
Final Sedimentation Tank Improvements at Southeast WPCP \$ 17,200,000
Central Schuylkill Pumping Station – \$ 9,500,000
Water Main Replacements \$ 64,400,000
Sewer Main Replacements \$ 42,500,000

2018-2019

Dissolved Air Floatation System Improvements at Southwest WPCP \$ 23,100,000
American Street Corridor Improvements \$ 11,800,000
Wissinoming Green Street \$ 9,700,000
Baxter WTP: Flocculator Shafts/Bearings \$ 8,100,000
Advanced Metering Infrastructure (AMI) \$ 90,000,000

2020-2021

Torresdale Filter Water Pumping Station Mechanical/Facility Betterment \$ 85,300,000
RSL Final Sedimentation Tank 2 \$16,200,000
Collector Systems + Water Conveyance on Baker / Wilde / Fountain / Mallory \$ 13,700,000

Notice To Proceed

In Construction

Ongoing

Closed



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The Department must immediately invest in its facilities to reliably deliver safe drinking water.

PWD maintains a network of more than 6,000 miles of water, sewer, and storm sewer mains, six treatment facilities, and 34 pumping stations.

Given the size and age of the water system, investment in capital improvement projects is continually required to maintain and upgrade the Department's treatment plants, pumping stations and water mains. System maintenance is needed to:

- Ensure the overall integrity of water system infrastructure
- Comply with stringent water quality regulations
- Decrease the frequency of water main breaks and other emergencies

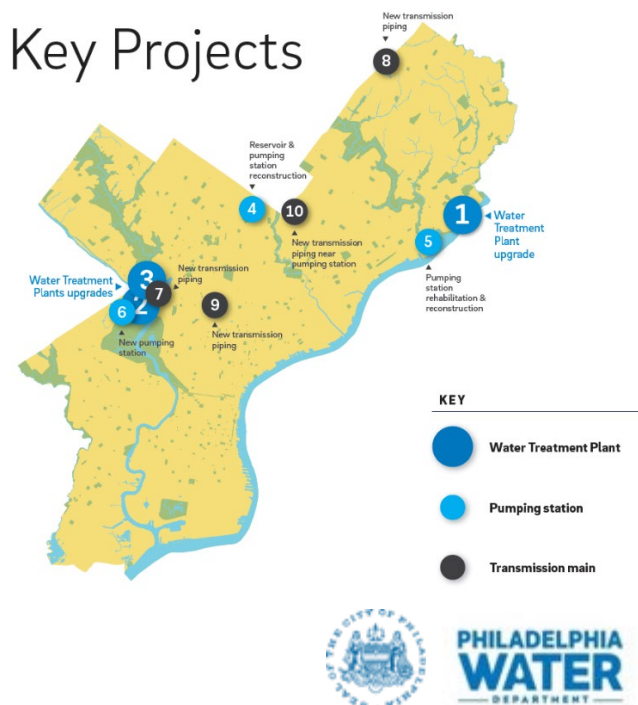
Delays in implementation will have systemwide impacts.

400 individual projects

\$2.5B combined estimate

10 key projects

10 Key Projects



How will the rate increase impact water bills?

The table below shows how typical monthly customer bills would be impacted if the proposed rate changes are implemented.

	Current	FY 2023 ⁴	Total Change in Bill
Residential ¹	\$69.15	\$74.29	\$5.14
Senior Citizen Discount ²	\$39.80	\$42.64	\$2.84
Small Business ³	\$111.59	\$120.12	\$8.53

¹ Reflects a 5/8" meter with 5 ccf of water consumption.

² Reflects a 5/8" meter with 3 ccf of water consumption. Includes Senior Citizen discount of 25%.

