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IN THE MATTER OF
THE PHILADELPHIA WATER DEPARTMENT'S
PROPOSED INCREASE IN RATES
FOR WATER AND WASTEWATER UTILITY SERVICES

- - -

PUBLIC INPUT HEARING

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Friday, July 25, 2008
10:00 a.m.

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JNA INSTITUTE OF CULINARY ARTS
1212 South Broad Street
Philadelphia, PA

- - -

BEFORE: HARRIS T. BOCK, ESQ.
Hearing Officer

- - -

VERITEXT NATIONAL COURT REPORTING COMPANY
KNIPES COHEN
1801 Market Street - Suite 1800
Philadelphia, Pennsylvania 19103

APPEARANCES:

ANDRE C. DASENT, ESQ.
Counsel to Philadelphia Water Department

COMMUNITY LEGAL SERVICES, INC.
BY: PHILIP A. BERTOCCHI, ESQ.
Counsel to Public Advocate

- - -

ALSO PRESENT:

MICHAEL L. GALBRAITH, ESQ.
The Dispute Resolution Institute

LE WU
Cantonese Interpreter

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1 THE HEARING OFFICER: Good morning,
2 everyone. My name is Harris Bock and I
3 have been appointed as the Hearing
4 Officer in connection with the requested
5 rate increase of the Philadelphia Water
6 Department. I have been appointed to
7 preside over all of the hearings in this
8 matter that have been held and will be
9 held.

10 The purpose of this hearing today,
11 as the prior public hearings, was to give
12 members of the public an opportunity to
13 be heard. This forum is very important
14 to myself since all your comments and
15 input will be taken into consideration by
16 myself when I make the ultimate
17 recommendation in this case to the Water
18 Commissioner.

19 So I, number one, would tell you
20 that I appreciate your coming here today;
21 and, number two, would tell you that I
22 appreciate your comments because without
23 them I won't have the benefit of your
24 thinking, which is important in the
25 ratemaking process.

1 We have representatives of the Water
2 Department here today as well as a
3 representative of your Consumer Advocate
4 from Community Legal Services.

5 I'm going to ask Mr. Dasent on
6 behalf of the Water Department to say a
7 few words and to introduce the members of
8 the Water Department that are here today
9 to answer some questions that you may
10 have.

11 Mr. Dasent.

12 MR. DASENT: Thank you, Your Honor.

13 Good morning, everyone.

14 ALL PRESENT: Good morning.

15 MR. DASENT: My name is Andre
16 Dasent. I'm outside counsel to the
17 Philadelphia Water Department. We're
18 here today to talk about the proposed
19 rate increase.

20 With me today also to speak and
21 answer any questions are folks from the
22 Water Revenue Bureau, who are sitting
23 over here -- thank you all for coming --
24 and also we have our Deputy Water
25 Commissioner for Finance, Joseph Clare,

1 and Debbie McCarty, our Deputy
2 Commissioner for Operations.

3 We have our general counsel here,
4 Gerry Leatherman. We also have our
5 assistant counsel dealing with legal
6 matters also, Erin McDevit. Jim Aleo is
7 here from our rate department and Jim
8 Palladino, our rate director.

9 I see Steve Furtek is also here and,
10 Steve, I always mess up your title. I
11 want to call you the chief engineer.

12 MR. FURTEK: That's good.

13 MR. DASENT: I knew it was
14 important.

15 We are here to talk about the rate
16 increase and more importantly to hear
17 from you about your concerns about the
18 rate increase. We've given out a
19 brochure that most of you should have or,
20 if not, I will hand it to you or make
21 sure someone from the Department hands it
22 to you because it describes the rate case
23 as well as the Water Department.

24 In this particular brochure, which
25 details the operations of the Department,

1 the water side of the Department, in
2 terms of our plants, in terms of accounts
3 served -- and you'll see it's about
4 500,000 accounts -- you'll also see the
5 sewer side of the utility and our
6 wastewater treatment plants, the
7 biosolids recycling center, and in detail
8 in there is this very large operation,
9 which sustains 500,000 customers in the
10 City as well as sustains operations for
11 the suburbs as well.

12 If you flip back in the brochure,
13 you'll see on a citywide basis also we
14 have treatment facilities in the four
15 corners of the City. These are large
16 facilities. These are facilities that
17 need infrastructure improvements, that
18 will need capital dollars to sustain our
19 operations over the coming years.

20 Our capital program is sustained
21 also by floating bonds and those bonds
22 have large debt service obligations tied
23 to them. That's a very large component
24 of the rate increase.

25 In addition to that, we have over

1 2,000 employees, and for those 2,000-some
2 employees we have to sustain them through
3 wages and salaries, and negotiations are
4 going on right now, in fact, for a wage
5 increase. Benefit packages are also a
6 big part of this particular rate
7 increase.

8 We can go through a whole list of
9 things, materials and supplies, just the
10 impact of inflation, fuel costs have
11 skyrocketed, chemical costs, electricity
12 costs, maintenance and security costs,
13 all components of this facility, of this
14 particular proposal.

15 Now, the sum and substance of all of
16 this is at least for residential
17 customers we have about a 6.9% increase
18 on average in four steps in each year of
19 the period 2009 through 2012. That's
20 approximately \$3.48 monthly.

21 There's a 7% impact basically on
22 commercial customers, your larger
23 customers.

24 Now, the Public Advocate will make a
25 great deal about how expensive this is

1 and we have tried to structure this in a
2 way that's more affordable and having it
3 in steps of roughly 6.9% each year. If
4 you average the numbers and steps -- and
5 it's also detailed in this brochure --
6 that's what you come to.

