

1
2 COUNCIL OF THE CITY OF PHILADELPHIA
3 PUBLIC HEARING - COMMITTEE ON TRANSPORTATION
4 AND PUBLIC UTILITIES

5 - - -

6 Room 400, City Hall

7 Philadelphia, Pennsylvania

8 Wednesday, June 9, 2004, 4:30 p.m.

9 - - -

10 RESOLUTION 040298 - Resolution authorizing City
11 Council's Committee on Transportation and Public
12 Utilities to hold public hearings to investigate
13 the proposed nearly 43 percent water and sewer
14 cost rate increase to be effective July 1, 2004,
15 requested by the Philadelphia Water Department,
16 and in furtherance of such investigation
17 authorizing issuance of subpoenas to compel the
18 attendance of witnesses and the production of
19 documents, to the full extent authorized under
20 Section 2-401 of the Home Rule Charter.

21 PRESENT:

22 COUNCILMAN DAVID COHEN
23 COUNCILWOMAN BLONDELL REYNOLDS BROWN
24 COUNCILMAN BRIAN J. O'NEILL
25 COUNCILMAN FRANK RIZZO
COUNCILMAN RICHARD T. MARIANO
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN FRANK DI CICCIO

1 Transportation - 040298 - 6/9/04

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3 P R O C E E D I N G S

4 - - -

5 COUNCILMAN COHEN: The Committee on
6 Transportation and Public Utilities,
7 scheduled for 2:00 p.m. is now in session.

8 The Clerk of the Committee will read
9 the Resolution. There's already been one
10 hearing on this matter.

11 Will Julia Chapman, the Clerk of the
12 Committee, please read the Resolution and
13 refresh everybody's memory.

14 THE CLERK: Resolution Number
15 040298, a Resolution --

16 COUNCILMAN RIZZO: Quiet, please.

17 THE CLERK: -- authorizing City
18 Council's Committee on Transportation --

19 COUNCILMAN RIZZO: Quiet, please.

20 COUNCILMAN COHEN: Can we have order
21 in the room, please.

22 COUNCILMAN RIZZO: Quiet, please.

23 COUNCILMAN COHEN: The Clerk will
24 continue with the reading of the
25 Resolution.

1 Transportation - 040298 - 6/9/04

2 COUNCILMAN RIZZO: We need quiet,
3 please.

4 COUNCILMAN COHEN: Okay. The Clerk
5 will continue to read the Resolution.

6 THE CLERK: Resolution 040298, a
7 resolution authorizing City Council's
8 Committee on Transportation and Public
9 Utilities to hold public hearings to
10 investigate the proposed nearly 43 percent
11 water and sewer cost rate increase, to be
12 effective July 1, 2004, requested by the
13 Water Department, and in furtherance of
14 such investigation, authorizing issuance of
15 subpoenas to compel the attendance of
16 witnesses and the production of documents,
17 to the full extent authorized under Section
18 2-401 of the Home Rule Charter.

19 COUNCILMAN COHEN: Is there any
20 other material the Clerk of the Committee
21 wishes to present to the Committee to
22 begin?

23 THE CLERK: There were additional
24 written responses that were provided today
25 from the Water Department that supplemented

1 Transportation - 040298 - 6/9/04
2 responses that had already been distributed
3 to the Committee members. I will
4 distribute copies to all the Committee
5 members for their information. Thank you.

6 COUNCILMAN COHEN: All right.

7 The sponsor of the bill, Councilman
8 Rizzo, is there any statement you want to
9 make at the beginning of the second
10 hearing? Do you want to make any statement
11 at this point before we call the regular
12 witnesses?

13 COUNCILMAN RIZZO: I appreciate
14 everybody's patience today.

15 As you know, this legislative
16 session has been very, very long today; and
17 we're going to try to keep this right to
18 the point, short, and get everybody's
19 testimony in that needs to be.