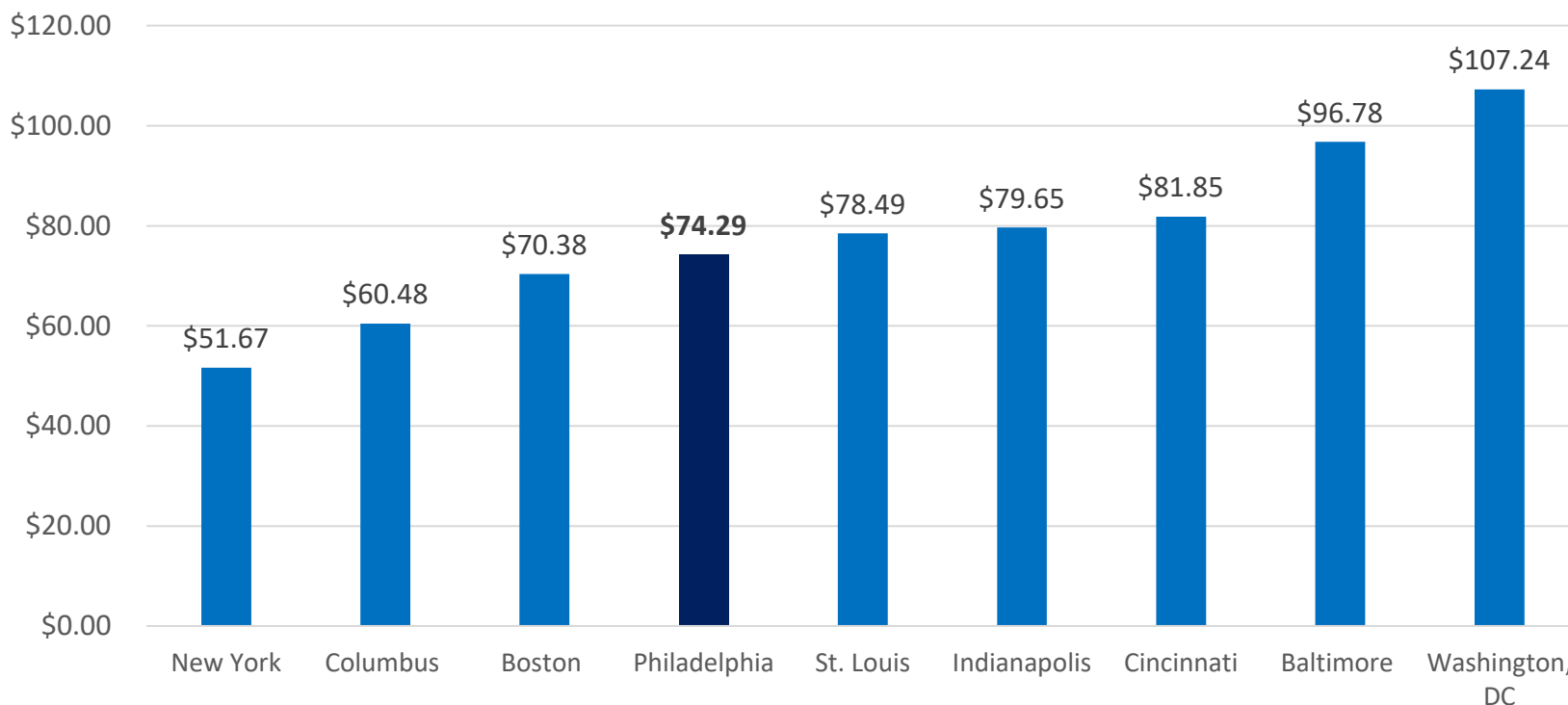
³ Reflects a 5/8" meter with 6 ccf water consumption, and Parcel gross area of 5,500 sq. ft. and impervious area of 4,000 sq. ft.

⁴ Subject to approvals by the Rate Board in the 2022 Rate Adjustment and 2022 Special Rate proceedings.



PWD rates are comparable to other utilities across the region and the nation.

Even with proposed rate relief, PWD rates compare favorably to other large urban water and wastewater systems. Shown below is a comparison of the typical monthly bill for populations served by selected peer utilities.



We are here to work with ratepayers struggling with financial hardship.

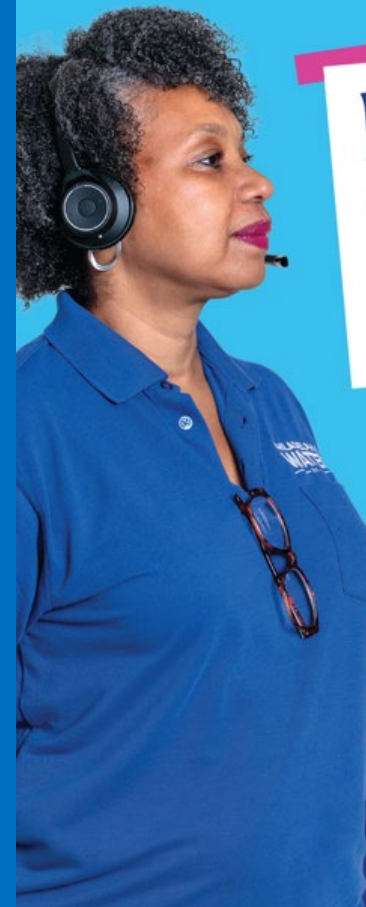


Shut-offs will not resume for any customer prior to June 30, 2022.

If eligible, ratepayers in need of financial assistance can utilize one of the Department's assistance programs or discounts:

- Senior Citizen Discount
- Tiered Assistance Program¹
- Charitable Organization Discount
- Water Revenue Assistance Program (WRAP)
- Utility Emergency Services Fund (UESF)
- Low-Income Household Water Assistance Program (LIHWAP)

¹ The **Tiered Assistance Program (TAP)** is an assistance program that allows low-income customers to pay reduced bills based upon a percentage of their household income. For more information, visit: <https://water.phila.gov/drops/assistance/>



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water bill
debt.**

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qualify for a **grant**
up to \$5000, or
Debt Forgiveness.

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The primary mission of the Philadelphia Water Department is to plan for, operate, and maintain both the infrastructure and the organization necessary to purvey high quality drinking water, to provide an adequate and reliable water supply for all household, commercial, and community needs, and to sustain and enhance the region's watersheds and quality of life by managing wastewater and stormwater effectively. In fulfilling its mission, the utility seeks to be customer-focused, delivering services in a fair, equitable, and cost-effective manner, with a commitment to public involvement.