7 But it costs a lot of money to
8 sustain the operations related to all of
9 the facilities around the City, to deal
10 with customers, 500-and-some-odd thousand
11 of them, and make sure that we can
12 sustain operation, have safe and reliable
13 services, and maintain our environmental
14 obligations, all in tandem with a
15 relatively tight budget when you think
16 about it.

17 There's no profit here. We're
18 trying to sustain operations to serve as
19 more or less an arm of the government to
20 offer you the best possible service. We
21 also have escalating revenue requirements
22 that have to be met as a component of
23 this rate increase.

24 The rate increase in sum and
25 substance is as low as we can keep it

1 trying to keep from being in front of
2 customers or asking customers for more
3 money more frequently than a four-year
4 period. Sometimes we're able to sustain
5 our operations longer than four years.
6 And all of these goals are to make our
7 service affordable.

8 If you compare us to other utilities
9 in the region, we are, in fact, cheaper
10 than our top competitors in many, many
11 areas. In comparison to Aqua PA or some
12 of the other utilities that I see
13 frequently, we're much cheaper. We also
14 try to give the best possible service.

15 Now, many times the Public Advocate
16 and others will point out where we fall
17 short, and we admit that we don't do
18 everything perfectly, but we're striving
19 to do everything better.

20 We also admit that there are certain
21 areas that we're going to try to do even
22 better still, whether it's in stormwater
23 management, whether it's in the
24 administrative process dealing with the
25 hearings that are administered by Water

1 Revenue and the Water Department.

2 And our model that we're using for
3 stormwater, in fact, may help us in terms
4 of structuring something that makes sense
5 for the residential customers dealing
6 with informal hearings, which we need to
7 do now, which we haven't emphasized in
8 the past, but we need to do more; and we
9 recognize that need and we want to do
10 more on outreach also to make sure
11 customers who are in need, that need the
12 WRAP program, know about it.

13 In a bad economy we understand that
14 there's a real need, and to reach out to
15 those customers that are most vulnerable
16 is an important obligation.

17 But this is about you and so we want
18 to hear from customers today. So I'm
19 hopeful that we'll have more people sign
20 up. I know I saw one person on the
21 roster to speak this morning, and
22 hopefully we'll have more, because the
23 Hearing Officer will be able to give you
24 his undivided attention.

25 If you have an opinion about what

1 you can afford, after hearing from the
2 Public Advocate, or what you think our
3 needs should be and what's appropriate to
4 be asked for in the context of this rate
5 proceeding, we'll hope you come forward.

6 THE HEARING OFFICER: Or problems
7 with service that you've experienced
8 because that's part of the hearings, too,
9 to let us know what problems you have so
10 they can give better service to you in
11 the future.

12 As part of the process in connection
13 with the rate increase, the Home Rule
14 Charter and regulations provide that the
15 Mayor and the President of City Council
16 as well as the City Controller shall
17 appoint a Public Advocate. The
18 responsibility of the Public Advocate is
19 to act on behalf of the individual
20 consumers. The Public Advocate is
21 Mr. Bertocci and he is here to provide
22 some comments to you as well.

23 Mr. Bertocci.

24 MR. BERTOCCI: Thank you, sir.

25 Good morning, everyone.

1 ALL PRESENT: Good morning.

2 MR. BERTOCCI: My name is Philip
3 Bertocci. I'm a lawyer with Community
4 Legal Services. There's another lawyer
5 whose name is Thu Tran, my associate, who
6 also works with me and we have been
7 appointed as the Public Advocate on
8 behalf of the residential customers --
9 not the commercial customers, the
10 residential customers -- of the
11 Philadelphia Water Department, which
12 really includes the Water Department and
13 the Water Revenue Bureau.

14 So when we talk about the Water
15 Department, we kind of hold both Water
16 Revenue and the Water Department equally
17 responsible for the service that's being
18 provided and for the rates that are being
19 demanded.

20 The rate increase that we're here to
21 talk about today is a very large one.
22 Simply stated, the bill of a typical
23 household will be \$180 more a year, the
24 annual bill, by July of 2011. That's
25 less than 36 months from now.

1 So this is not spread out over a
2 very long period of time and this will be
3 a substantial increase for many
4 households who are struggling now to make
5 ends meet and who are experiencing, as
6 I'm sure many of you are, increased bills
7 at the supermarket and everywhere that
8 they turn.

9 We don't believe in this case that
10 the Water Department has really met the
11 legal standards -- and we're lawyers --
12 met the legal standards which are
13 necessary in order to justify a rate
14 increase of this sort.

15 Ultimately the standards are set by
16 the U.S. Constitution, the highest law of
17 the land, which requires that rates be
18 what is called "just and reasonable."
19 That sounds like kind of a very general
20 term, "just and reasonable."

21 What's just and reasonable for you
22 and me might not be just and reasonable
23 for the Water Department or the Water
24 Revenue Bureau. But it does,
25 nonetheless, sort of focus people's

1 attention on what's important, and
2 generally what ends up happening is that
3 just and reasonable is considered to be
4 kind of a balancing, that the people that
5 set rates have to balance the interests
6 of customers against the interests of the
7 utility.

8 Water and sewer service is a basic
9 necessity of life, there is no denying
10 that, and it costs money to provide that
11 to everybody on a very dependable basis.
12 We don't want to have water mains
13 breaking in the streets all the time. We
14 don't want to have breakdowns of billing
15 systems so that people end up not getting
16 a bill for six months and then getting a
17 huge bill. We want to have steady,
18 consistent service and reliable service.

19 Well, that's something we know that
20 we have to pay for. The question is
21 really how much, and that's where the
22 balancing comes in.

23 Now, when we look at this situation,
24 we ask, "Well, is the rate increase that
25 they're asking for reasonable? Do they

1 really need everything that they claim
2 that they need? Do they really need 317,
3 318 million dollars over the next four
4 years?"

