

PHILADELPHIA WATER DEPARTMENT

Water, Sewer & Stormwater Rate Board

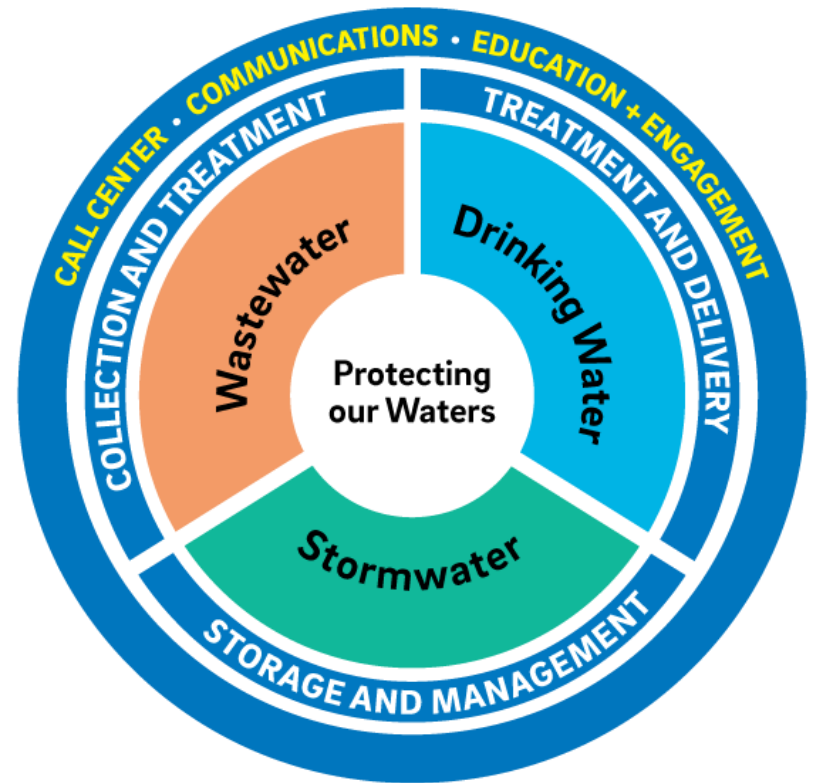


PHILADELPHIA
WATER
— DEPARTMENT —

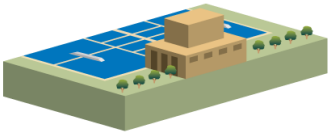
November 30, 2018

We provide the City with integrated water, wastewater, and stormwater services

PWD does not profit from rate increases.



Why do we need a rate increase?



Pipes & Plants

Increase in water main replacement

Increase in sewer replacement

Increase in facilities investment for pollution prevention and drinking water investment

Challenging Winter '17-'18



Increase in water main breaks

Increase in costs



People

Increasing work force costs for about 2,000 employees



Reduced consumption

Annual decrease in consumption



Environmental Regulations

Full compliance with stringent water quality regulations

Consent Order & Agreement for Combined Sewer Overflow Reduction



Emergency crews, 2017

New rates process: Every customer can participate.



In 2012, voters approved the creation of the Philadelphia Water, Sewer and Stormwater Rate Board. This independent rate-making board 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.

A summary of how the process works now:

Rate request

We calculate the costs of services, and if current rates aren't enough to cover those costs, we present the Rate Board with a request to change rates.

Fact-Based

Philadelphia Water must prove the rate change is necessary and reasonable, and provide supporting documentation.

Clear, Timely Decisions

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

Who's 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 Rate Board is responsible for setting rates

What is the Rate Board?

The water, sewer, and storm water rate board is a local agency authorized to approve rate changes for the water department.

Who's on the Rate Board?

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We are here

Rate Board Regulations

- 1. Purpose:** the Board shall evaluate and determine proposed changes to the rates and charges fixed for supplying water, sewer and storm water service for accounts and properties located in the City of Philadelphia
- 2. Department Filings:** The Department shall file its Advance Notice with City Council and the Board.

The documents that the Department files with its Advance Notice and Formal Notice shall include, but not be limited to, the following:

- clear estimates of the effects of the proposed rate changes on customer bills, including, but not limited to, the estimated average percentage Small User bill increase;
- all financial, engineering and other data upon which the proposed rates and charges are based;
- evidence demonstrating that such rates and charges (A) were developed in accordance with sound utility rate making practices, (B) are consistent with current industry standards for such rates and charges, and (C) are consistent with the Department's bond covenants and other legal requirements; and
- a summary fact sheet, designed for the layperson, that explains the proposed rates and charges, the need for such rates and charges, and the information relied upon by the Department to develop and support such proposed rates and charges.

