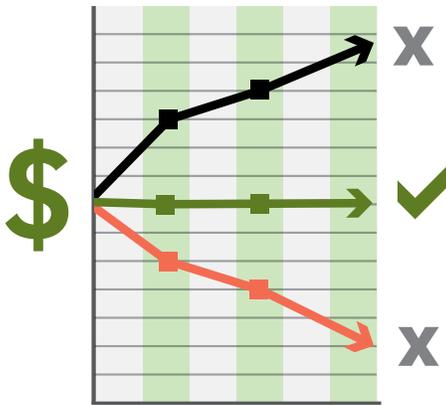


Philadelphia Water requests rate increase over two years



Not for profit.

Unlike private utilities, we don't make a profit. But we do need to raise enough money to provide essential water, sewer, and stormwater services, repair and upgrade our aging system, and meet new regulatory challenges.

A summary of the requested rate increase:

1 How will the rate increase impact water bills?

A typical residential bill would increase about \$8.00 over a two-year period. [\[see more\]](#)

2 Why are rates changing?

Rates must change to fund critical investments in aging infrastructure. [\[see more\]](#)

3 How do Philadelphia's rates compare?

Our rates remain competitive locally and nationally. [\[see more\]](#)

4 What would a typical water bill pay for?

Water bills support crucial upkeep of all facilities and our vast pipe network to provide essential water, sewer and stormwater services. [\[see more\]](#)

5 We keep costs as low as possible.

As a public utility, our goal is not to profit, but to get the most out of every dollar. [\[see more\]](#)

6 Assistance is available for those who need it.

We provide assistance programs to customers to help maintain water service. [\[see more\]](#)

7 New rates process: Every customer can participate.

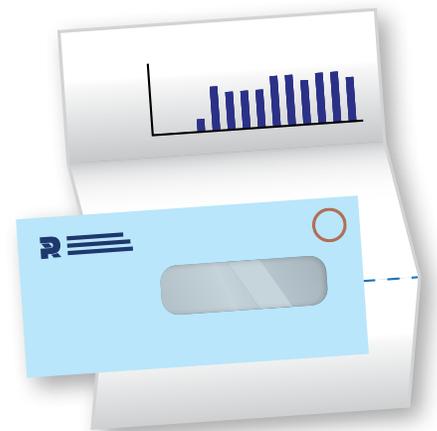
The Water Rate Board and process allows all of our customers to have a voice. [\[see more\]](#)



How will the rate increase impact water bills?

A typical residential customer would generally see increases shown in the table below:

Monthly bill for a typical residential customer			
Fiscal year	Requested increase of monthly bill	Additional monthly water & sewer charge	Average monthly bill total ¹
Current	none	none	\$67.40
July 1, 2016	6.2%	\$4.20	\$71.60
July 1, 2017	5.5%	\$3.90	\$75.50



Who is a "typical" residential customer? Our typical residential customer has a 5/8" water meter and uses 600 cubic feet of water (4,488 gallons) per month. Different water usage will result in higher or lower charges.

What about senior citizens?

Senior citizen: a sample monthly bill			
Fiscal year	Requested increase of monthly bill	Additional monthly water & sewer charge	Average monthly bill total ¹
Current	none	none	\$50.50
July 1, 2016	6.2%	\$3.10	\$53.60
July 1, 2017	5.5%	\$3.00	\$56.60

Senior citizens: We based these amounts on a 5/8" meter and monthly usage of 600 cubic feet.

1. Philadelphia Water's typical residential customer average monthly bill totals have been rounded to the nearest ten cents.



Why are we requesting water rate changes?

Philadelphia Water is requesting a rate change to fund critical investments in aging infrastructure, including replacing dozens of miles of water mains and sewers per year.

Philadelphia Water last raised rates in July 2014. Since then, our total annual obligations have increased from \$696 million to an estimated \$725 million in fiscal year 2016, and are projected to increase to \$776 million by fiscal year 2018. Increased costs are managed by rate increases and transfers from the Rate Stabilization Fund.

Based upon the proposed rate changes, your water, sewer and stormwater bill could reflect new rates beginning July 1, 2016.