20 And again, I thank everyone for
21 their patience on this very, very important
22 issue.

23 Councilman O'Neill had to leave the
24 chamber and hopefully will be back
25 momentarily.

1 Transportation - 040298 - 6/9/04

2 Thank you, Mr. Chairman.

3 COUNCILMAN COHEN: Okay. Thank
4 you.

5 The first witness is Phil Bartocci
6 of the Community Legal Services.

7 Mr. Bartocci, please come forward.

8 While we appreciate everybody
9 expediting the testimony, we want to make
10 sure that everybody has a full opportunity
11 to discuss whatever they want to say.

12 So please be brief. Don't over
13 repeat your statements, but move ahead.

14 Thank you, Mr. Bartocci.

15 MR. BARTOCCI: Thank you, Councilman
16 Cohen, and members of the Committee.

17 COUNCILMAN COHEN: The Committee is
18 pleased to see you.

19 MR. BARTOCCI: I'm going to be very
20 brief because I've given you a letter
21 today, on June 9th, summarizing the things
22 that I had to say.

23 COUNCILMAN COHEN: Well, could you
24 read that, if it's important enough. My
25 experience is that people listening retain

1 Transportation - 040298 - 6/9/04

2 much more than if they read a letter.

3 COUNCILMAN RIZZO: Mr. Chairman,
4 excuse me. That letter was held and not
5 read into the record because we knew that
6 we would be recessing and having you here
7 today.

8 So, we have not heard that letter,
9 so we'd appreciate you reading that letter
10 that you provided because you couldn't
11 attend last time.

12 MR. BARTOCCI: Well, Councilman
13 Rizzo, I'm glad to do that, but I think
14 I'll present the letter. And I can
15 summarize the letter.

16 COUNCILMAN RIZZO: Fine.

17 MR. BARTOCCI: It's easier to
18 understand, and it's more interesting if
19 you talk, rather than if you read a letter.

20 COUNCILMAN RIZZO: As long as you
21 understood that it was not read at the last
22 hearing.

23 MR. BARTOCCI: Yes. I wanted to
24 make sure that the letter was a part of the
25 record.

1 Transportation - 040298 - 6/9/04

2 I'm the supervising attorney of the
3 Energy Unit of the Community Legal
4 Services. My name's Phillip Bartocci.
5 Historically --

6 COUNCILMAN COHEN: Please slow down
7 a little bit.

8 MR. BARTOCCI: Historically
9 Community Legal Services --

10 COUNCILMAN COHEN: We're not in a
11 race.

12 MR. BARTOCCI: -- has served as a
13 public advocate when water rate issues are
14 at stake.

15 And in this case the Water
16 Department has filed for what is a huge
17 water rate increase, just to give you an
18 idea of the size of that water rate
19 increase, compared to the last one.

20 The last one was effective in July
21 of 2001 and produced \$120 million in
22 increased revenue for the Water Department
23 over three years.

24 This one would become effective, if
25 there had been a process, July 1, 2004, and

1 Transportation - 040298 - 6/9/04
2 would be for \$312 million over four years.

3 However, before anyone gets too
4 disturbed, it's important to understand
5 that no water or sewer rate increase can
6 become effective until there is a process
7 in which it is reviewed by a hearing
8 examiner, and in which there are public
9 input hearings in which a public advocate
10 is pointed, evidentiary hearings also, and
11 a full review by -- a full public review of
12 the issues raised by the Water Department's
13 filing.

14 At this point no public advocate has
15 been appointed. No hearing examiner has
16 been appointed. We do not know when such
17 appointments will be made.

18 But until a process has been
19 commenced, and a process that usually takes
20 four to six months, there can be no
21 increase in water rates.

22 It's probably no secret to you that
23 as a public advocate, there has never been
24 a water rate increase that I liked. And
25 any delay in water rate increases is a

1 Transportation - 040298 - 6/9/04

2 savings to customers.