Rate Board Regulations

3. Hearing Officer: A Hearing Officer shall be appointed by the Board, which appointment shall take effect, pursuant to a formal City contract with the Board, on or after the date of the Advance Notice.

The Hearing Officer shall have the power and authority to:

- Schedule conferences that the Hearing Officer deems appropriate;
- In consultation with the Board, schedule all public hearings and technical review hearings, including time and locations of such hearings;
- Conduct and preside over all public hearings and technical review hearings;
- Make all procedural rulings necessary to conduct a fair, impartial and expeditious hearing process, including the exclusion of irrelevant or redundant testimony or evidence.
- Make rulings on any requests for information submitted by a Participant in conjunction with the Rate Change Proceeding;
- In conjunction with Department staff, post on the Board's website all written information submitted during the Rate Change Proceeding and any other documents the Board believes are relevant; and
- Prepare and submit the Hearing Officer Report to the Board and all Participants.

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- Make rulings on any requests for information submitted by a Participant in conjunction with the Rate Change Proceeding;
- In conjunction with Department staff, post on the Board's website all written information submitted during the Rate Change Proceeding and any other documents the Board believes are relevant; and
- Prepare and submit the Hearing Officer Report to the Board and all Participants.

Rate Board Regulations

4. Public Advocate: A Public Advocate may be appointed by the Board, which appointment shall take effect, pursuant to a formal City contract with the Board or the Public Advocate's employment with the City, on or after the date of the Advance Notice. If appointed, the Public Advocate shall be a Participant to the Rate Change Proceeding and shall have the responsibility of ensuring that the Board understands the interests of all Small User Customers in the Rate Change Proceeding.

5. Technical Expert: The Board may hire or appoint a Technical Expert to advise the Board on the Department's proposed rates and charges and directly related issues. Unless the Technical Expert is a City employee, the terms shall be set forth in a formal City contract with the Board.

Rate Board Regulations

6. Public Hearings

7. Technical Hearings

8. Hearing Record

9. Decision on Rates and Charges: The Board, in making the Rate Determination on the proposed changes in rates and charges, shall fully consider and give substantial weight to the Hearing Officer Report and the Hearing Record. The Rate Determination shall make reference to sections of the Hearing Record supporting the conclusions contained in the Rate Determination.

The Rate Determination of the Board shall include instructions to the Department to prepare a new tariff incorporating the new rates and charges and any changes in rate structure or terms of service and other issues included in the Rate Determination. The new tariff shall conform to the Rate Determination.

The Rate Determination of the Board shall be filed with the Department of Records, shall be posted on the Board's website and shall be sent to all Participants.

The effective date of the changes in the rates and charges shall be the date set in the Rate Determination, but shall not be sooner than ten (10) days after the Department files the new rates and charges with the Department of Records.

Evolution & Adaptation

Changes in Philadelphia's Stormwater Billing Program

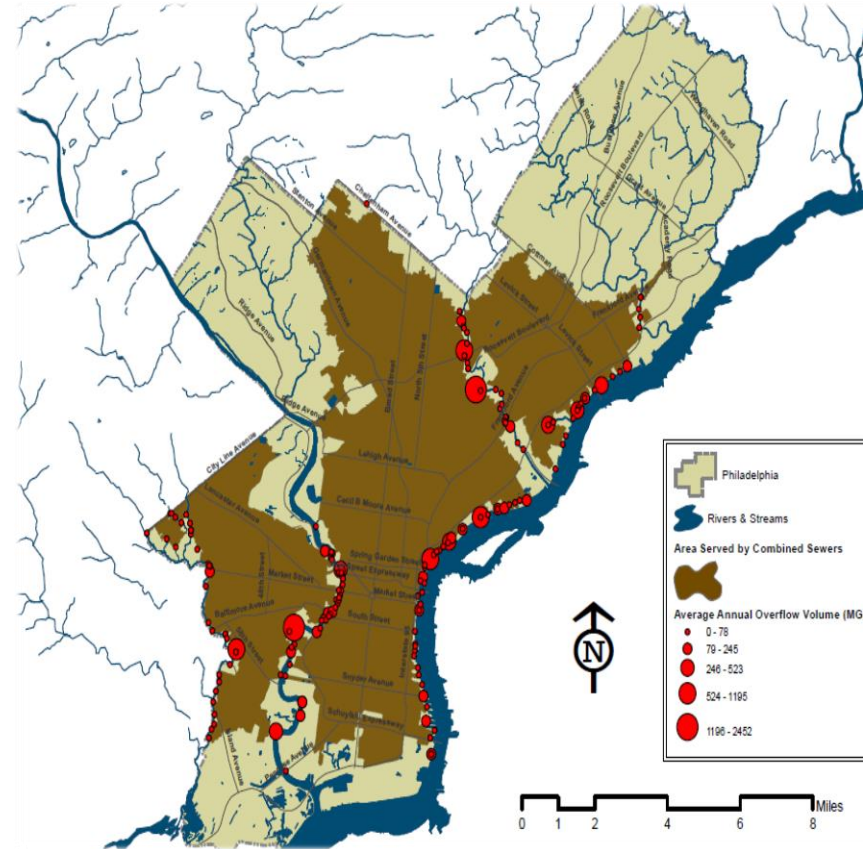
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Background

