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# CITY OF PHILADELPHIA

WATER DEPARTMENT  
JEFFERSON CENTER  
1101 Market Street  
Philadelphia, PA 19107-2994

RANDY E. HAYMAN, Esq.  
Water Commissioner

February 16, 2021

James P. Leonard, Esquire  
Records Commissioner  
City Hall, Room 158  
Philadelphia, PA 19102

Re: Formal Notice of Proposed Changes in Water, Sewer and Stormwater Rates and Related Charges  
(FY 2022 and FY 2023)

Enclosed please find the Formal Notice of the rate filing ("Formal Notice") submitted on behalf of the Philadelphia Water Department ("Department" or "PWD") in support of its proposed change in rates and charges for water, wastewater (sanitary sewer) and stormwater services consistent with (i) Section 5-801 of the Philadelphia Home Rule Charter ("Charter"), (ii) Section 13-101 of the Philadelphia Code ("Code"), and (iii) the Regulations of the Philadelphia Water, Sewer and Storm Water Rate Board ("Rate Board").

The above referenced filing is transmitted in the enclosed binders, as well as electronically in the enclosed USB flash drive. It is also available on the Rate Board's website, [www.phila.gov/water/rateboard](http://www.phila.gov/water/rateboard). The filing includes the proposed rates and charges, which are subject to review and authorization by the Rate Board.<sup>1</sup> The Rate Board will schedule public hearings on the proposed rates and charges, as required by Section 13-101(3)(f) of the Code.

This Formal Notice is the submission required to be filed with the Department of Records pursuant to Section 13-101(7)-(8) of the Code and Section II.A.2(b) of the Rate Board's regulations. Included with this submission are various statements and exhibits from the Advance Notice (identified in the attached Filing Index and incorporated by reference) that will be proffered for inclusion in the record during hearings before the Rate Board. Also attached and incorporated by reference is the Statement of Changes from the Advance Notice filed with City Council and the Rate Board on January 15, 2021, as well as copies of the changed documents identified therein. Finally, attached please find the memorandum from the Law Department approving this Formal Notice and the accompanying documents as to form.

Please make the aforesaid documentation, together with the Department's proposed changes in rates and charges, available for inspection consistent with the aforesaid legal requirements and arrange for advertising in accordance with Section 8-407 of the Charter and Section 21-1703 of the Code. Text for the public notice to be published in the newspapers is attached. Thank you for your attention to this matter.

Sincerely,

Randy E. Hayman  
Water Commissioner

cc: Rate Board

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<sup>1</sup> The proposed rates and charges are set forth in PWD Exhibit 3A through 3D. These proposed rates and charges will be fully vetted as part of the rate process before the Rate Board.

## RECORDS DEPARTMENT

In accordance with Section 5-801 of the Philadelphia Home Rule Charter, Section 13-101 of the Philadelphia Code and the Regulations of the Philadelphia Water, Sewer and Storm Water Rate Board (Board), the Philadelphia Water Department filed proposed changes to the rates and charges on February 16, 2021. The filing is available online at: [www.phila.gov/water/rateboard](http://www.phila.gov/water/rateboard) or may be examined at the Department of Records. Anyone wishing to be a Participant in the rate change proceeding should send notice to Water, Sewer and Storm Water Rate Board, c/o Steven Liang, City of Philadelphia Law Department, 1515 Arch St., 17th Fl., Philadelphia, PA 19102 [WaterRateBoard@phila.gov](mailto:WaterRateBoard@phila.gov).