5 They say, "Yes, we do," on the basis
6 of projections that they've made.

7 We say, "The problem is with your
8 projections because they're projections
9 on top of projections."

10 They use a methodology which the
11 Public Utility Commission, the
12 Pennsylvania Public Utility Commission,
13 would not use. In fact, PGW tried to use
14 a similar methodology to justify a
15 \$100 million rate increase last year and
16 the PUC came back and said, well, we'll
17 give you 25.

18 But we don't think that the
19 methodology they are using is reliable
20 and that it justifies putting the
21 sacrifices that they're proposing to
22 place on customers in an environment and
23 in a city where many people are having a
24 hard time paying their basic bills.

25 So as an example of that, in the

1 last rate case it was thought that the
2 rate stabilization fund, which is part of
3 what the Water Department accumulates
4 theoretically to make rates stable, it
5 was thought that that fund would be
6 reduced down to about I think it was
7 \$13 million by June of 2008; and, in
8 fact, we find that there's \$150 million,
9 maybe even more, in the rate
10 stabilization fund.

11 So that means that in the last four
12 years customers have paid perhaps
13 \$140 million more than they really would
14 have had to and that shows the degree to
15 which the projections cannot be relied
16 upon.

17 We also get to the other side of
18 this, "just." What does "just" mean?
19 And there often the emphasis has been
20 placed by the people who set rates, by
21 the courts, by commissions, upon the
22 adequacy of service.

23 There's a regulatory principle which
24 says that rates should follow service,
25 not precede service. In the case of the

1 Water Department and the Water Revenue
2 Bureau, we believe that there's
3 substantial room for improvement. We
4 don't believe that customers have really
5 been getting their money's worth.

6 At Community Legal Services we are
7 besieged with people coming in with very
8 simple run-of-the-mill problems, problems
9 that are common in the City of
10 Philadelphia, and just feeling that they
11 were totally stonewalled by the Water
12 Revenue Bureau, that the Water Revenue
13 Bureau just was not able to meet their
14 needs and not able to help them and was
15 not even interested in helping them.

16 Now, I know we have in the room
17 today, I count maybe seven, six people
18 from the Water Revenue Bureau. They are
19 people that are managers. They have been
20 enormously helpful to us at Community
21 Legal Services in trying to help
22 customers who come in and who haven't
23 been successful in getting their problems
24 solved in the basement of the concourse.

25 But our principle really is that you

1 shouldn't need a lawyer, you shouldn't
2 need Community Legal Services, to deal
3 with the basic problems associated with
4 water service; that it doesn't make sense
5 to think that lawyers have to always be
6 involved in this sort of thing.

7 And too often we think people are
8 turned away, discouraged, unable to do
9 what's necessary, and end up suffering --
10 and I use the word "suffering"
11 literally -- suffering days, weeks, even
12 years without water service because of
13 the inability to penetrate some of the
14 barriers that they often encounter when
15 dealing with the Water Revenue Bureau.

16 We're hoping that one of the things
17 in this rate proceeding is that there
18 will be an increased consciousness of
19 what the problems are and identification
20 and some kind of plan will emerge which
21 will help us to deal with and help us to
22 get improvements in the level of service
23 which is provided by the Water Revenue
24 Bureau, and also by the Water Department
25 itself, because there's often a tradeoff.

1 You have things go on in Water
2 Revenue and then Water Revenue sends the
3 word out to the Water Department to
4 either turn someone on or turn someone
5 off, but often what happens is that
6 there's confusion as to, well, the link
7 is not always perfect.

8 We know in football, when you hand
9 off the ball to the running back,
10 sometimes it gets fumbled. We think it
11 gets fumbled a little bit too often and,
12 again, those are issues of organization.
13 Those are things that need to be looked
14 at again.

15 Well, I probably said more than I
16 should say today, and especially to a
17 captive audience as many of you are Water
18 Revenue and Water Department employees.
19 But, nevertheless, we say it probably
20 also to educate the Hearing Officer, who
21 is hearing it for the third time.

22 THE HEARING OFFICER: Well, I've
23 heard it differently each time, as a
24 matter of fact, with a little twist, so
25 it's always of interest. We had

1 cocounsel give it last night, so that was
2 of interest as well. So the Hearing
3 Officer is always here with wide-open
4 ears to get new insight and new twists on
5 the spin.

6 MR. BERTOCCI: Well, thank you very
7 much because we really don't like to give
8 the same speech again and again.

9 I think I have said enough. The
10 only other thing is that there is a blue
11 flier that those of you, our customers,
12 have. If you would pass that along to
13 your neighbors, there's one more public
14 input hearing up in the Northeast a week
15 from Thursday, next Thursday night.

16 Also, the rules permit people to
17 write letters directly to the Hearing
18 Officer involving their problems or their
19 concerns about the rate increase, and I
20 would encourage you to remind your
21 neighbors or anyone else that they can
22 write a letter, they probably should try
23 to write it within the next week or so,
24 and send it to the Hearing Officer and
25 you can be sure that that will be

1 followed up on, but that can become part
2 of the record.

3 MR. FALKOWSKI: Can we have his name
4 and address?

5 THE HEARING OFFICER: I am the
6 Hearing Officer. My name and address is
7 Harris T. Bock, Suite 660, Two Logan
8 Square, Philadelphia, PA 19103. My
9 e-mail would be bock@disputeri.com.

10 MR. FALKOWSKI: Thank you.

11 MR. BERTOCCI: So, once more, thanks
12 for those of you customers that have come
13 and we are eager to hear what you have to
14 say. Thank you very much.

15 THE HEARING OFFICER: Mr. Dasent, do
16 we have a list?

17 MR. DASENT: Yes. We have our first
18 and the only witness that signed up so
19 far is Paul Viso, sitting over here, if
20 he will come up or stand where he is
21 comfortable.

