



The ARAMARK Tower
1101 Market Street
Philadelphia, Pennsylvania 19107-2994

BERNARD BRUNWASSER
Commissioner

Contact: Laura Copeland, 215-685-4902

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Proposed New Water & Sewer Rates Will:

- **Ensure Drinking Water Quality that Surpasses State & Federal Standards**
- **Preserve & Protect Philadelphians' Drinking Water Sources – Delaware & Schuylkill Rivers**
- **Address Stormwater Management to Alleviate Basement Flooding, Reduce Pollutant Flows to our Waterways, and Protect our Natural Resources**

(Philadelphia, April 4, 2008) Deputy Water Commissioner Joseph Clare announced today that the Philadelphia Water Department is seeking to supplement water and sewer (including stormwater) rates beginning July 2008.

The proposed new rates will be spread over a four-year period. On July 1, 2008, the first phase of the rate change will take effect. A typical residential customer's monthly bill (using 700 cubic feet) will increase to \$53.19, an increase of \$3.84, or 7.8 percent. Rate changes for subsequent years are shown in the table below.

Typical Residential Customer Monthly Billings

Fiscal Year	Percentage Increase of Monthly Bill	Additional Monthly Water & Sewer Charge	Total Monthly Bill
2009	7.8	\$3.84	\$53.19
2010	6.4	\$3.38	\$56.57
2011	6.6	\$3.73	\$60.30
2012	6.5	\$3.91	\$64.21

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A typical senior citizen household, using 500 cubic feet of water per month, can expect to see comparable percentage increases. On July 1, 2008, rates to a typical senior citizen will increase to \$33.21, an increase of \$2.12 per month for those seniors who qualify for the Department's 25 percent senior citizen discounts. Income eligibility for this discount is being raised to \$28,600.

“The Water Department has worked hard to reduce costs and increase collections before proposing this rate increase. However, operating costs continue to rise, especially for fuel, treatment chemicals and employee health care and pensions. However, even with the proposed increased rates, our water and sewer charges will be the lowest in the region. And, nationally, water and wastewater utilities in major cities like Atlanta, Pittsburgh and New Orleans are faced with large double-digit, multi-year rate increases.” noted Deputy Water Commissioner Joseph Clare.

The proposed new rates will allow the Water Department to meet all of its operating expenses and revenue requirements, to fund its extensive capital improvements program, and to address the need for enhanced security measures and flood mitigation. Since the last rate filing in December 2004, additional regulatory costs associated with meeting mandated federal and state environmental regulations are requiring more operating and capital dollars; and the continuing demographic changes in the City are causing the Department's high fixed costs (to maintain water mains, sewer mains, pumping stations, treatment plants, sewer inlets, etc.) to be spread over fewer customers. At the same time, the Department's total annual operating budget has

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grown from \$484.2 million in Fiscal Year 2004 to \$588.9 million proposed for FY2009, due to the increasing cost of debt service on bonds, personal services, health benefits, contractual services, materials, supplies, and equipment.

“The Department has initiated numerous measures to improve service, reduce costs, and enhance revenues over the past decade. We have greatly reduced the cost of operating our wastewater facilities. Our facilities and personnel have noticeably improved the condition of our rivers and streams. We have re-financed more than \$2 billion in revenue bonds for cumulative net present value savings in excess of \$106 million in debt service expense. We created a Revenue Protection Unit in Fiscal Year 2000 that has recovered more than \$18 million to date. We have implemented the largest Automatic Meter Reading (“AMR”) program among water utilities in the nation, and we have steadily improved the credit rating of our revenue bonds. All seven of our 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,” noted Clare. “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.”

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The Philadelphia Water Department formally notified City Council on April 4, 2008, and will file its request for new rates with the Department of Records on or about May 5, 2008. Implementation of the first phase of these proposed rates is scheduled for July 1, 2008, the first day of the Water Department's new fiscal year, following the public hearing process.

Under the proposed rates, the stormwater service charges for non-residential properties will transition from charges based on meter size to charges based on property characteristics to capture the true cost of the service provided for each property. The transition will address inequities in how some non-residential customers currently pay for stormwater management. These rates will also incentivize smart storm water practices such as the use of green roofs and porous pavement. This proposed change to property based stormwater rates will have no negative impact on the stormwater charge for residential customers.

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. PWD's three water treatment plants deliver approximately 270 million gallons of top quality drinking water each day.

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The Department performs more than 350,000 tests annually at these plants to ensure consistent, optimal treatment and a healthy water supply. 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 Philadelphia. The Department also maintains a vast water conveyance and distribution system: nearly 3,100 miles of water mains, 25,000 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 approximately 490 million gallons of wastewater per day to meet federal and state standards, protecting and preserving our precious waterways. They are the heart of a collection and treatment system that includes 17 wastewater pumping stations, three stormwater pumping stations, nearly 3,500 miles of sewers and 80,000 stormwater inlets. 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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