

Philadelphia Water, Sewer and Storm Water Rate Board
May Monthly Meeting Notes
11/13/2019, 1515 Arch Street, 18th Floor, Rooms 18-025 (Mayor's Media Room)

Board Members Present

Irwin "Sonny" Popowsky, Chair
Tony Ewing, Vice Chair
Folasade Olanipekun-Lewis (by phone)

Abby Pozefsky (by phone)

Board Member Absent:

Rasheia Johnson

Also Present

Daniel W. Cantú-Hertzler
David Jagt
Laura Chacanel
Brian Merritt
Ann Bui
Larry Rich
Ji Jun
Melissa LaBuda
MScott Schwarz
Robert Ballenger
Eliza Aefer
Ed Markus
Joline Price
Steven Liang

Mr. Popowsky called the meeting to order at 3:06 p.m.

1. Mr. Ewing moved to accept the minutes from the September 11, 2019 monthly meeting. Ms. Pozefsky seconded the motion. The September 11 meeting minutes were approved 3-0, with Ms. Olanipekun-Lewis abstaining.

2. Mr. Popowsky proposed the following schedule for monthly Water, Sewer and Storm Water Rate Board meetings through June, generally for the second Wednesday of each month:

January 8, 2020 @ 3:00 PM – 5:00 PM
February 12, 2020 @ 3:00 PM – 5:00 PM
March 11, 2020 @ 3:00 PM – 5:00 PM
April 15, 2020 @ 3:00 PM – 5:00 PM (third Wednesday)
May 13, 2020 @ 3:00 PM – 5:00 PM
June 10, 2020 @ 3:00 PM – 5:00 PM

Mr. Ewing moved to approve the schedule and Ms. Olanipekun-Lewis seconded. The schedule was approved 4-0. Mr. Popowsky noted the likelihood for more meetings to be held in June to finalize the Rate Determination.

3. Mr. Popowsky discussed the status of the Requests For Proposals for the Hearing Examiner, Public Advocate, and Technical Consultant positions for the 2020 Rate Proceeding. Once the RFPs were posted on eContract Philly, Mr. Cantú-Hertzler briefly notified potential candidates, including some suggested by Ms. Pozefsky, and the Board received good proposals in response and was close to finalizing the contracts, pending authorization from the Board. Mr. Popowsky asked for a motion to authorize the Board Chair and Board Counsel to finalize the contracts, Mr. Olanipekun-Lewis moved to approve, and Ms. Pozefsky seconded the motion. The vote was unanimous for authorization.

4. Mr. Markus presented his draft rate model to the Board. He outlined its purpose: to compute revenue requirements for the decisions that the Board makes. The model gives the user the ability to change assumptions and give estimates on what their changes to revenue requirements would yield. Mr. Markus made clear that the model was still a work in progress and that he was still making changes according to the comments by the Public Advocate and the Water Department. Mr. Ewing made special mention to thank Mr. Markus for his work.

Ms. LaBuda noted that the model is not designed to produce a set of rate tariffs, which she said is one of the primary time consumers in issuing a final decision. She noted that the model does not produce delineated rates and charges by meter size or block, only a revenue requirement number. The Board acknowledged that the model was limited in that capacity. Mr. Ballenger commented that this was not the first version of the model Mr. Markus had submitted and that it was a result of continued fine tuning. It was noted that the model gave the ability to the Board to decide on what types of policies it adopts with respect to the rates that it approves. For example, the model provides a view of multiyear requirements and changes to allow balancing over a more extended period.

5. The Board heard a report on stakeholder discussions held by the Water Department about alternative rate issues. Mr. Schwarz introduced Brian Merritt from Black and Veatch, first noting that the Water Department looked at how the PUC ran Alternative Rate Making Proceedings and found them to be similar to the process the Department used in this instance. Mr. Merritt spoke about the meetings. They began in July with participants from past rate proceedings, as well as key City partners, and representatives from various City departments. During the process three key areas were identified: the current declining block water rate structure, the current level of storm water credits and incentives that the Water Department offers, and a potential rate rider for pension expense.

The Water Department held a series of meetings to discuss these issues. Summaries of the meetings are detailed in a report currently available on the Rate Board Website. Mr. Popowsky asked Mr. Merritt whether the Board would likely see such changes in the next Rate Proceeding. The most likely issue, Mr. Merritt said, was a change of how the Storm Water credits were calculated. Mr. Schwarz further clarified that the meetings suggested some consensus that the Water Department should change how Storm Water credits were calculated.

The other two issues also generated interest and good discussion, but a lack of consensus on the issues made them unlikely to be addressed in the upcoming Rate Proceeding.

Mr. Popowsky asked why the Pension rider focused on pension costs and not other post-employment benefits. Ms. LaBuda explained that the focus on Pensions was because contributions to the Pension Fund are the largest cash outflow for the Department; other post-employment benefits are a much smaller cost and liability than Pension Contributions. Ms. Olanipekun-Lewis asked how the Water Department was being charged relative to the size of the Water Department employee base. Ms. LaBuda said that the Water Department paid approximately 9.53 percent of the pension contributions for all City employees. Mr. Ewing thanked the Water Department for the work that had been done.

6. No one having raised any further questions or issues, the Board voted to adjourn.

Meeting adjourned at 3:50.