22 THE HEARING OFFICER: Wherever you
23 are comfortable, Mr. Viso.

24 Good morning, sir.

25 MR. VISO: Good morning. I am glad

1 to be here. I am glad to come to a
2 public meeting. My name is Paul Viso.
3 I'm a loyal Water Department customer for
4 many, many years.

5 I heard about this rate increase on
6 KYW News Radio and I wanted to come here
7 to express my views. When I heard about
8 it on the radio, I was very, very
9 disturbed about it, a 30% increase over
10 the next four years. To me that's a
11 little bit too much, a little bit too
12 much, because the rates now are high as
13 far as I'm concerned.

14 I read the booklet here and it seems
15 like our rates are the lowest in the
16 area, but I just want to make a
17 compassionate plea to the officers of the
18 Water Department and the Water Revenue
19 Bureau to keep the rates as low as
20 possible because it's going to hurt us as
21 homeowners. It really is.

22 I don't have to tell anybody in this
23 room about the cost of living or what
24 food costs at the supermarket. Things
25 keep going up. The cost of living keeps

1 going up. Something has to be done about
2 it. It really does. It's going to hurt
3 the middle class, these increases.

4 I have a little nephew,
5 great-nephew, he's 5 years old, and I
6 spend time with him and I just wonder,
7 this little boy, when he grows up and has
8 children, what type of standard of living
9 is he going to have, and future
10 generations of America? What standard of
11 living are they going to have if the cost
12 of living keeps going up to an
13 astronomical level? It's something we
14 all have to be concerned about.

15 So I come here to make a
16 compassionate plea to the officers of the
17 Water Revenue Bureau, I'm against this
18 rate increase. I have spoken to my
19 neighbors on my block. I live on a very
20 nice block here in South Philadelphia.

21 THE HEARING OFFICER: Could you give
22 us your address, please?

23 MR. VISO: It's 2121 South 21st
24 Street. I'm in a church neighborhood.
25 We're all against the water rate

1 increase. To me it's too much, it really
2 is. It's going to hurt a lot of people.

3 So I just want to say maybe the
4 officers can think about this rate
5 increase and recalculate things and keep
6 costs down as much as possible. That's
7 important with any government agency and
8 any business, to keep costs down.

9 Thank you for listening.

10 THE HEARING OFFICER: Thank you.

11 That is the purpose of the technical
12 hearing process that we will have later
13 on in August in connection with these
14 proceedings. The Water Department has
15 the obligation to prove what they need
16 and they are only to get recommended what
17 they actually need -- and that's the
18 issue before us, what they actually
19 need -- to operate the utility. That has
20 to be determined. Thank you.

21 Any other comments?

22 Yes, sir. State your name and
23 address, please.

24 MR. FALKOWSKI: Yes, please. I will
25 give this lady my name and address.

1 THE HEARING OFFICER: Thank you.

2 - - -

3 (Information provided in written
4 form to the court reporter as follows:
5 Bob Falkowski, 3065 Cedar Street,
6 Philadelphia, PA 19134.)

7 - - -

8 MR. FALKOWSKI: My name is Bob
9 Falkowski, I live in Port Richmond, and I
10 want to join that gentleman in expressing
11 my opposition to the rate increase.

12 I've done some computer research and
13 looking back, it seems to me that the
14 Water Department has imposed almost
15 consistently rate increases that are
16 higher than the rate of inflation. I
17 will give you a couple examples.

18 For 2007 the rate increase was 4.2%.
19 The rate of inflation for that year was
20 only 2.85%. For the year 2006 the rate
21 increase was 6.7%. The rate of inflation
22 was 3.24%. For the year 1981 the rate
23 increase was 43.4% but the rate of
24 inflation --

25 THE HEARING OFFICER: Was that 1981

1 you said?

2 MR. FALKOWSKI: Yes. But the rate
3 of inflation was only 10.35%.

4 Now, my income is not as high as
5 your projected increases. I'm on Social
6 Security. For 2007 my increase was 3.3%,
7 not your rate increase of 4.2%. For 2008
8 I only received 2.3%, not the 6.7% that
9 the Water Department hit us with.

10 So I have a budget. You guys have a
11 budget. You increase my rate, I have to
12 play around with my budget, and there's
13 only so far my budget will extend. Okay?

14 So it seems to me that your rate
15 increases have been far too high almost
16 consistently in the past and I think it's
17 time for you guys to take a look at your
18 budget and figure ways to decrease the
19 rate, not increase the rate.

20 THE HEARING OFFICER: Just so you
21 understand, I'm not the you guys. They
22 are the you guys over there. All the you
23 guys are right over there. There they
24 are, the common suspects.

25 MS. McCARTY: He is the neutral

1 party.

2 MR. FALKOWSKI: You are the Hearing
3 Officer and you are going to make a
4 recommendation, which the Water
5 Commissioner will accept or reject.

6 THE HEARING OFFICER: Exactly.

7 MR. FALKOWSKI: So my goal is to
8 convince you that perhaps we need a rate
9 decrease as opposed to a rate increase.

10 MR. BERTOCCI: You call him sir and
11 them you guys.

12 MR. FALKOWSKI: Whatever.

13 There's another reason for my
14 opposition. I mean, the Water Department
15 is asking for a rate increase. They are
16 not alone in this City in asking for
17 increases. I heard on the radio this
18 morning that the Parking Authority wants
19 to increase parking fees so that they are
20 more in conformity with garage rates.
21 They say there's too much congestion so
22 we have to increase the rates.

23 Property taxes may increase. I took
24 care of my property. Its value went up.
25 I'm going to be faced with a rate

1 increase. People who don't take care of
2 their property are going to be rewarded
3 with a decrease. That's not fair.
4 That's wrong.

