

Philadelphia Water, Sewer, and Storm Water Rate Board
Meeting Notes
10/13/16

Present:

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

Also Attending:

Marie McNeill
Debra McCarty
Scott Schwarz
Ji Jun
Sarah Stevenson
Susan Crosby
Donna Schwartz
Joanne Dahme
Michael Davis
Andre Dasent
Rob Ballenger
George Gould
Josie Pickens

Chairman Brunwasser called the meeting together. He asked Gemela McClendon to outline the legal process for implementing the Community Gardens Stormwater Discount Ordinance. The Board is responsible for determining the final amount of the discount, and required to hold four public hearings. The determination must be made by December 21. Nancy Brockway will be the Hearing Officer for the rate case.

Gemela McClendon distributed a schedule that ensures the completion of the Gardens rate process by December 21. The dates for the hearings were finalized. The first hearing will take place on October 25, preceded by a presentation from PWD. The other three hearings will be on November 14, 16, and 18. Potential locations were discussed.

Community Legal Services (CLS) requested approval to represent the residential and small meter customers in the Gardens Rate Process. Rob Ballenger proposed a cost of \$25,000 for CLS to perform this task. Mr. Popowsky voted in favor of hiring a public advocate. Mr. Brunwasser and Mr. Lee voted against it.

Ed Markus spoke about best practices in rate setting used throughout the water industry. The \$1.5MM in costs incurred by PWD for the last rate process is significantly higher than those reported by other utilities. Most other organizations in the water industry engage a consultant to administer the rate process, and many do not appoint a Hearing Officer. The majority of the organizations use simpler procedures for determining a rate increase, and only one other utility has formal discovery as part of their rate case.

Sonny Popowsky argued that a change in procedures requires a change to the Board's regulations. The Board has to follow protocol in order to make modifications to the rate process. Furthermore, the current system allows for expert witnesses whose testimony proved valuable in the last rate case.

Mr. Brunwasser contended that the current process is too cumbersome for a non-profit utility with a closed loop system. Changes to certain practices suggested by the public advocate and other rate case participants cannot be adopted because PWD must adhere to the policies and financial obligations established by the City.

Rob Ballenger of CLS is not in favor of changing Philadelphia's rate setting procedures. Mr. Ballenger argued that the level of reserves should not be determined solely by PWD. Mr. Ballenger also asserted that utilities in Amawalk's peer survey are not comparable to Philadelphia. No other utility is overseen by a board established by voter referendum.

Susan Crosby, Counsel to the Revenue Department, explained that since the current rate setting process was established by the Board's regulations, approval by City Council is not required. Ms. Crosby encouraged the Board to consider different rate setting methods and consult with their attorney before making a decision.

The Water Department handed out a booklet which showed that the most recent rate process cost it nearly \$2.7 million including \$700,000 in internal staff work. The department also informed the Board that adoption of a 100% Stormwater discount under the Community Gardens ordinance would cost it between \$46,000-48,000 per year over FY2017-2018. Note: Since the effective date of the ordinance is January 1, 2017, the FY 2017 revenue effect should be half that of a full fiscal year, i.e. \$23,000-24,000.

Financial reports from PWD will be provided as soon as they become available.

- The FY17 Revenues and Expenditures Report from PICA will be sent to the Board mid-November.
- PWD is currently working on the FY16 Preliminary Financial Statements - Legally Enacted Basis. The statements will be sent to the Board as soon as the City releases the preliminaries, which occurs on or about 10/25/16.
- The FY16 - Final Statements - GAAP and Legally Enacted, will be available when the City releases the CAFR on or about 2/25/17.

The next meeting is on December 21, 2016, at 10:00 a.m. in the City Planning Commission's Conference Room.