

OUTLINE FOR ANTHONY GRIFFITH'S TESTIMONY

- I. General Rebuttal to Public Advocate's Testimony – Financial Implications to Significant Adjustments, Remaking the Rate Plan
 - A. Revenue Cuts of Roughly Two-Thirds From Black & Veatch Rate Plan
 - B. Department Must Meet Its Rate Covenants and Meet Legal Obligations

- II. Investment Community's Evaluation of the Philadelphia Water Department
 - A. Favorable Credit Rating Based Upon Department's Ability to Sustain Its Operations and Meet Rate Covenants
 - B. Underlying Credit Rating Is More Important Now As Insurance Becomes More Costly or Unavailable
 - C. Maintenance of the Rate Stabilization Fund and Residual Fund at Adequate Levels is a Factor in this Evaluation
 - D. Adjustments of the Magnitude Proposed May Hamper PWD Operations and Increase Financial Risk

- III. Major Shifts in Ratemaking at a Time of Financial Uncertainty Are Not Advisable
 - A. Municipal Bonds Markets Are in Crisis Mode (Bond Insurance Problems)
 - B. Remarketing of PWD 1997B Bonds is Evidence of Problems in Municipal Bond Market
 - C. The Potential FSA Downgrade is Further Evidence of Such Problems
 - D. The Uncertainty of the Markets Makes Everyone Very Cautious
 - E. Changes in Ratemaking Essentially Remaking the Rate Plan Around Fully Drawing Down the RSF and Giving Little Concern for Coverage Requirements is Inadvisable
 - F. Department has Technically Defaulted in its Obligations in the Early 1990's and Should Not Repeat That Experience