5 I heard on the radio there may be a
6 fee for picking up trash, and on top of
7 that bridge tolls, apparently they're
8 asking for an increase as well.

9 So all I can say is, I mean, like
10 there's only so far that people can
11 stretch their budget and it may be
12 necessary for the Water Department to
13 adopt a sturdy budget with a decrease in
14 the rates, not an increase, because
15 they've gotten more than the inflation
16 rate in the past and we, the people, are
17 faced with many price increases.

18 Thanks, everybody.

19 THE HEARING OFFICER: Thank you very
20 much. You can be assured your comments
21 will be carefully considered by myself as
22 well as the Water Commissioner, who will
23 read the entire record.

24 MR. CLARE: Can I respond to that,
25 Your Honor?

1 THE HEARING OFFICER: Sure,
2 Mr. Clare, certainly.

3 MR. CLARE: I would like to say that
4 from 1985 forward we have charted our
5 rates against the rate of inflation and
6 it does compare very favorably.

7 The fact is, we are partners with
8 many utilities in the American Water
9 Works and in NAWQA, the wastewater part
10 of the water utilities, and the trend in
11 the water industry is that water rates
12 have increased at roughly double the rate
13 of inflation, and that is primarily due
14 to factors that are beyond our control.

15 You know, we have federal
16 regulators, we have state regulators, we
17 have regional regulators that determine
18 what we can discharge into the waterways
19 around the Commonwealth. All of these
20 regulations lead to increased costs.

21 We also have City Council telling us
22 when we can shut people off, how much of
23 a discount we have to give people. All
24 of those lead to increased costs. So
25 it's a very, very expensive business.

1 We have facilities that would cost
2 today in excess of \$30 billion to replace
3 and we intend to spend about \$1 billion
4 in capital money over the next six years,
5 so it's a very, very expensive
6 proposition to operate a water utility
7 right now.

8 The chemicals are increasing at
9 roughly double the rate of inflation,
10 which is what makes your water safe.
11 Since September 11, because of concerns
12 over terroristic threats, we've had
13 tremendous expenditures to harden our
14 plants and put in surveillance cameras
15 and fencing, all things to make your
16 water safe for you to drink, for you to
17 feel comfortable that you can sleep at
18 night knowing that your water is safe.

19 We have numerous other regulations
20 that go along that way. We are now in
21 the business of doing stream bank
22 restoration. We're doing work on our
23 waterways throughout the local region.
24 We have boats that have to drive around
25 up and down the river picking up trash

1 out of the river that we've never done
2 before.

3 So every time something comes along,
4 we have to do it, we're required to do it
5 by law, and that's not without cost. So
6 it's very difficult, on the one hand, to
7 say, you know, you need to do all these
8 extra things and, on the other hand, to
9 say you should keep your rates low, you
10 know, reduce your rates.

11 So I think we certainly are
12 interested in keeping our rates as low as
13 possible. Many of the parameters that we
14 deal under, though, are foisted upon us
15 by your friendly state and federal
16 representatives, and I think you should
17 also be concerned about those mandates
18 that are pushed upon us as well.

19 Thank you.

20 THE HEARING OFFICER: Thank you.

21 MS. McCARTY: I also might add that
22 we work very hard to optimize costs and
23 be as efficient and cost-effective as
24 possible and, in fact, we are constantly
25 looking at ways to decrease energy usage

1 and optimize the use of chemicals, which
2 are very expensive, and that's a
3 continuous process. But we have made
4 some significant improvements over the
5 years and, in fact, that's why the rates
6 aren't higher. I hesitate to say that,
7 but that is the fact.

8 THE HEARING OFFICER: Yes, sir.

9 MR. BROWN: Excuse me. Is there any
10 information provided that shows how you
11 arrived at 30%, like how we started from
12 zero and why is it not 40 or why is it
13 not 50? Is there any specific like
14 computations or calculations that can be
15 provided to the public to show how you
16 got the 30% versus 35 or 40?

17 THE HEARING OFFICER: Mr. Clare.

18 MR. CLARE: In the material that was
19 given out, there is a website that's on
20 there. On the website -- or if you'd
21 like, I could mail it to you -- is a rate
22 study and our rate filing. That was some
23 six binders in detail, probably about
24 12,000 pages.

25 Mr. Bertocci and his experts are

1 reviewing that in minute detail, I can
2 assure you of that.

3 But that filing is available on our
4 website, and certainly you could come in
5 and look at it in our office. It's
6 available at all the libraries -- well,
7 not all the libraries, all the regional
8 libraries.

9 MR. BROWN: You said it's 1,200
10 pages?

11 MR. CLARE: 12,000 pages.

12 MR. BROWN: Oh, 12,000 pages?

13 MR. CLARE: Right. It's available
14 in the Water Revenue Bureau's offices and
15 our offices. Like I say, we would be
16 happy to provide you a copy, although I
17 think you would be fairly intimidated by
18 it.

19 THE HEARING OFFICER: Mr. Clare, I
20 think it would be helpful if you would
21 give the people here some indication of
22 what the main expenses are that are
23 driving the rate increase and why it came
24 to that.

25 MR. CLARE: Sure. I think Andre

1 discussed many of our cost increases.
2 The largest ones, just for everybody's
3 edification -- since we're in South
4 Philly, it's also a good story -- we are
5 spending a significant amount on flood
6 relief, mainly for this part of the City
7 and some other parts of the City that
8 have experienced basement backups and
9 sewer backup and flooding during severe
10 rain events.

11 Just in capital dollars alone over
12 the next six years we're going to spend
13 \$200 million more on flood relief than we
14 ever have in the past.

15 THE HEARING OFFICER: And to be more
16 specific, again, what it is is a matching
17 of the revenue that they expect to get
18 with the expenses. They make projections
19 with regard to all of these rate filings,
20 a projection over time as to what the
21 revenue is going to be and what their
22 expenses are going to be, and the
23 shortfall makes up what they've
24 requested.