3 So that I am not here to say that we
4 really ought to get this under way. I am
5 here to say that my general prejudice would
6 be that most utilities can do without a
7 rate increase, at least for some period of
8 time, and especially the Water Department
9 which is beginning with a rather large rate
10 stabilization fund. I think that they have
11 plenty of breathing room. So we're not
12 here to push things forward.

13 At the same time, I just want I want
14 to say that we have not had the opportunity
15 to really review their filing which is
16 their filing that they made is a whole
17 carton of documents.

18 We generally, if appointed as a
19 public advocate, we hire a consultant to
20 help us analyze that material, and
21 understand the issues that are involved.

22 We do know that one portion of this
23 water rate increase, about \$80 million of
24 the \$312 million has to do with a program
25 has to do with a program that has been

1 Transportation - 040298 - 6/9/04
2 proposed by the Water Department, but which
3 has not been enacted as an ordinance which
4 would take over responsibility by the Water
5 Department for the repair of sewer service
6 and laterals from the middle of the street
7 and to the curb.

8 And that's a very interest proposal.
9 I think Mr. Haver will have more to say
10 about it. But that is part of the reason
11 that we see as large an increase as the
12 Water Department is proposing.

13 At this point we think, just
14 preliminarily, that four years is a long
15 time to set up a schedule of rate
16 increases. The size of the rate increases
17 is very, very large, and should be a
18 concern to everybody in this room,
19 especially under the circumstances where
20 we've seen large rate increases by the
21 Philadelphia Gas Works all the time.

22 So, at this point I think this is
23 sort of a status report. We know it's been
24 filed. We know that Community Legal
25 Services, on behalf of ourselves and on

1 Transportation - 040298 - 6/9/04
2 behalf of an individual client, has filed a
3 report or an objection with the Department
4 of Records, so that no increase can take
5 effect until there are hearings.

6 But the process has to be initiated.
7 So those are the main things that I have to
8 say at this time. And there will be more
9 information as we --

10 COUNCILMAN COHEN: Is there an
11 advantage to our being informed in advance?
12 Maybe we can stop it before it gets
13 started.

14 MR. BARTOCCI: Well, I would welcome
15 intervention by City Council to prevent any
16 rate increase from occurring this year.

17 The Water Department has itself
18 filed for this increase. And there is a
19 process that -- which, barring action by
20 City Council to prevent the increase from
21 being -- being considered at this time,
22 that process is likely to go forward. But
23 it really depends upon the initiation of
24 the process. And it's the City
25 administration that has to begin that

1 Transportation - 040298 - 6/9/04

2 process, if they want to.

3 COUNCILMAN COHEN: With whom did the
4 Water Department file their requests?

5 MR. BARTOCCI: They filed it first
6 with City Council, and then 30 days later
7 with the Department of Records. And that's
8 according to the regulations.

9 The request was filed with the
10 Department of Records at the end of
11 February 2004. So, there's been a period
12 of time in which there has been no move to
13 appoint either a public advocate or a
14 hearing examiner or to begin to even
15 process this request.

16 COUNCILMAN COHEN: This would be
17 the -- This seems to be a mystery that
18 would be good to continue, rather than to
19 find out what's happening. We hope we're
20 not reawakening something that's already
21 dead.

22 MR. BARTOCCI: That's our hope.

23 COUNCILMAN COHEN: All right. What
24 is your initial reaction? I'm sure
25 Community Legal Service has a position on

1 Transportation - 040298 - 6/9/04

2 this.

3 MR. BARTOCCI: Well, the initial
4 reaction would be... is what you would
5 expect. It's not based on an analysis of
6 what has been filed.

7 But our experience is that all
8 utilities ask for rate increases before
9 they really need them, and that it's
10 usually good to deny a rate increase and
11 push the utility to tighten its belt and to
12 find more efficient ways to do what it has
13 to do.