Projected expenses have increased due to a number of factors detailed below. Beyond maintaining our current level of service, Philadelphia Water is committed to giving customers the best value for their money by increasing community investments and making improvements in customer service, billing, emergency response times, construction site quality of life standards, and more.

What's causing increased funding needs?

▼ **Changing water use**

As plastic, single-use water bottles become more popular and water appliances become more efficient, people are using public water services less, which means less revenue for Philadelphia Water.

▲ **Aging Infrastructure**

Costs associated with funding our Capital Program, which allows us to rehabilitate our aging, 6,000 plus-mile water and sewer infrastructure and meet expanding regulatory requirements, are increasing.

▲ **Customer Assistance**

Discounts and grants are offered to eligible residential and non-residential customers.

▲ **Environmental regulatory requirements**

- Compliance with State and Federal regulations requiring substantial reductions in stormwater runoff, pollution, and combined sewer overflows during storms
- Clean Water Act and Safe Drinking Water Act enhancements to provide consistent, top quality water, sewer, and stormwater treatment
- Watershed protection measures focused on stormwater management, land use, industrial and agricultural operations that can impact river water quality

▲ **Personnel**

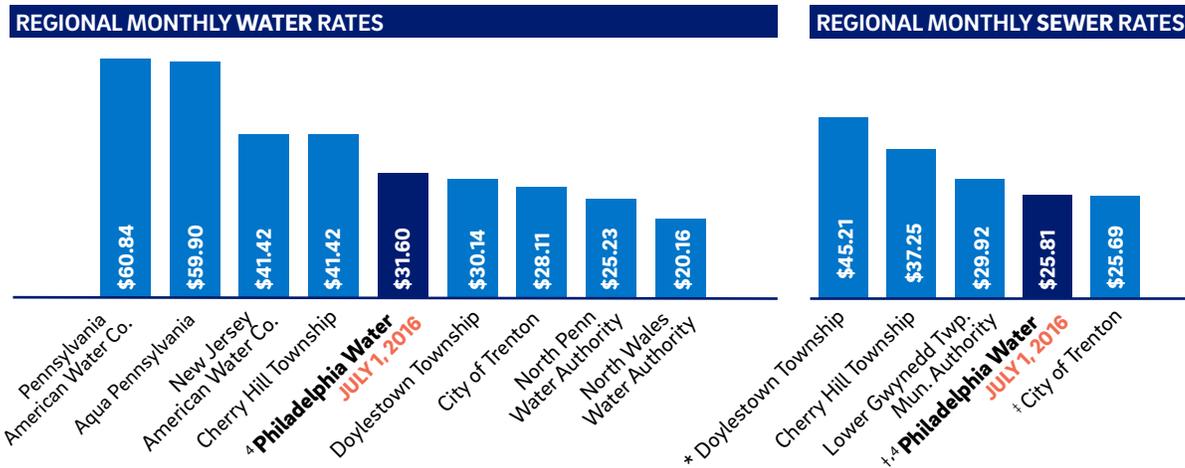
Workforce costs including pensions, health care, and additional benefits are projected to increase by 12% from fiscal year 2015 to fiscal year 2017.

▼ = decreased revenue ▲ = increased cost



How do rates in Philadelphia compare to other cities?

Philadelphia Water's rates are competitive regionally.



Rates data available as of 12/14/15, except: Philadelphia, proposed 7/1/16 rate was used. Based on a 5/8 inch meter and 600 cubic feet or 4,488 gallons. Stormwater charges are excluded from sewer calculations because many jurisdictions fund such services.

* Sewer service provided by Bucks Co. Water & Sewer Authority.

† Excludes stormwater charges (\$14.17) and includes a portion of the service charge (\$7.22).

‡ Sewer charges provide for stormwater collection & treatment.