25 MR. BROWN: Okay.

1 THE HEARING OFFICER: Could you
2 state your name for us so we have it for
3 the record?

4 MR. BROWN: James Brown.

5 THE HEARING OFFICER: Thank you,
6 Mr. Brown.

7 MR. DASENT: There is also a table I
8 can provide you with that's called Table
9 11 in the Black & Veatch report which
10 shows exactly what Mr. Bock is talking
11 about, and it's at least one place where
12 you can see, well, here are the revenues,
13 here's the shortfall, and here's how
14 we're trying to make up the difference.

15 THE HEARING OFFICER: Yes, sir.

16 MR. FALKOWSKI: Just one
17 clarification. I spoke about the effects
18 of inflation. Well, I got a list of
19 percentage increases from the Water
20 Department and it's done on a fiscal year
21 basis, I presume. I went to my computer
22 and got a list of annual inflation based
23 on a calendar year. That was the basis
24 for my comparison. And the figures that
25 I cited were based on that.

1 THE HEARING OFFICER: Would you like
2 to submit those into the record?

3 MR. FALKOWSKI: Well, copies, if
4 that would be all right. Can you make
5 copies?

6 THE HEARING OFFICER: We can see if
7 we have a copy machine available and make
8 copies and we will make them part of the
9 record.

10 We are going to take a break for ten
11 minutes or so and then we will see if we
12 have some other people who want to
13 testify.

14 Thank you very much.

15 - - -

16 (Whereupon there was a recess in the
17 hearing.)

18 - - -

19 (Whereupon the documents were
20 marked, for identification purposes, as
21 Exhibits Public Hearing 4 through 6
22 inclusive.)

23 - - -

24 THE HEARING OFFICER: All right. We
25 are going to reconvene at this time.

1 Let me indicate that as a matter of
2 record the exhibits that we spoke about
3 previously are incorporated into the
4 record and they will be made a part of
5 the record for this proceeding.

6 In addition, I will again give
7 everyone my address so you have it. It's
8 Harris T. Bock, Suite 660, Two Logan
9 Square, Philadelphia, PA 19103, and feel
10 free to write to me and your comments
11 will be carefully considered in
12 connection with this matter.

13 I understand, Mr. Dasent, we have
14 other witnesses that have agreed to
15 testify.

16 MR. DASENT: Yes, Your Honor.
17 Michael DeLuca from the Institute of
18 Culinary Arts is here.

19 MR. DeLUCA: Hi. I'm Chef Mike.

20 THE HEARING OFFICER: Good morning,
21 Chef Mike.

22 MR. DeLUCA: How're you doing? I
23 have been working here for ten years. I
24 guess I'm on the other side of the coin
25 than you guys are. I'm not really

1 opposed to this rate hike.

2 I think of all the utility companies
3 that we have in this City, the Water
4 Company is probably the cheapest one that
5 we have when you think about it compared
6 to cable and electric and gas. We're
7 talking about -- what? -- a \$3 hike a
8 year over the next four years? What's
9 that? a penny a day?

10 MR. DASENT: A month.

11 MR. DeLUCA: You know, in my
12 business we're all about budgets, all
13 about budgets. The bottom line is
14 everything for us.

15 So I think, yeah, we do need to
16 rearrange our budgets at home a little
17 bit more because I have to tell you, for
18 me to be able to take a shower, for my
19 little girl and my little boy to drink
20 safe water, for terrorists not to attack
21 the water, if it takes a little more
22 money to make sure we're safe, you know
23 what? I'm okay with that.

24 I fill up my pool. I take showers.
25 I wash clothes. I drink water. I make

1 iced tea. My son's in the hospital right
2 now with cancer. He takes a shower every
3 day in clean, safe water. I could care
4 less about a \$15 hike in the water.

5 I think we do need to budget. Maybe
6 people need to stop smoking and save more
7 money. Maybe people need to take some
8 stations off their TV like HBO or
9 Showtime and save more money. I know
10 it's cutting back on our entertainment,
11 but you know what? Our water is much
12 more important, because I could live
13 without HBO, but I can't live without
14 fresh water.

15 So I think with that said, getting a
16 decrease, you've got a better chance of
17 dating Britany Spears than getting a
18 decrease. It's just not going to happen.
19 And you know what? I'm not picking on
20 you, but the money you spent on the ink
21 and the paper that you printed all that
22 stuff out on, you know what? I've got to
23 tell you, it was probably more than a
24 penny, which would have covered your
25 water bill hike. Do you understand?

1 So I think we do need to prioritize
2 a little bit more. We'll pay \$2 for a
3 bottle of spring water, \$20 a case for
4 spring water. That's half our water bill
5 for the month. You've got to be kidding.

6 Now, I don't want to pay people
7 money, don't get me wrong, I don't want
8 it to keep going up a lot, but \$3 a year
9 over the next four years? I mean, come
10 on, let's think about this already.

11 You're worried about our children's
12 children's children. I'm not. I'll be
13 dead. I'm not going to worry about that
14 far ahead. I'm going to worry about my
15 life and my children's lives, and
16 hopefully by the time I die, they'll be
17 old enough to worry about their children
18 and their children and their children.

19 But I don't want to go that deep and
20 say let's worry about our children's
21 children's children and how they're going
22 to live. Who knows? Maybe they'll be
23 flying around in spaceships by then. I
24 don't know. Maybe they'll be able to
25 drink something else besides water. I

1 don't know. But I don't want to
2 speculate that far ahead.

