

Philadelphia Water, Sewer, and Storm Water Rate Board
Meeting Notes
9/8/16

Present:

Bernard Brunwasser, Chair
Sonny Popowsky
Lee Huang
Michael Chapman (phone)
Gemela McClendon
Nancy Brockway
Ed Markus

Also Attending:

Marie McNeill
Debra McCarty
Stephen Furtek
Melissa LaBuda
Scott Schwarz
Ji Jun
Susan Crosby
Sarah Stevenson
Thu Tran
Rob Ballenger
George Gould
Josie Pickens

Chairman Brunwasser thanked the members for their time and effort in completing their first rate case, and asked for their input during the review of the process. Mr. Brunwasser introduced Gemela McClendon as the new Counsel to the Board.

Rob Ballenger believes the Board's first rate case was successful, but did not agree with all aspects of the decision. Mr. Ballenger does not feel PWD provided justification for a rate increase, and did not see evidence in the Hearing Officer's report to support higher rates. Mr. Ballenger suggested that the restraints on time could have contributed to the deficiencies, and proposed the 120 day time limit be modified. Ms. Brockway remarked that she did not leave herself enough time to complete her report with findings of fact and conclusions of law.

Melissa LaBuda and Debra McCarty presented the cost implications for Philadelphia Water resulting from the rate process. The added costs for the Department included the pre-trial conference, answering over 400 discovery questions, paying consultants \$2MM, and incurring costs of \$695k in labor and fringe benefits for staff. Overall, the process was open and transparent but costly. PWD recommended keeping the process at 120 days, decreasing the adversarial atmosphere by eliminating unnecessary written summaries, and increasing stakeholder involvement. If future rate cases are conducted with the same intensity, the Department would need to hire additional staff, which will increase costs for the Department as well as rate payers.

Mr. Huang questioned the frequency of projections done by the Department, and the effect when their approach is too conservative. Ms. McCarty explained that additional staff would be required to handle the increased work load, making the effort more costly. Ms. LaBuda will provide the Board with the Official Statement, the CAFR, and other reports that are done annually so they can become familiar with the financial information.

Nancy Brockway recommended that PWD update the Cost of Service data more frequently by highlighting changes instead of revising the entire document. Mr. Brunwasser and PWD representatives explained that it's not a viable option because it's necessary for the complete document to be on file.

Ed Markus gave a presentation on peer utilities' rate setting practices. Cities with characteristics similar to Philadelphia (e.g. urban, east coast, mixed income) were selected for the survey. The cost of rate setting in Philadelphia is much higher than in the comparable cities. In some cases City Council, or an Authority, or a Commission sets the rates. None of the cities hire an outside customer advocate. New York is very much like Philadelphia in that it's city-owned and requires budget approval in city council. In New York's process most of the attention is focused on revenue requirements, consumption and comparison to other cities. Both New York and Boston set rates annually, while other cities establish multi-year rates that are reduced when revenues are higher than expected. Mr. Markus suggested PWD hold a workshop to help the Board better understand the rate Stabilization Fund and other factors.

Mr. Brunwasser thinks the ordinance is open ended in terms of changing the process for setting rates. Mr. Popowsky disagrees and doesn't believe the Board can make procedural changes to adopt other cities' policies.

Gemela McClendon spoke about the Community Gardens Rate Reduction Ordinance passed by City Council and signed by the Mayor. It allows for a special discount to the storm water portion of the bill if the garden meets certain criteria. Applications must be submitted to the Water Department. Council wants the ordinance implemented by January 1, 2017. Another rate process is required on this single issue. The Board may appoint a Public Advocate and Technical Expert. The Hearing Officer will decide whether technical hearings are required. Ms. McClendon said there must be a minimum of four public hearings scheduled but will notify the Board and the Department if that changes. To comply with the deadline for implementation, the hearings must be concluded by December 21. PWD advised the Board they would deliver the Advance Filing shortly. Community Legal Services wants to be appointed the Public Advocate in the case. Participant filing was discussed.

The next meeting will be on October 13, 2016, 3:00 p.m. in the Gas Commission Hearing Room.