James P. Leonard, Esq.  
Records Commissioner

# FILING INDEX

## Philadelphia Water Department Statements and Exhibits

### Statements

<b>PWD Statement No. 1</b>	Direct Testimony and Schedules of Randy Hayman
	Schedule REH-1      Resume of Randy Hayman
<b>PWD Statement No. 2 *</b>	Direct Testimony and Schedules of Melissa La Buda
	Schedule ML-1      Resume of Melissa La Buda
	Schedule ML-2      Financial Plan
	Schedule ML-3      Bond Counsel Memorandum
	Schedule ML-4      Rating Agency Reports
	Schedule ML-5      Water Fund Projection Summary
	Schedule ML-6      Financial Advisors Memorandum
	Schedule ML-7      Miscellaneous Changes in Terms of Rates and Charges
	Schedule ML-8      Summary of Prior Rate Proceedings
	Schedule ML-9      Comparison of Projections with Actual Results
<b>PWD Statement No. 3</b>	Direct Testimony and Schedules of Stephen J. Furtek and Trisha Grace
	Schedule SJF-1      Resume of Stephen J. Furtek
	Schedule SJF-2      Summary of Capital Program and Budget Process
	Schedule TG-1      Resume of Trisha Grace
<b>PWD Statement No. 4</b>	Direct Testimony and Schedules of Donna Schwartz, Ben Jewell, Brendan Reilly and Mary Ellen Senss
	Schedule DS-1      Resume of Donna Schwartz
	Schedule DS-2      Summary of Drinking Water Regulations
	Schedule DS-3      Green Stormwater Infrastructure Tools
	Schedule BCJ-1      Resume of Ben Jewell
	Schedule BR-1      Resume of Brendan Reilly
	Schedule MES-1      Resume of Mary Ellen Senss
<b>PWD Statement No. 5</b>	Direct Testimony and Schedules of Susan M. Crosby and RaVonne A. Muhammad

Schedule SMC-1	Resume of Susan M. Crosby
Schedule SMC-2	Annual Report to Mayor on TAP
Schedule RM-1	Resume of RaVonne A. Muhammad

**PWD Statement No. 6**

Direct Testimony and Schedules of Raftelis

Schedule RFC-1	Resume
Schedule RFC-2	Resume
Schedule RFC-3	Resume
Schedule RFC-4	Service Usage and Billing Report
Schedule RFC-5	Water Usage and Billing Report
Schedule RFC-6	Payment Patterns Report
Schedule RFC-7	Typical Residential Customer Consumption Memorandum
Schedule RFC-8	Typical Small Commercial Consumption Memorandum
Schedule RFC-9	Low Income Billing and Payments Report

**PWD Statement No. 7A \***

Direct Testimony and Schedules of Black & Veatch Management Consulting

Schedule BV-1	Summary Tables: Cost Of Service And Rate Study
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- Tables C-1 through C-9: Combined Projections of Revenue Requirements; Projection of Typical Retail Bills
- Tables W-1 through W-12: Projection of Water Revenues under Existing Rates; Allocation of Test Year Cost of Service; Projection of Water Retail Units of Service
- Tables 13A through W-19A: Projection of Aqua PA Cost of Service; Projection of Water Retail Cost of Service; Projected Water Retail Rates for General Service and Fire Protection
- Tables WW-1 through WW-18: Projection of Wastewater Revenues under Existing Rates; Allocation of Test Year Cost of Service to Retail and Wholesale Customers; Proposed Wastewater Service Charge and Quantity Charge for General Service

Schedule BV-2	Summary Tables: Allocation Of Wastewater Costs To Contract Customers.
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<b>PWD Exhibit 2</b>	Summary Fact Sheet
<b>PWD Exhibit 3A</b>	Proposed Rates and Charges for FY2022
<b>PWD Exhibit 3B</b>	Proposed Rates and Charges for FY2022 (Redlined)
<b>PWD Exhibit 3C</b>	Proposed Rates and Charges for FY2023
<b>PWD Exhibit 3B</b>	Proposed Rates and Charges for FY2023 (Redlined)
<b>PWD Exhibit 4 *</b>	Documents Incorporated by Reference
	<p><u>Summary of the Operating Budgets:</u>  FY 21 Budget in Brief – as proposed to the Council  FY 21 Budget in Brief – as approved by the Council</p> <p><u>Budget Detail:</u>  FY21 Operating Budget Detail, Book I  FY21 Operating Budget Detail, Book II</p> <p><u>Capital Budget:</u>  Six Year Capital Program for Fiscal Years 2022-2026, Capital Budget for Fiscal Year 2021 per Council Approved Capital Program and Budget</p> <p><u>Financial Reports:</u>  Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2019</p> <p><u>Five Year Financial and Strategic Plan:</u>  Five Year Financial and Strategic for Fiscal Years 2021-2025, presented to Council  FY2021-FY2025 Five Year Financial Plan, per Council Approved Budget</p>
<b>PWD Exhibit 5</b>	Official Statement, City of Philadelphia Water and Wastewater Revenue Bonds, 2020A and 2020B
<b>PWD Exhibit 6</b>	Supplemental, Financial, Engineering and Other Data, Black & Veatch Workpapers
<b>PWD Exhibit 7</b>	Consent Order and Agreement, June 1, 2011