3 So, I'm sorry, but I'm not against
4 the rate increase. I just wanted to let
5 you guys know that.

6 THE HEARING OFFICER: Thank you for
7 sharing with us.

8 MR. DASENT: Your Honor, we also
9 have Tara Landis here today.

10 MS. LANDIS: I'm right here.

11 MR. DASENT: I'm sorry.

12 THE HEARING OFFICER: Good morning.

13 MS. LANDIS: Good morning. My name
14 is Tara and I'm representing seniors from
15 the Nationalities Senior Center up in
16 North Philadelphia, so I'm here today
17 sort of on behalf of about 120 seniors
18 living up in the north part of the City.

19 The seniors that I represent, also,
20 about 70 to 80 percent of them are
21 non-native English speakers, so I come
22 kind of on their behalf talking about
23 sort of the rate increase as well as
24 general customer service for non-native
25 English speakers as well. And I'm lucky

1 that two of my seniors actually came here
2 today to be able to testify as well.

3 THE HEARING OFFICER: Could you turn
4 around when you talk? -- because people
5 can't hear you and they are very
6 interested in what you have to say, as am
7 I.

8 MS. LANDIS: I'm very lucky that two
9 of my seniors came to testify today as
10 well, I think, about an important issue
11 that we have seen over and over again at
12 the Senior Center.

13 THE HEARING OFFICER: Where is the
14 Senior Center located?

15 MS. LANDIS: We're up in Logan, so
16 up in the neighborhood next to Olney,
17 just off of Broad Street.

18 MS. McCARTY: Do you have the
19 address?

20 MS. LANDIS: 4837 North Marvine
21 Street, and the ZIP is 19141.

22 MS. McCARTY: Thank you.

23 MS. LANDIS: Our seniors up there
24 are very concerned. 95% of them are very
25 low income so most of them are living on

1 a household of 7 to 8 hundred dollars a
2 month, often living with children and
3 people, and many of them qualify for
4 things like food stamps for cash
5 assistance.

6 So while a \$3 a month increase over
7 time is not a lot for everybody, for
8 people who are already struggling to pay
9 for food, to make sure that their
10 children are taken care of, and any other
11 emergencies, \$3 over the course of a year
12 really, really adds up. And a lot of
13 them have come to me in past months
14 struggling to pay their current water
15 bills.

16 One of the issues that we've had is
17 that a lot of them are on the low-income
18 program and we have had a really
19 difficult time with customer service sort
20 of understanding how the program works
21 and so we have people who will --

22 THE HEARING OFFICER: Customer
23 service where?

24 MS. LANDIS: I'm sorry; at the Water
25 Department. When we call customer

1 service, as people get on the low-income
2 program -- and we know that as rates
3 increase, probably more people will be
4 able to qualify for that program -- but
5 we feel that as you do that, you need to
6 have your customer service people explain
7 to people more how the program works and
8 also the repercussions if you miss a
9 payment.

10 I brought along a couple today who
11 now have an over \$1,200 water bill
12 because one month they didn't have enough
13 money and they missed a payment and so
14 now they have a bill that they absolutely
15 cannot pay.

16 The stress that this has caused for
17 them and also the stress that any extra
18 increase in city utilities causes for our
19 seniors, some of the most vulnerable
20 people in Philadelphia, it's just very,
21 very difficult.

22 So I want to put that out there to
23 you today. I know obviously that every
24 city service is strained, and we
25 recognize that. But, also, Philadelphia

1 is aging and we're diversifying and we
2 need more services that are able to meet
3 the needs of people for whom English is
4 not a first language and to make sure
5 that your customer service department is
6 able to handle those issues, and also to
7 just really think about what \$3 a month
8 means to people who are living on the
9 edge already and sort of the implication
10 for their lives.

11 So I'm just here representing all of
12 those seniors and I would appreciate if
13 you can really take into consideration
14 the impact that something that feels
15 small has on their lives.

16 THE HEARING OFFICER: And that's why
17 hearings like this are important, for you
18 to get that information to us. Thank you
19 for bringing it to us.

20 MS. LANDIS: Thank you very much. I
21 appreciate it.

22 MR. DASENT: I hope while we're here
23 today, since Water Revenue Bureau
24 representatives are here and we have
25 someone who is able to break through the

1 language barrier, that we will be able to
2 have that conversation with the next
3 witnesses, Mr. and Mrs. Tong.

4 But first let me call, if you would,
5 Sau Mui Tong.

6 Mrs. Tong, if you can speak through
7 your interpreter, this would be a good
8 time.

9 THE HEARING OFFICER: Good morning.

10 MS. TONG: Good morning.

11 MR. DASENT: If I can pose a
12 question, if that will facilitate things,
13 could you tell us your position
14 concerning the proposed water rate
15 increase, which we've described today as
16 a \$3.84 increase monthly over a period of
17 four years? That percentage increase is
18 like roughly 7% in each of the next four
19 years.

20 THE HEARING OFFICER: That's a long
21 question, Mr. Dasent. Maybe you could
22 break it down a little bit.

23 MR. DASENT: What's your position
24 concerning the rate increase proposed by
25 the Water Department?

1 THE HEARING OFFICER: Face out to
2 the people, too.

3 MR. DASENT: Perhaps you can jump in
4 and tell us.

5 THE INTERPRETER: Like she live with
6 her husband, the kids not live with them
7 together, so they got little bit
8 struggling with the money, you know, to
9 pay for the water bills on time. That's
10 why they miss sometimes payment. And
11 right now they got big bill and, you
12 know, they got trouble in their life
13 right now.

14 MR. DASENT: Have you had trouble
15 getting your problem heard by the Water
16 Department?

17 THE INTERPRETER: Like because they
18 don't speak English, a lot of times they
19 have trouble like with the bills because
20 they don't know who to ask for help and
21 they don't know English, so they just
22 throw the paper away.

23 MS. LANDIS: Often they bring the
24 bills into the Senior Center, after sort
25 of they got a bill and they didn't know

1 what to do with it, they brought it to
2 us.