14 COUNCILMAN COHEN: Well, we'd like
15 to see that done. When Councilman O'Neill
16 introduced his bill dealing with laterals,
17 it had the support of, I think, nearly
18 everybody in City Council because we didn't
19 understand why a homeowner ought to be
20 responsible for a condition he doesn't
21 cause. And the lateral goes from the
22 center of the street to the house. Am I
23 right on that or wrong?

24 MR. BARTOCCI: Yes. And we're
25 generally supportive. We're generally

1 Transportation - 040298 - 6/9/04
2 supportive of idea of the Water Department
3 taking over the responsibility for the
4 maintenance of laterals and for the
5 services.

6 However, the price tag that is
7 attached to it and the means of financing
8 it is something that really has never been
9 publicly vented at all.

10 And we're not ready to say that that
11 should cost \$80 million over the next four
12 years to customers in rates. There may be
13 different ways of handling that.

14 But that's something that -- You
15 know, frankly, I mean, I can't sit here and
16 say I have the expert knowledge that's
17 necessary to figure out a way to take over
18 that responsibility for less money.

19 For that I need some expert help.
20 And I think that that's something that will
21 be coming at some point. But I think also
22 that that's something that probably
23 requires a City ordinance, in order to have
24 that as part of the rate base.

25 And right now there's no ordinance I

1 Transportation - 040298 - 6/9/04
2 know of sitting before City Council on that
3 particular aspect of this rate increase.

4 COUNCILMAN COHEN: Councilman Rizzo,
5 did you have any questions of Mr. Bartocci?

6 (No response.)

7 COUNCILMAN COHEN: None at this
8 point? All right, then. Is there anything
9 else you wish to add to your testimony?

10 MR. BARTOCCI: Nothing at this time.
11 Thank you.

12 COUNCILMAN COHEN: All right. Thank
13 you very much, Mr. Bartocci.

14 The next witness will be the
15 consumer advocate Lance Haver. Is Mr.
16 Haver in? Lance Haver is the consumer
17 advocate that's in a relatively new
18 position appointed by Mayor. How long ago,
19 Mr. Haver?

20 MR. HAVER: The appointment was in
21 September, and I started in October of last
22 year.

23 COUNCILMAN COHEN: All right.

24 Well, we welcome you in your
25 capacity. Philadelphia has long needed a

1 Transportation - 040298 - 6/9/04
2 consumer advocate. And I couldn't think of
3 a better choice the Mayor could possibly
4 have made other than you. So we're very
5 pleased to have you here today?

6 MR. HAVER: Thank you, Councilman.

7 COUNCILMAN COHEN: Mr. Haver, do
8 you have a statement you wish to give?

9 MR. HAVER: Yes. If I may.

10 COUNCILMAN COHEN: Do you wish to
11 read it or summarize it?

12 MR. HAVER: Let me try and read it,
13 and if I run too long, please let me know.

14 COUNCILMAN COHEN: Okay.

15 MR. HAVER: Good afternoon, Mr.
16 Chairman, Councilman Cohen and members of
17 the Committee. My name is Lance Haver.

18 COUNCILMAN COHEN: Incidentally, if
19 I may interrupt you, Councilman Nutter, who
20 is the Chairman, is expected back here
21 around four-thirty or a quarter of five.
22 And if so, at that point I will yield the
23 Chair to him, obviously. We're hoping he
24 gets here in time. Thank you.

25 Mr. Haver, proceed again.

1 Transportation - 040298 - 6/9/04

2 MR. HAVER: Let me start off by
3 saying the obvious. No one wants a water
4 rate increase. Consumers in Philadelphia
5 have already been hit with higher PGW bills
6 and the skyrocketing price of gas at the
7 pump.

8 Milk prices have gone up by 41
9 percent. Philadelphians, like the rest of
10 the nation, have seen our net worth and
11 buying power eroded. And now the Water
12 Department wants to raise rates not for one
13 year, but for four years in a row.

14 Unfortunately, simply being against
15 a rate increase is not enough. We must
16 honestly look at what is driving the rate
17 increase and offer alternatives.

