

I. INTRODUCTION

The Philadelphia Housing Authority (“PHA”) hereby submits its Initial Brief, addressing issues regarding the water rate increase as it affects PHA. PHA seeks to have the Commissioner acknowledge certain issues and circumstances relevant to PHA in the Commissioner’s calculations made during this proceeding, including PHA’s position that it should receive the same discounted rate as certain other Water Department Customers.

II. ARGUMENT

PHA was established in 1937 and is the nation’s fourth largest housing authority. PHA is also the largest landlord in Pennsylvania. (Direct Testimony of Kirk Dorn, dated August 13, 2008 (“Dorn Direct”), 2:10-11). PHA houses approximately 84,000 people in the City of Philadelphia (the “City”), and PHA’s residents typically are low income and senior residents. (Dorn Direct, 2:15, 4:19-20). Some 88% of PHA’s households are below 30% of the area median income. (Dorn Direct, 2:12-13).

Prior to 1998, the City recognized that PHA would pay its water charges and that it provides a vital public service. Accordingly, PHA received a 25% discount in water rates. (Dorn Direct, 4:18). However, due to a mechanism provided by the United States Department of Housing and Urban Development (“HUD”) wherein PHA would be reimbursed for any increases as a result of a rate hike, the City slashed the 25% discount to only 5% in 1998 after it determined that PHA could use that year-end HUD adjustment to fund shortfalls in water charge changes. (Dorn Direct, 6:11-12). Since having its discount dramatically cut, PHA has paid nearly an additional nine million dollars due to the decrease in its rate decrease. (Dorn Direct, 7:3-4). Numerous other governmental agencies however, such as the municipal facilities,

schools and various public entities like health care facilities, continued to receive and are currently still receiving the 25% discount from which PHA once benefitted.

Furthermore, in 2003, the HUD policy changed.. HUD sent all housing agencies a memo reflecting a major change in funding policy, informing them that "HUD is no longer permitted to make utility adjustments or any other type of retroactive payment." There could be no "catch up" of funding at the end of each fiscal year as there had been in the past. (Dorn Direct, 6:14-19).

Currently, PHA is facing the most rigorous financial challenges of its history. PGW recently raised gas rates for PHA properties. PECO is also planning rate increases, and HUD is decreasing the levels of PHA funding. The resulting financial crunch exacerbates an already difficult financial situation. Nevertheless, PHA routinely pays 100% of its outstanding water charges, and is current on meter and usage charges. (Dorn Direct, 7:6-7).

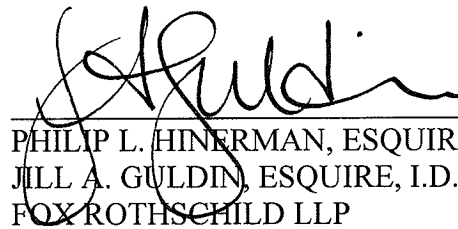
Under the proposed rate increases, PHA's water costs would rise by approximately \$700,000 in the first year after the rate is approved. (Dorn Direct, 5:19-20). HUD's funding reductions already threaten PHA's ability to meet its current demands for its housing stock, as well as the safety of its properties and its ability to provide services to its residents. Forcing PHA to allocate further funds to increased water costs makes the situation even more dire. If the rate increase is granted, PHA will be faced with the inequitable choice of having to cut costs in one area to pay for water for its residents.

As a result, there is currently draft legislation pending in front of City Council that modifies the rate reduction ordinance as it relates to PHA. Thus, PHA wishes to have the Commission recognize in this proceeding that PHA is no different than the organizations that currently receive a 25% rate discount, and that PHA's original discount rate of 25% should be reinstated.

IV. CONCLUSION

PHA respectfully submits that the Commissioner should acknowledge certain issues and circumstances regarding PHA, including PHA's position that it should receive the same discounted rate as certain other Water Department Customers, in determining the proposed water rate increase that is the subject of this proceeding.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I am serving a true and correct copy of the foregoing Initial Brief of the Philadelphia Housing Authority upon the following person(s) *via* First Class Mail and electronic mail:

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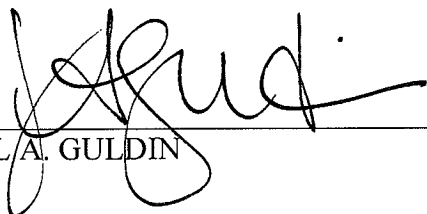
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