3 And I tried to call for over two
4 weeks to get through and the line was
5 busy almost every time I tried; and one
6 time I got through and your computer was
7 down, which I know computers go down
8 sometimes, but then when I tried to call
9 back again, I couldn't get through.

10 I finally got through after two
11 weeks and at that point was told they had
12 already missed the payment and they had
13 to pay the \$1,200 and basically that if
14 they don't pay it, their children will be
15 responsible for paying it after they pass
16 away. That was what we were told by the
17 staff.

18 That was very stressful to them, to
19 think of passing on something like this
20 to their children, who also are
21 struggling to try and make ends meet.

22 MR. DASENT: If people from the
23 Water Revenue Bureau who are here today
24 will talk with you about your problem and
25 try to resolve your problem, will you try

1 to talk with them today?

2 THE INTERPRETER: Thank you very
3 much.

4 MS. TONG: Thank you.

5 THE INTERPRETER: Yes, she would
6 like to do that.

7 MR. DASENT: Now, also with you
8 today is Pak Kan Tong, your husband.

9 Do you have something to say also?

10 THE INTERPRETER: No.

11 MR. DASENT: Nothing more? Okay.

12 MR. BERTOCCI: Excuse me. Could we
13 have their address? Do we have their
14 address on the record?

15 MR. DASENT: No, not on the record,
16 but I have a driver's license and I will
17 get it in a second. We will get that.
18 It's a little struggle. We will get it.

19 MR. BERTOCCI: Okay.

20 MS. LANDIS: Thank you.

21 THE HEARING OFFICER: Thank you.

22 MR. DASENT: That's the end of our
23 witness list for today.

24 Oh, there's another lady. Would you
25 like to testify today? I know you just

1 arrived.

2 MS. FOSTER: Yes. I don't see why
3 they have to raise it so high. I can't
4 see that. Too many chiefs, no Indians.
5 Get rid of these CEOs.

6 THE HEARING OFFICER: Could you
7 state your name and address?

8 MS. FOSTER: My name is Grace
9 Foster, 1821 South 10th Street.

10 THE HEARING OFFICER: Good morning,
11 Ms. Foster.

12 MS. FOSTER: Good morning.

13 THE HEARING OFFICER: Welcome.

14 MS. FOSTER: Thank you.

15 THE HEARING OFFICER: Thank you for
16 coming here today.

17 MS. FOSTER: Because I'm a senior
18 citizen and it's not only for me but for
19 everybody else. They have it very hard.
20 I don't think it's right. If they've got
21 to raise it, raise it less; right?

22 THE HEARING OFFICER: We'll take
23 those comments into consideration.

24 MS. FOSTER: I'm not kidding. You
25 better.

1 THE HEARING OFFICER: Thank you very
2 much.

3 MS. FOSTER: Okay. Maybe I didn't
4 say it right.

5 THE HEARING OFFICER: You said it
6 fine. You got your point across.
7 Absolutely. The Hearing Officer
8 understands your comments.

9 Okay. We appreciate everyone coming
10 today. As we said, we have one more
11 public hearing that's next Thursday. But
12 to the extent other people can't come to
13 the public hearings, they are free to
14 write letters and pass on the information
15 in that way.

16 MS. FOSTER: Where's the public
17 hearing at?

18 MR. DASENT: Up in the Northeast.

19 MS. McCARTY: Holy Family College.

20 MS. FOSTER: Oh, I can't go there.

21 MR. DASENT: For the record, the
22 address for Mr. and Mrs. Tong is 5748
23 North Front Street. 19120 is the ZIP.

24 MR. BERTOCCI: Thank you.

25 THE HEARING OFFICER: Okay. Having

1 said that, again, we thank everyone for
2 coming. I hope everyone has an enjoyable
3 weekend and the rest of the summer is a
4 pleasant one for everyone here.

5 Thank you. The hearing is
6 adjourned.

7 - - -

8 (Whereupon the hearing adjourned at
9 11:15 a.m.)

10 - - -

11 (The following sidebar discussion
12 took place after the hearing adjourned
13 and was reported as follows:

14 THE HEARING OFFICER: As a result of
15 the public hearings that have transpired
16 to date, it is apparent that there is a
17 significant amount of problems -- or
18 complaints, significant amount of
19 complaints, that may or may not be
20 problems with regard to the Water Revenue
21 Bureau.

22 Pursuant to Chapter 3 of the
23 regulations and more specifically
24 300.2(m), wherein it states: "For all
25 purposes related to the Rate Change

1 Proceeding, the Water Department shall be
2 considered to include the Water Revenue
3 Bureau..." if the Water Department is
4 asking for revenue to fund the Water
5 Revenue Bureau, then Water Revenue is
6 going to have to affirmatively prove that
7 they're providing service that is
8 commensurate with the amount of money
9 they're asking for.

10 So it would appear to me that as an
11 affirmative case, in addition to whatever
12 has been in the rate filing or whatever
13 testimony is intended to be presented,
14 that the Water Revenue Bureau present
15 testimony with regard to its efficiency
16 and quality and competency of the
17 services that they render.

18 I would ask that I be provided
19 specifically with information regarding
20 the number of employees in the Water
21 Revenue Bureau and the cost of those
22 employees to the Water Department.

23 Thank you.

24 MR. DASENT: We will do that.

25

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E X H I B I T S
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NUMBER	DESCRIPTION	MARKED
Public Hearing 4	Document entitled "Philadelphia Water Department Monthly Water and Sewer Rate Charges June 1, 1979 to July 1, 2007"	36
Public Hearing 5	Document entitled "Inflation Historical"	36
Public Hearing 6	Email, 7/22/08, to bobnorth1999@netzero.net from Laura.Copeland@ phila.gov	36

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