18 Because the hearings on the proposed
19 rate increase have not yet been scheduled,
20 all I will be able to do this afternoon is
21 help explain some of the problems that the
22 Water Department faces, raise some
23 questions, and make some suggestions that
24 have yet to be vetted.

25 The challenge for all of us:

1 Transportation - 040298 - 6/9/04
2 Council, consumers, the Water Department
3 and the Water Revenue Department, is to
4 find ways to be more efficient, develop
5 innovative solutions to providing necessary
6 services, and collect what is owed.

7 To understand part of what is
8 creating the problem for the Water
9 Department, we have to remember that the
10 infrastructure was built for a city with a
11 population of 2.2 million people and a
12 large industrial base.

13 As the City shrinks and the
14 industrial base leaves, for whatever
15 reasons, the cost of the infrastructure
16 falls on fewer and fewer shoulders.

17 Based on the changes in population
18 alone, the cost of maintaining the system
19 would have to increase by 27 percent on
20 each rate payer.

21 When you calculate how many
22 manufacturing plants have left the City,
23 that number, based on rough estimates,
24 jumps to 37 percent.

25 The average rate payer has to pay

1 Transportation - 040298 - 6/9/04
2 approximately 37 percent more of the fixed
3 costs to cover the costs of those that have
4 left and factories that have shut down.

5 Those left to pay the higher burden
6 are less able to pay than ever before. Not
7 every senior or low income family that
8 cannot keep up with the rising costs is a
9 deadbeat.

10 Not everyone who can't meet their
11 financial obligation has a new car, cable
12 T.V. and a cell phone, as some people would
13 like to believe.

14 One out of four Philadelphians, 25
15 percent, live at or below the poverty
16 level. I doubt that any of us in this room
17 could make ends meet and support a family
18 of four if our income was below \$18,400 a
19 year, the Federal poverty level. I know
20 that I could not.

21 On top of that, the City, like the
22 rest of the nation, has lost jobs. There
23 has been a net reduction in the City of
24 19,500 jobs in the last two years..

25 Realistically how can anyone expect

1 Transportation - 040298 - 6/9/04
2 people living in poverty without jobs to
3 pay utility bills.

4 On top of the loss of population and
5 familys' inability to pay, the Water
6 Department also faces problems from the
7 Federal and state government.

8 The Federal Government continues to
9 change the nation's water regulations. The
10 Water Department, quite rightly, operates a
11 pilot plant research center to test
12 possible solutions and keep the costs of
13 the necessary improvements as low as
14 possible.

15 I believe it may be possible to make
16 greater use of this asset. I believe we
17 should examine the possibility of teaming
18 with one of the local universities to use
19 this research center as a revenue source,
20 seeking grants, developing patentable
21 technologies, and selling our solutions to
22 other water and sewer systems that do not
23 have a similar research center.

24 If PGW can develop a patentable
25 collection technique, the Water Department

1 Transportation - 040298 - 6/9/04
2 should be able to patent and sell the
3 technologies they develop.

4 In the post 9/11 environment, the
5 Water Department has had increased costs
6 for security. I believe before the Water
7 Department attempts to increase rates to
8 cover these costs, it should make every
9 attempt to get a fair share of the money
10 allocated to Pennsylvania to cover
11 security.

12 On a state level, Pennsylvania has
13 ended its 50 year-old Clean Streams Grant
14 Program. As a result, the Water Department
15 will lose \$8 million a year.

16 Before that amount is included in a
17 rate increase, I believe the Water
18 Department should investigate if there are
19 any similar grant programs that would cover
20 the costs that weren't covered by the
21 Cleans Streams Program.

22 The other major component of water
23 rates that is out of the hands of the Water
24 Department is the success or failure of the
25 Water Revenue Bureau.

