

Philadelphia Water, Sewer, and Storm Water Rate Board
Meeting Notes
2/7/2018

Members Present:

Irwin “Sonny” Popowsky, Chair
Folasade A. Olanipekun-Lewis
Lee Huang
Rasheia Johnson (conference line)
Tony Ewing (arrived later)

Also Present:

Daniel Cantú-Hertzler	Josie Pickens
Nancy Brockway	Joline Price
Ed Markus	Susan Crosby
Marie McNeill	Brian Merritt
Cody Williams	Mark Wilgus
Rob Ballenger	Debra McCarty
Andre Dasent	Sarah Stevenson

The meeting was called to order at 3:06 p.m.

Mr. Huang moved to approve the minutes from the January 10, 2018 meeting without additions or changes. Seconded by Ms. Olanipekun-Lewis. Motion approved with Mr. Popowsky, Ms. Olanipekun-Lewis, Mr. Huang, and Ms. Johnson in favor, Mr. Ewing absent, and no members opposing or abstaining.

Mr. Popowsky raised the issue of Public Hearing scheduling, wondering whether the City Council would prefer that one of hearings take place in Council Chambers or in the Conversation Hall. Ms. Olanipekun-Lewis believed they would prefer the meeting take place in chambers, as members would be able to advise their constituents of the meeting and take “ownership” of the hearing to some extent. Mr. Cantú-Hertzler was advised by Hal Fichandler to contact Michael Decker, the Clerk of Council, and that scheduling was difficult in the given timeframe, but there were a few three-hour time blocks available. Mr. Popowsky suggested that either April 20th or 27th will work. Mr. Dasent believed that the Conversation Hall was amenable to discussion during the Community Gardens rate proceeding and that Council Chambers presents challenges. Mr. Huang wished to strike a balance between accommodation of Council preferences and the assertion of the Board’s independence and that the Conversation Hall is a good compromise. Ms. Olanepikun-Lewis indicated a strong preference for a meeting in Council Chambers. Mr. Ballenger did not have a strong preference for either location. Mr. Cantú-Hertzler was asked to attempt to put a hold on Chambers on the mornings of April 20 or April 27.

Mr. Dasent believed that the ideal number of Public Hearings is six. We have been presented with a buffet of location options. Mr. Ballenger also thought six is a good number.

Ms. Olanipekun-Lewis moved to authorize the Chair to finalize Public Hearing locations with consultation from the Board. Mr. Huang seconded. Motion approved with Mr. Popowsky, Ms. Olanipekun-Lewis, Mr. Huang, and Ms. Johnson in favor, Mr. Ewing absent, and no members opposing or abstaining.

Mr. Popowsky will also consult with the Hearing Officer, the Public Advocate, and the Water Department.

Ed Markus of Amawalk Consulting Group LLC delivered a presentation, and handed out a booklet entitled *Rate-Setting Considerations*. Mr. Markus touched on a number of generalized issues with regards to the rate setting process, including: potential objectives of rate-making; rate proposal development in view of calculation of cost of service for multiple classes of retail customers and wholesale customers; revenue requirements, resultant from both bond proceeds and rate revenue; debt service; customer base, billing units, and factors affecting them (including rates of bill collection); and the design of rate plans (Philadelphia is currently using a “declining block” rate design for water). Mr. Markus concluded with some final observations, including: an admonition to be attentive to historical budgets and revenues vis-à-vis actual and projected revenues and expenses; consideration by the Board of the Water Department’s performance; mindfulness of risks and their mitigation; and attentiveness to projection for rates after the three-year window. Mr. Markus advised the Board to review the Department’s targets. Finally, he emphasized that no rate structure is perfect nor can it “satisfy every objective simultaneously.”

The two works cited in the Code have been ordered by Mr. Williams but have not yet been received. Mr. Dasent stated that cash financing has been very helpful to Water in main replacements. Mr. Ballenger urged the Board to examine underlying assumptions, which he believes drive outcomes. Mr. Popowsky understood this as a two-step process: first, the Board reviews the targets presented by the Department, and then the Board determines appropriate rates to meet approved targets.

Ms. Brockway, the Hearing Officer, made a brief presentation. She stated that the Board produces a product, namely a decision. To that end, the Board must follow a technical track, which comprises a consideration of targets, financing, engineering, and so forth. Another track that must be followed is the public comment track. The purpose is to enlist the public to tell the Board what they make of this proposal. The Public Hearings are the basic mode of operation on this track; the ordinance has a transparency mandate. This process will use a process that borrows from commissions like the Public Utility Commission. The Water Department makes a case for what it desires; then the participants have the opportunity to ask questions concerning the proposal. After the Final Notice arrives, a schedule will be put into place, so Participants must utilize the schedule to achieve their objectives. The Public Advocate and other Participants may compose an alternate proposal.

Ms. Brockway stated that it has come to her attention that the Department and the Public Advocate would like to add a third phase for rebuttal, which could clarify disagreements and which would give the Water Department chance to respond to the various critiques of its proposal offered. No decision has been reached as to whether this phase is possible. Hearings will proceed after pre-filed testimony is complete; they are explanations of what has already been put into writing. Toward the conclusion, the Participants will submit summaries of their positions, which will most likely come as proposed findings of fact and conclusions of law. Ms. Brockway will also submit a recommended decision. Participants will then have an opportunity to submit exceptions to the recommended decision and put forth their reasons for disagreement with her recommended decision. Finally, the Board will vote on the issues; if an issue is not considered, then the Water Department’s position is considered adopted. Lastly, the Department translates the Board’s decision into a compliance filing.

Mr. Popowsky said he will be able to ask questions at Hearings on behalf of other Board members not present. Following up on Ms. Brockway’s remarks about the insertion of a rebuttal phase, Mr. Dasent stated that the proposed phase could be utilized by the Board to hear the further perspectives of

experts, who may uncover issues that might have been overlooked by attorneys. He further stated that such a phase would be consistent with the practice of the Public Utility Commission. Ms. Brockway indicated that she will make consultations to examine whether it's possible to shoehorn the proposed rebuttal phase without violating other parts of the proceeding structure. Mr. Ballenger hoped for more clarity as Hearings begin. Ms. Brockway distributed a draft schedule, which did not include a rebuttal phase.

The updated version of the website will be live shortly.

Mr. Cantú-Hertzler reported that he was able to reach Michael Decker and has scheduled the City Council Chambers for a Public Hearing. Ms. McCarty asked to check her people's availability.

The next meeting of the Rate Board is scheduled for March 7, 2018. No agenda items have been yet agreed upon. April 18 is the subsequent monthly meeting date.

Thanks to Marie McNeill, who is retiring, and best wishes for her future endeavors.

Ms. Olanipekun-Lewis made a motion to adjourn the meeting at 4:36 p.m., which was seconded by Mr. Huang. The motion was approved with Mr. Popowsky, Ms. Olanipekun-Lewis, Mr. Huang, Ms. Johnson, and Mr. Ewing voting in favor, no members opposed, and no abstentions.

Minutes prepared by Cody Williams, Legal Assistant