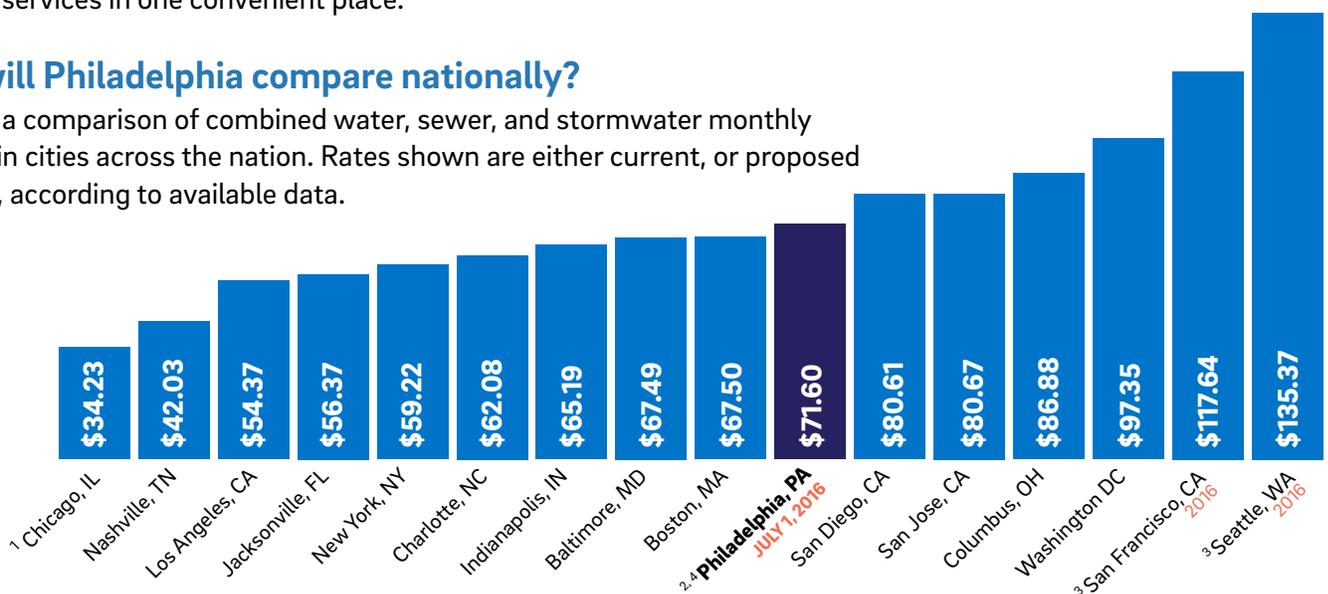
Separate water, sewer, and stormwater charges:

Unlike many neighboring communities where sewer and stormwater fees are separate from water bills, or assessed through an annual charge, Philadelphia property owners receive a single bill that combines all water services in one convenient place.

This combined billing sometimes leads to the impression that our water rates are high. As shown in the graphs above, our water rates are competitive with those charged by many neighboring, investor-owned utilities.

How will Philadelphia compare nationally?

Below is a comparison of combined water, sewer, and stormwater monthly charges in cities across the nation. Rates shown are either current, or proposed for 2016, according to available data.



Source:

Rates based on published water, sewer, and stormwater rate schedules available online as of 8/1/15 and assumes 6 CCF or 4,488 gallons of billed water and sewer discharges.

1. Effective June 2016, Chicago will raise rates whenever the Consumer Price Index raises. | 2. Proposed rate for 7/1/16 was used. | 3. Rate increases were approved for 2016

4. Philadelphia Water's typical residential customer average monthly bill totals have been rounded to the nearest ten cents.



What would a typical residential water bill pay for?

When the Water Revenue Bureau gets your payment, this is how Philadelphia Water would use the money received from a typical monthly bill of \$71.60.

Water

Includes treatment and delivery of all the clean, safe water your home uses for drinking, cooking, bathing, cleaning and more.

Sewer

Includes collection of all the used water and sewage from your home, and wastewater treatment to protect our rivers.

Stormwater

Includes systems and programs that manage stormwater collection, as required by environmental protection laws.

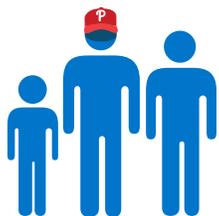
Service Charge

Includes the costs needed to operate our billing collection and metering functions.