1 Transportation - 040298 - 6/9/04

2 As this Council is aware, the City
3 of Philadelphia has a difficult time
4 collecting what it is owed. Part of the
5 problem is the level of poverty, but that
6 is only a part.

7 I believe Council is correct to
8 investigate the successes and failures of
9 our attempts to collect what is owed to the
10 City.

11 As I have said in earlier testimony
12 before Council, I believe we should combine
13 the meter reading, billing and collections
14 of the Water Revenue Bureau and PGW to both
15 cut costs and improve efficiencies. We
16 must find ways to collect from people who
17 can pay and to help people who cannot.

18 As Council weighs the options and
19 considers appropriate steps, I want to ask
20 that Council consider not only how much is
21 collected but also how much it costs to
22 collect.

23 I fear that the focus on what
24 percentage is collected is misleading. If
25 it costs 50 cents to collect one dollar of

1 Transportation - 040298 - 6/9/04
2 what is owed, it appears that a hundred
3 percent has been collected, but the Water
4 Department only receives 50 percent of what
5 was owed on that debt.

6 As you focus on this important
7 issue, please consider not only how much is
8 collected but how much of what is collected
9 is received by the Water Department.

10 While it is true that there are some
11 things that are out of the Water
12 Department's control, there are many things
13 they do control.

14 It appears that the Water Department
15 continues to hold over \$100 million in
16 reserves, in what they call the Rate
17 Stabilization Fund.

18 It seems strange to me that a
19 municipally-owned utility would seek a rate
20 increase with over a hundred million
21 dollars in reserve.

22 There may very well be a reason why
23 they are doing so. However, I would like
24 to ask, how many other municipal utilities
25 have a Rate Stabilization Fund?

1 Transportation - 040298 - 6/9/04

2 Why can't the money in the fund be
3 used to make the increase unnecessary while
4 we find ways to improve our collection
5 efforts?

6 There may be steps the Water
7 Department can take to lower the cost of
8 its materials. Would it be possible for
9 the Water Department, PGW, and other
10 municipally-owned utilities to form a
11 buying co-op to keep the price of supplies
12 down?

13 Is it possible to issue RFP's for
14 the lowest cost ways of making routine
15 repairs, and bringing in the best and
16 brightest engineers and the most advanced
17 technologies so that we may save money?

18 What would be the downside of trying
19 to be more aggressive in keeping our costs
20 down? Perhaps the Water Department fears
21 that if a pilot program fails, Council will
22 disparage their attempts.

23 That is why I am suggesting that
24 Council consider resolutions urging the
25 Water Department to do what it can to keep

1 Transportation - 040298 - 6/9/04

2 costs down.

3 On the issue of what the Water
4 Department should be charging for wholesale
5 water and sewers, I believe there are
6 several things to consider.

7 First I believe we must ask the
8 Water Department consultants if they also
9 offer services to some of the entities that
10 the Water Department is selling to.

11 If so, I think we must ask the Water
12 Department to reconsider its decision to
13 use such consultants.

14 Second, if we are going to sell on a
15 cost plus basis, we must include all costs,
16 not just the theoretical costs.

17 I believe the way the costs are
18 currently calculated ignores the very real
19 costs of the collection and leakage that is
20 built into the rate base for industrial and
21 consumers in the City.

22 Why should wholesale consumers
23 outside of the City not have to pay these
24 costs as well?

25 By allowing consultants, who may

1 Transportation - 040298 - 6/9/04
2 have a conflict of interest, to decide that
3 when calculating costs we don't calculate
4 all the costs, we may be putting a greater
5 burden on Philadelphia rate payers.

6 We must also begin to see our water
7 system as an economic development tool.
8 Because our water prices are less expensive
9 than in other parts of the region and other
10 parts of the nation, we should use this
11 advantage as a tool for bringing industry
12 back into the City.

13 If the Water Department is not
14 regularly included in discussions with PIDC
15 has with potential businesses, I believe it
16 should be.

