



The ARAMARK Tower  
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FOR IMMEDIATE RELEASE

Hearing Officer Appointed to Preside over Rate Hearing Process

New Water & Sewer Rates Will:

- **Ensure Drinking Water Quality that Surpasses State & Federal Standards**
- **Preserve & Protect Philadelphians' Drinking Water Sources – The Delaware & Schuylkill Rivers**
- **Enhance the Integrity of the City's Water & Sewer Infrastructure**

(Philadelphia, December 17, 2004) Deputy Water Commissioner Joseph S. Clare III announced today that the Philadelphia Water Department is moving forward with its proposal to supplement water and sewer (including stormwater) rates anticipated to begin February 2005. The Philadelphia Water Department formally notified City Council on January 27, 2004, and filed its request for new rates with the Department of Records on February 26, 2004. "The Mayor, City Council President and the City Controller have recently appointed independent Hearing Officer Henri P. Marcial, Esq. to preside over the public hearings, and the Water Department is ready to proceed with the rate hearing process," noted Mr. Clare.

The proposed new rates will be spread over an approximate 3-1/2 year period. On February 1, 2005, the first phase of the rate change is anticipated to take effect. A typical residential customer's monthly bill will increase to \$48.24, an increase of \$6.48, or 15.5 percent. Rate changes for subsequent years are shown in the Table on page two.

Typical Residential Customer Monthly Billings

<b>Fiscal Year</b>	<b>Percentage Increase of Monthly Bill</b>	<b>Additional Monthly Water &amp; Sewer Charge</b>	<b>Total Monthly Bill</b>
2005	15.5	\$6.48	\$48.24
2006	3.2	\$1.53	\$49.77
2007	7.7	\$3.83	\$53.60
2008	7.5	\$4.00	\$57.60

A typical senior citizen household, using 500 cubic feet of water per month, can expect to see comparable increases. On February 1, 2005 rates to a typical senior citizen will increase to \$28.01, an increase of \$3.66 per month for those seniors who qualify for the Department's 25 percent senior citizen discount.

Even with the additional rates, our water and sewer charges will continue to be among the lowest in the region. Although, we recognize that these new rates may place an

economic burden on some of our customers, the Water Department must continue to raise rates to cover its operating expenses and meet its covenants to its bond holders . The proposed new rates will allow the Water Department to meet all of its operating expenses and revenue requirement.

The need for the requested rate relief is caused by seven major cost factors which will impact the Department over the period FY 2005-2008 and include in descending order:

(A) increased debt service (\$72.245 million); (B) coverage based required contributions to the Residual Fund (\$67.6 million ; (C) loss of state subsidy for wastewater operations (\$32.0 million); (D) increased personnel costs (\$28,366,000); (E) decrease in interest earnings (\$25.4 million); (F) inflation on material, supplies, equipment and contracted costs (\$19.5 million) and (G) additional security and related costs (\$8.9 million).

Please note that the costs originally proposed for a new water service line and sewer lateral service program that were included in the Department's original January, 2004 filing, have been removed due to the lack of enabling legislation from City Council.

The Water Department has initiated numerous measures to improve service, reduce costs, and enhance revenues over the past decade. The Department has greatly reduced the cost of operating our Biosolids and wastewater facilities. Its facilities and personnel have noticeably improved the quality of our rivers and streams. It has re-financed more than \$1.7 billion in revenue bonds for net present value savings of \$92 million in debt service expense.

In addition, the Department has created a Revenue Protection Unit in Fiscal Year 2000 that has recovered more than \$13.5 million to date. It has implemented the largest Automatic Meter Reading ("AMR") program among water utilities in the nation, and has steadily improved the credit rating of its revenue bonds.

All seven of its major plant facilities have been winning national performance awards on an annual basis, while many utilities struggle to avoid large fines for regulatory non-compliance. Nationally, water and wastewater utilities in such cities as Atlanta, New Orleans, and Pittsburgh have been forced to implement large double-digit, multi-year rate increases in order to comply with stringent regulatory requirements. The cities of Chicago, Cleveland, Detroit, New York, Seattle, and Washington are investing at least \$1 billion each in constructing facilities to capture, store, and treat combined sewer overflows in their systems. Without the benefit of federal funds, these and many other cities throughout the country are looking at much higher rates for their customer base.

A number of formal and informal public hearings will be scheduled throughout the City to provide our customers with an opportunity to comment and ask questions. A schedule of the hearings will be published in the City's major newspapers.

The schedule will also be available to customers by calling 215-685-6300 in the next few weeks, and on the Philadelphia Water Department's website at <http://www.phila.gov/water>

The Philadelphia Water Department is responsible for delivering safe water to nearly 1.7 million people in Philadelphia and surrounding counties. It has the capacity to treat 540

million gallons of water each day. The Department performs more than 350,000 tests annually at its three water treatment plants to make sure the treatment processes are working as expected.

In addition, thousands more samples of tap water are analyzed annually at the Department's sophisticated testing laboratory. These samples are collected from city reservoirs and from more than 65 locations throughout the City. The Department also maintains a vast water conveyance and distribution system composed of nearly 3,300 miles of water mains, 75,000 fire hydrants, 16 water pumping stations, 18 reservoirs, five water storage tanks, as well as monitoring water flows and pressures at 40 locations throughout the city.

The Department also treats wastewater at its three water pollution control plants. These plants treat 489 million gallons of wastewater per day to meet federal and state standards.

They are the heart of a collection and treatment system that includes 17 wastewater pumping stations, three stormwater pumping stations, nearly 3,000 miles of sewers, 85,000 manholes, and 75,000 stormwater inlets, 23 rain gauges, 23 suburban wastewater metering stations, 203 wastewater and stormwater level and flow sites. The Department's wastewater system serves more than 2.2 million people in Philadelphia and the suburbs. Its service area totals 360 square miles, of which 130 square miles are in the City and 230 square miles are in suburban areas.

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