These costs are related to water and sewer treatment but will vary according to the amount of water you use.

The cost of providing these services determines the amounts above.



What do I get from Philadelphia Water?

Our new rates come to about \$2.40 per day for the average household using 150 gallons daily. That goes a long way, even if you just look at the potable water you get:



3
showers
(51.6 gallons)



10
flushes
(30 gallons)



1
wash
(40 gallons)



16
glasses of
water
(1 gallon)



20
faucet uses
(wash hands, brush
teeth, etc)
(21.4 gallons)



1
dishwasher
load
(6 gallons)

Did you know?

The average gallon of bottled water costs \$1.22. Under the new rates, our typical customer will still only pay about \$0.009 per gallon (less than a penny per gallon of drinking water!) **That's 135 times cheaper!**



We keep costs as low as possible.

Like all water and wastewater utilities, Philadelphia Water is challenged by rising costs in a number of areas.

We are undertaking a number of measures to lower and manage expenses so we can keep costs as low as possible. This includes **our revenue protection program, proper debt management, using wastewater byproducts to produce the energy needed to operate treatment plants**, and more:

Best-Value Investments to Meet Regulations

Compared to more costly alternatives, the *Green City, Clean Waters* program (part of our required plan to meet State and Federal pollution regulations) will save customers hundreds of millions of dollars over the next two decades while maximizing environmental and community benefits through the use of green infrastructure.

An independent, cost-benefit analysis found that **traditional combined sewer overflow (CSO) management tools, such as tunnels, would cost billions more.**

Smart Debt Management

- In 2014, Philadelphia Water took steps to refund debt, resulting in cash-flow savings of approximately **\$500,000 to \$635,000** per year.
- Bonds sold in 2015 (Series 2015B) created **savings of approximately \$2.8 million** in fiscal year 2016, **\$852,900** in fiscal year 2017, and **\$781,000** in fiscal year 2018. Future savings range from **\$480,000 to \$1.2 million** in years 2019 to 2036.

Smart Infrastructure Investments

In 2015, Philadelphia Water took steps to align debts in a forward-thinking way that provides cost savings to current ratepayers by spreading out the debt across the life of our infrastructure investments.

The Rate Stabilization Fund

The Rate Stabilization Fund was established to provide funds to cover annual expenditures when the revenues are less than projected and to prevent the need for large swings in the water rates year to year. In fiscal year 2016, Philadelphia Water is projecting a withdrawal from the fund of **\$36.9 million** to cover expenditures, allowing us to operate without a rate increase this fiscal year.

This fund is also being used to modulate rate increases in fiscal years 2017 and 2018. The projected withdrawal from the fund is \$19.3 million and \$39 million respectively. With a zero percent increase in fiscal year 2016, the three year average rate increase is equivalent to a 3.85% increase per year.

Revenue Protection Program

In recent years, Philadelphia Water has implemented a host of initiatives to reduce and control water and revenue losses, including smart metering and leak detection.

Between fiscal years 2014 and 2015, a total of **\$9.46 million** was recovered.



Assistance is available for those who need it.

We believe 24/7 access to safe water is an important service to our customers, and we know that even a rate increase of a few dollars a month can be a burden for the city’s low-income residents. Here is a list of customer assistance initiatives.



Program Proposed

Affordable Rates:

In 2015, the Mayor signed a bill passed by City Council that calls for the creation of a new low-income rates program.

