

# Alternative Rate Structure Evaluation: Stormwater Credits & Incentives

## Meeting Overview

### INTRODUCTION

The Philadelphia Water Department (PWD or the Department) serves the City of Philadelphia providing integrated water and wastewater service inclusive of stormwater. With respect to stormwater, the Department maintains stormwater management and conveyance systems throughout the City. A large portion of the City's stormwater system consists of a combined sewer, which conveys both stormwater and sewage flows; a separate storm sewer system serves the remainder of the City. Unmanaged and untreated stormwater runoff can carry pollutants to local streams and rivers throughout the City.

The Department and the Pennsylvania Department of Environmental Protection signed the Consent Order & Agreement (COA) on June 1, 2011 that requires the Department to implement its Combined Sewer Overflow Program known as the "Green City, Clean Waters Program." The program is also known as the Long-Term Control Plan (LTCP). Under the program, the City has been investing in green and traditional infrastructure, including wastewater treatment facility enhancements, interceptor pipe lining and collection system improvements, to mitigate combined sewer overflows and enhance the quality of local waterways.

Similar approaches are being applied in separate sewer areas to address stormwater pollution further and to improve the water quality of impaired streams and water bodies per the City's Municipal Separate Storm Sewer System (MS4) permit requirements.

### BACKGROUND

#### Stormwater Rate Structure

PWD recovers stormwater-related costs from its customers via a stormwater management service (SWMS) charge. Customers' SWMS charges are determined based upon their parcel's gross area (GA) and impervious area (IA), as follows:

- The Department charges residential properties a uniform fee based upon the average GA and average IA associated with residential properties throughout the City; and
- Non-residential properties are individually calculated based upon their parcel's property-specific GA and IA.

#### Stormwater Credit Program

Non-residential properties have the opportunity to reduce their stormwater fees via the Department's Stormwater Credit Program. PWD's credit program was originally intended to:

1. *Incentivize property owners to implement and maintain functional stormwater management practices to help the City meet its stormwater goals; and*
2. *Provide the opportunity for property owners to reduce their monthly SWMS Charge.*

The current credit program offers the following types of credits:

- Impervious Area Reduction (IAR) Credit
- Impervious Area Stormwater Credit (IA Credit)
- Gross Area Stormwater Credit (GA Credit)
- National Pollutant Discharge Elimination System – Industrial Stormwater Discharge Permit (NPDES Credit)

### Stormwater Incentives

To further encourage private stormwater management, PWD offers grants which can cover up to 100 percent of the cost to design and construct stormwater retrofits on non-residential properties. In FY 2019, PWD budgeted \$25 million to fund the Stormwater Management Incentive Program (SMIP) and Greened Acre Retrofit Program (GARP) grants. Customers participating in the SMIP/GARP are also eligible for credit following the completion of their retrofit project.

### LONG-TERM IMPACTS

The credit program and the SMIP/GARP have been key components in meeting the metrics of the LTCP and COA during the first 5-years of the 25-year plan. However, both programs influence the overall costs of the stormwater program and the Department's ability to recover costs from its customer base. Additionally, the credit program and stormwater rates rely upon parcel data originally obtained in 2005. The Department recently received updated IA and GA parcel data, which will have an impact on the allocation of stormwater costs to customers.

To better understand both the long-term impacts of the current credits and incentives programs as well as the updated billing data, the Department and its consulting team developed a projection of long-term impacts of these factors on stormwater revenues and customer rates. Below is a brief description of the anticipated impacts for both areas.

### Updated Customer Billing Data

Recently, the Department received updated planimetric data for all stormwater customers. With the implementation of the new data, the Department anticipates residential customers will bear a larger portion of stormwater costs because of their increased share of overall billing units.

### Credit and Incentives Programs

***With the update in billing data and under the current stormwater credit and incentives programs, estimates indicate that there will be more residential than non-residential billable units of services (after accounting for credits) within the next 6-9 years.*** This shift puts further pressure on residential customers and customers unable to achieve stormwater credits.

### ALTERNATIVE RATE STRUCTURE MEETING NO. 2 – STORMWATER CREDITS AND INCENTIVES

Based on the projected impacts of the updated billing data and the potential long-term implications of the credit and incentives programs, PWD is interested in:

- Exploring what potential short-term adjustments can be made to help delay some of the unintended consequences of the current programs and manage stormwater costs and rates; and
- Identifying what areas should be further evaluated over the long-term to help the Department continue to meet its LCTP and COA requirements, further manage costs, and equitably recover costs from customers.

During the second Alternative Rate Structure meeting, the Department's consultants will present the following to participating stakeholders:

1. Background information on the Department's existing stormwater rate structure as well as the current credit and incentives programs;
2. A summary of the projected long-term impacts of credits and updated stormwater billing data on stormwater revenues and associated rates;
3. Potential adjustments to the current credit and incentives programs; and
4. Areas for future evaluation.

Participants will have the opportunity to give feedback about the potential short-term adjustments as well as explore larger questions related to long-term issues for future evaluation.