- Philadelphia Water Department is a water/wastewater utility that also provides and charges for stormwater services
- Serving 2 million customers
- Over 500,000 accounts billable for stormwater service
- Customers receive consolidated monthly bill containing usage/service/stormwater fees



How PWD Charges for Stormwater

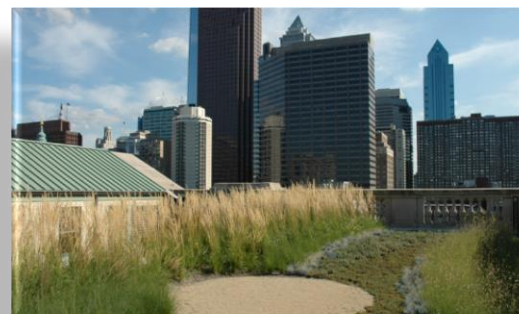
THEN

- 💧 PWD separately recognized stormwater costs starting in 1967 and included costs in service charge
- 💧 Billed customers for stormwater based on size of water meter
- 💧 Owners of properties without water meters were not charged for stormwater



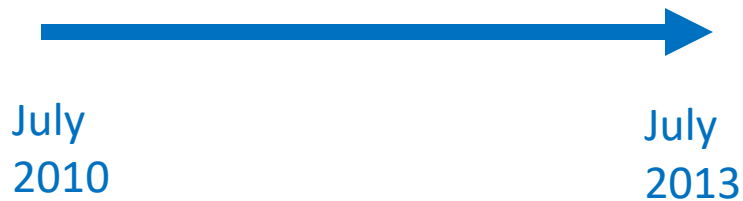
NOW

- 💧 Moved to parcel-based system starting 2010
- 💧 Stormwater charge for a parcel is based on:
 - 💧 Gross area (GA)
 - 💧 Impervious area (IA)
- 💧 All properties are billed
- 💧 PWD must recover in excess of \$150 million of stormwater costs