Program	Description	Who benefits, and how much?
Senior Citizen Discount	A 25% discount provided for residents who are 65 or older and have a total household income under \$31,500 per year <i>Administered by the Water Revenue Bureau</i>	Provided 21,487 seniors with discounts totaling more than \$3.4 million
Charitable Organization Discount	A 25% discount provided for charities, churches, nonprofit hospitals, schools, and universities <i>Administered by Philadelphia Water and the Water Revenue Bureau</i>	Provided 2,290 organizations with discounts totaling more than \$10.2 million
Water Revenue Assistance Program (WRAP)	Grants of up to \$500 on water bills to prevent shutoff for low-income customers and assist customers in obtaining federal energy assistance <i>Administered by the Water Revenue Bureau</i>	Provided grants to 7,198 customers with discounts totaling more than \$3.8 million
Utility Emergency Services Fund (UESF)	Grants to prevent shutoff or restore water service for low-income customers. Financial assistance must address unpaid past bills. <i>Administered by the nonprofit UESF, with application support from the Water Revenue Bureau.</i>	Served 551 customers totaling \$388,453
Homeowners Emergency Loan Program (HELP)	No-interest repair loan program for homeowners in imminent danger of shutoff because of a violation notice <i>Administered by Philadelphia Water</i>	Provided loans to 1,180 homeowners totaling more than \$4.6 million
Conservation Assistance Program (CAP)	Provides water conservation devices and education to low-income customers, yielding average water usage savings of more than 25% for participants <i>Administered by the Energy Coordinating Agency and Neighborhood Energy Centers through a Philadelphia Water grant</i>	Served 1,229 households. Total Philadelphia Water costs for water conservation equaled \$488,853
Cross Connection Abatement Program	State-mandated repair program that replaces sanitary drainage lines illegally connected to the storm sewer <i>Administered by Philadelphia Water</i>	Served 36 properties at a total cost of \$399,623
Basement Protection Program (BPP)	Assistance program to alleviate sewer backups in basements due to heavy rainstorms <i>Administered by Philadelphia Water</i>	Served 31 properties at a total cost of \$99,597

TOTALS:

In fiscal year 2015, the most recent year from which data is available, Philadelphia Water and the Water Revenue Bureau contributed **over \$22 million in assistance** to customers in need.



New rates process: Every customer can participate.

In 2012, voters approved the creation of the **Philadelphia Water, Sewer and Stormwater Rate Board**, an independent rate-making board that is responsible for setting and regulating water, sewer and stormwater rates. As of January 2014, the Rate Board oversees rate changes requested by Philadelphia Water.

How the process works now:

Rate request. We calculate the costs to provide services in upcoming fiscal years, and if current rates aren't enough to cover those costs, we present the Rate Board with a request to change rates. We also notify City Council of the request, and transparent Public Input Hearings are held to give customers a voice.

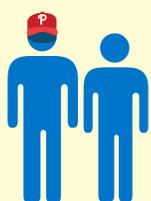
Fact based. Philadelphia Water is required to prove that the rate change is needed and reasonable, and must provide the Rate Board with supporting documentation with regard to:

- Establishing revenue requirements necessary to meet operating and capital needs, as well as our bond covenants
- Maintaining Philadelphia Water's financial stability
- Providing a fair allocation of costs among customer groups (residents, commercial property owners, etc.) based on the costs of services

Clear, timely decisions. Within 120 days of our request, the Rate Board reaches its decision to approve, modify or reject the proposed rate change, based on financial records, public testimony, and a formal report.

Who is on the Rate Board? The Rate Board consists of five members appointed by the Mayor and approved by City Council. For more information on the Rate Board and its members, visit www.Phila.gov/water/rateboard.

The Public's Role: Actions You Can Take



Send a letter to the Rate Board.

You can tell the Rate Board why you support or object to the requested rate increase in your letter. This information can be helpful to the Rate Board in investigating the rate request.

Attend or present testimony at Public Input Hearings.

You can attend or be a witness at a Rate Board Public Hearing. The Rate Board holds at least four Public Input Hearings as a part of its investigation of the rate request. At these hearings, you may present your views in person to the Rate Board. Your testimony becomes a part of the record of the proceeding. Hearings will be scheduled around the City at venues

and times to be announced by the Rate Board. There is no filing requirement to participate in Public Input Hearings.

File a notice of participation and present testimony at Technical Hearings.

If you want to participate in Technical Hearings, you must file a notice of participation with the Rate Board at the City of Philadelphia offices located at 1515 Arch Street, Philadelphia, Pa. 19102. You then have the opportunity to participate in Technical Hearings concerning the proposed rate increase. You can also receive all documents filed by other participants in the rate proceeding. For more information on participation, visit www.Phila.gov/water/rateboard.