\* Denotes Statements and Exhibits supplemented or revised since the Advance Notice.

**PHILADELPHIA WATER DEPARTMENT RATE PROCEEDING  
(FY 2022 and FY 2023)**

**STATEMENT OF CHANGES FROM THE ADVANCE NOTICE  
FILED WITH CITY COUNCIL AND  
THE WATER, SEWER AND STORMWATER RATE BOARD  
ON JANUARY 15, 2021**

Pursuant to Section II.A.2(b) of the Regulations of the Philadelphia Water, Sewer and Storm Water Rate Board (“Rate Board”), this statement highlights changes from the Advance Notice of proposed changes in rates and charges filed by the Philadelphia Water Department (“Department” or “PWD”) with City Council and the Rate Board on January 15, 2021. The changes and the rationale for the changes are provided below.

- **PWD Exhibit 1** has been supplemented with the Public Notice of Proposed Changes in Rates and Charges and the Formal Notice with the accompanying attachments in accordance with Section II.A.2(b) and (e) of the Rate Board's regulations.
- **PWD Exhibit 4** has been supplemented to include the websites referenced in answer to Question 42.1 in PWD Statement 2. These websites are shown on the supplemental text for PWD Statement 2 (discussed in the next bullet point).
- **PWD Statement 2**, page 39. As shown in the attached supplemental text, Question 42.1 and the response thereto are inserted after the response to Question 42 and directly before the heading for Section VII. Please note that the addition of this question and answer will result in changes to the Table of Contents. This new question and answer have been inserted to reflect updates and anticipated increased revenue requirements related to recent EPA Lead and Copper Rule (“LCR”) changes.
- **PWD Statement 7A**, Page 41. As shown on the attached supplemental text, the response to Question 33 is revised to reflect updated information related to recent LCR changes. The supplemental text is added after the original text and before the start of the next question. Please note that the addition of this supplemental text will result in changes to the Table of Contents.

**SUPPLEMENTAL TEXT  
TO DIRECT TESTIMONY OF MELISSA LA BUDA  
PWD STATEMENT 2**

Page 39, Line 3

Insert the following question 42.1 and answer 42.1 after the end of question 42 and before the heading for Section VII

**Q42.1. ARE THERE OTHER KNOWN SIGNIFICANT DRIVERS THAT WILL BE INCREASING THE DEPARTMENT’S REVENUE REQUIREMENTS IN THE FUTURE?**

**A42.1.** Yes. One important significant driver that will be increasing the Department’s revenue requirement is the long-term regulatory revisions<sup>6</sup> to the Lead and Copper Rule (“LCR”) finalized by the U.S. Environmental Protection Agency (“EPA”). The final revisions to those regulations were promulgated as of January 15, 2021. The compliance date for the revisions is January 16, 2024.<sup>7</sup>

The available information<sup>8</sup> establishes that, were the compliance and cost effects of the revised LCR factored into current Rate Period, the Department’s revenue requirement would be higher. As noted in PWD Statement 4, the revised LCR will require Department to expand current drinking water programs and cause the incurrence of additional expenses not accounted for in the cost of service study to achieve compliance. Those additional expenses were not estimated and were not included in the Cost of Service Report for the Rate Period.