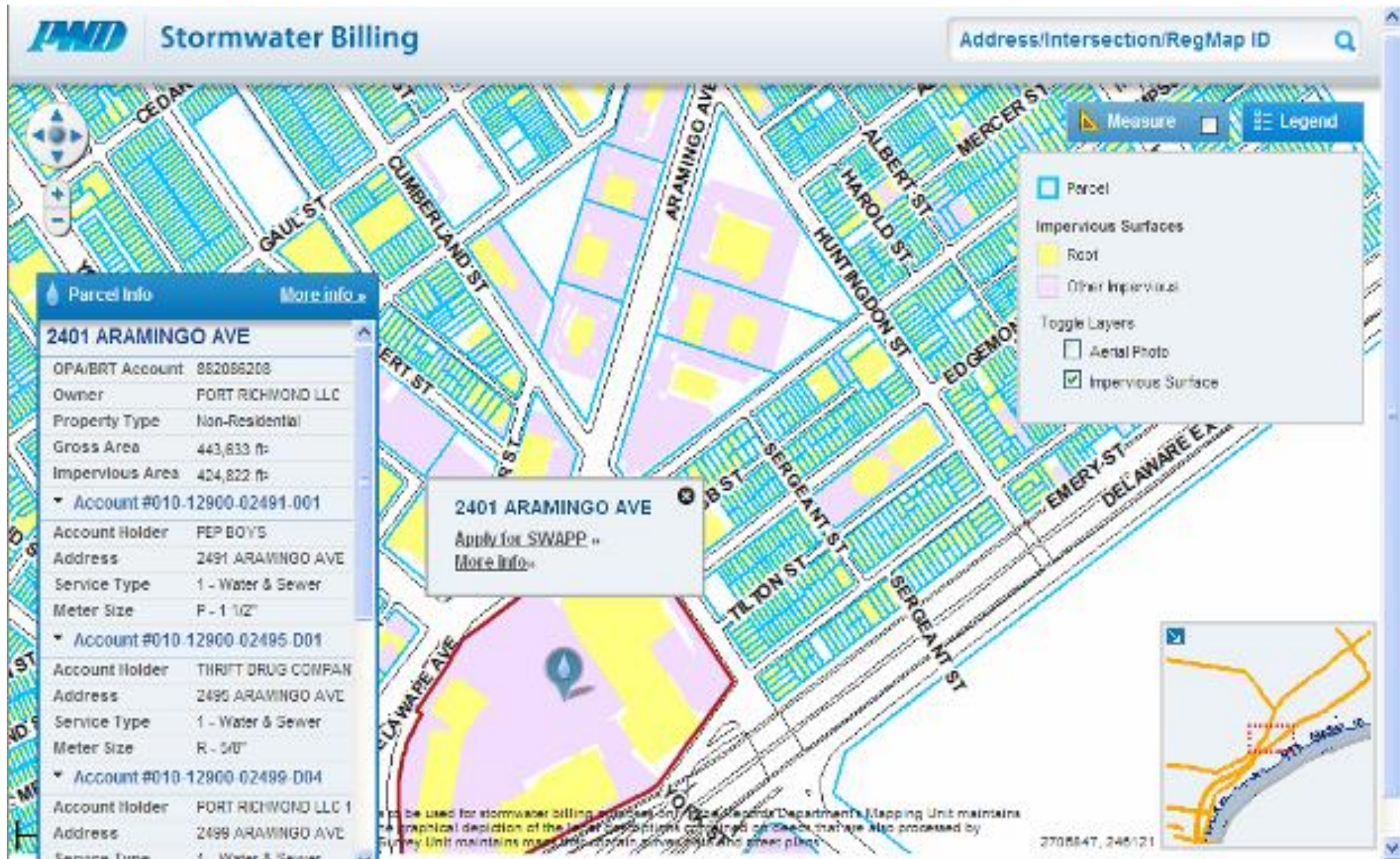
How parcel-based fees are calculated

- 💧 Non-residential properties receive a GA/IA specific fee
- 💧 Residential properties receive a flat fee based on average GA/IA
- 💧 Parcel-based fees phased in over 4 years to graduate impact



	Rate
Gross Area	\$0.70 / 500 sq.ft.
Impervious Area	\$5.30 / 500 sq.ft.

Online Tools: Stormwater Parcel Viewer



Initial Program Design

- 💧 Basic Appeals Program to account for inaccurate property impervious area, gross area and charge distributions
- 💧 Basic Credits Program to recognize management of the 1" of runoff and large grassy areas on properties
- 💧 And a few exemptions...
 - 💧 City-owned vacant lots per existing ordinance
 - 💧 Related city agency-owned vacant lots

Where we are Today

new programs, changed policies, constantly evolving

- 💧 New appeals for residential sideyards in 2011 and cemeteries in 2013 – if eligible both property types receive full exemption from stormwater charge
- 💧 Modified credit regulations in 2013 to account for direct dischargers, reduce credit max % and tighten up open space requirements
- 💧 Established the Stormwater Customer Assistance Program in 2011 (just one year after we launched!) to address highly impacted customers



Stormwater Customer Assistance Program (CAP)

- 💧 Subsidy program introduced in June 2011 during phase-in
- 💧 “Caps” a customer’s monthly stormwater charge increase at rate periods at 10%
- 💧 Direct response to pressure from Philadelphia City Council

Stats:

- 💧 2,000 customers originally eligible
- 💧 250 enrollees today and decreasing
- 💧 \$20M in reduced stormwater charges administered total to date

Where we are Today

new programs, changed policies, constantly evolving

- 💧 Community Gardens Stormwater Discount introduced in January 2017 in response to approved City ordinance
- 💧 Currently addressing approved ordinance and regulations requiring the exemption of all water/sewer/stormwater charges for properties owned by the Philadelphia Land Bank
- 💧 Stormwater grants program launched in 2012 with a \$5 million budget, now at \$25 million



Takeaways



1. **Communication and messaging is key**
2. **Be as flexible and adaptable as possible**
3. **Align incentives with environmental mandates (NPDES Permits, Consent Orders, etc.)**

Thank you!

Joanne Dahme

**Philadelphia Water
Department**

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