Please note that the Department may investigate the creation of a surcharges regarding all or part of compliance with the revised LCR. The M1 Manual describes a surcharge as a “separate charge added to existing rate structures to collect either a targeted amount of revenue or to assess an appropriate charge for particular usage characteristics outside of those covered in the basic charge for service.” *See* M1 Manual (7<sup>th</sup> Edition) at 195. One example given in the M1 Manual is a surcharge for compliance with new water quality regulations. *Id.* That is the situation being presented by the revised LCR.

Such surcharges are not, at this time, part of this rate proceeding. This is due in part to the lack of detailed costs and implementation tasks at this time. Surcharges may be proposed by the Department for the Board’s approval when (a) there are sufficient cost and rate impact details and (b) the Department makes a determination that surcharges would be an effective tool for meeting the Department’s financial requirements.

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<sup>6</sup> The EPA’s National Primary Drinking Water Regulations: Lead and Copper Rule Revisions are available at: <https://www.regulations.gov/docket?D=EPA-HQ-OW-2017-0300>.

<sup>7</sup> <https://www.regulations.gov/document?D=EPA-HQ-OW-2017-0300-1550>.

<sup>8</sup> Philadelphia Water Department Lead and Copper Rule Comments (dated February 12, 2020) at EPA-HQ-OW-2017-0300, which is available at: <https://www.regulations.gov/document?D=EPA-HQ-OW-2017-0300-1133>.



## SUPPLEMENTAL TEXT

### DIRECT TESTIMONY OF BLACK & VEATCH MANAGEMENT CONSULTING PWD STATEMENT 7A

Page 41, Lines 3-4;  
Lines 16-25

The response to Question 33 is revised to reflect updated information related to recent EPA Lead and Copper Rule (“LCR”) changes. The supplemental text is inserted at the beginning of the response (Lines 3-4); and at the end of the original text and before the start of the next question (Lines 16-25).

(Lines 3-4). There are no other changes proposed to the water, sewer and stormwater rate structure in the current rate filing.

(Lines 16-25). As discussed in PWD Statement No. 2 – Direct Testimony of Melissa La Buda, recent changes to the Lead and Copper Rule (“LCR”) by the U.S. Environmental Protection Agency (“EPA”) are likely to result in further increases in the Water Department’s overall revenue requirements. The current COS study supports the proposed base rates and does not account for increases in LCR- related compliance efforts. The LCR requires compliance by January 16, 2024. As such, the Water Department expects to incur costs during the requested Rate Period (i.e., FY 2022 to FY 2023). Given that the estimated cost of compliance with the LCR is still under development and that these costs are in addition to those included in base rates, these LCR-related compliance costs (or a portion thereof) may be candidates for recovery via a rider and/or surcharge mechanism(s).



## City of Philadelphia

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5<sup>th</sup> Floor  
Philadelphia, PA 19107  
(215) 685-6160  
ji.jun@phila.gov

# MEMORANDUM

**TO:** Randy E. Hayman, Commissioner

**FROM:** Ji Y. Jun, Divisional Deputy City Solicitor *Ji Jun*

**DATE:** February 16, 2021

**RE:** In the Matter of the Philadelphia Water Department's Proposed Change in Water, Wastewater and Stormwater Rates and Charges (FY 2022 and FY 2023)

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I have reviewed the Formal Notice of Proposed Changes in Water, Sewer and Stormwater Rates and Charges ("Formal Notice") and the documents shown on the index attached to the Formal Notice. I find the Formal Notice and the documents shown on the index to be legal and in proper form.

In accordance with Section 5-801 of the Philadelphia Home Rule Charter, Section 13-101 of the Philadelphia Code and the Regulations of the Philadelphia Water, Sewer and Storm Water Rate Board, you may forward the Formal Notice and the referenced documents to the Department of Records where they will be available for public inspection.