17 Another driving force behind the
18 proposed rate increase is the increased
19 borrowing projected in the five-year plan.

20 I am not sure it makes any sense to
21 borrow at a projected 5.5 percent interest
22 rate when there is a hundred million dollar
23 surplus.

24 Perhaps it would make more sense for
25 the Water Department to borrow from itself

1 Transportation - 040298 - 6/9/04
2 at a lower interest rate and avoid the
3 additional rate burden of the coverage
4 ratio.

5 If we can find ways to lower the
6 need to borrow and/or lower the interest
7 rates, we will lower the need for the rate
8 increase. I hope that when the hearings on
9 this rate case are held, alternatives such
10 as this will be considered.

11 There is one part of the rate
12 increase that I do support, and that is as
13 Mr. Bartocci was talking about, what's
14 necessary for the Water Department to take
15 over the repairs to the laterals and the
16 inlet pipes.

17 The system as it is now is blatantly
18 unfair. We blame homeowners who have the
19 misfortune of living in parts of the City
20 where the streets have been eroded.

21 It doesn't make any economic sense
22 to redo a street that would then cause
23 further erosion, and then go back and have
24 the homeowner have to dig up street that
25 was newly paved and redo the work.

1 Transportation - 040298 - 6/9/04

2 So that part I do recommend that be
3 added to the rates. However, whether we do
4 it out of the Capital Budget or we do it
5 out of the Operating Budget is really an
6 empirical question that we should get the
7 answer to during the rate hearings, and
8 that we should simply run it through a
9 spreadsheet to find out which way saves
10 consumers the most money.

11 With that I'd be happy to answer any
12 questions. I don't want to read the rest
13 of the testimony because you've been kind
14 enough, and I know it's been a long day.

15 COUNCILMAN COHEN: We would expect
16 that -- It's an interesting statement, but
17 we would expect... Can you hear? My light
18 is red, not green.

19 I would expect that the Water
20 Commissioner does not himself have the
21 authority to raise rates or to announce
22 that there will be no increase, whatever it
23 is or even to cut rates. The decision has
24 to be made by the Mayor. Isn't that
25 accurate?

1 Transportation - 040298 - 6/9/04

2 MR. HAVER: The actual --

3 COUNCILMAN COHEN: We talk about the
4 Water Commissioner; but, in fact, it's the
5 Mayor, isn't it, that's going to make to
6 decision?

7 MR. HAVER: Well, I believe that is
8 true. I mean, ultimately, the Home Rule
9 Charter gives the Water Commissioner the
10 power to make the decision.

11 If you're asking me about the
12 reality of the politics, well, you
13 certainly know better than I. And I would
14 never second guess you.

15 COUNCILMAN COHEN: Can you give us
16 any picture of what the administration's
17 thinking is as to time?

18 MR. HAVER: I can not do so. I do
19 not know. I am not here representing the
20 Mayor's position. The Mayor has given me a
21 tremendous amount of latitude, and I have
22 come here representing myself, and saying
23 that I believe that there are solutions
24 that make a rate increase of this size
25 unnecessary.

1 Transportation - 040298 - 6/9/04

2 As I said, I don't see the wisdom in
3 holding a hundred and some odd million
4 dollars in the bank and telling water
5 consumers they have to pay more.

6 COUNCILMAN COHEN: Well, Mr. Haver,
7 I want you to know -- and I'll speak for
8 myself. Over the years, I think the people
9 of Philadelphia have learned to trust you,
10 as they did Max Weiner, as somebody that's
11 truly representative of consumers.

12 Seems to me it could be helpful if
13 you could participate very fully in this
14 process and come out with your own
15 recommendation, not a recommendation, you
16 know, compelled by a City position but your
17 own recommendation.

18 Because to us it looks like we've
19 been complaining about the Gas Works rate
20 increase. And the Water Department, if it
21 goes ahead with this one, seems to be
22 raising the rates as much as the Gas Works.
23 Would I be accurate in that conclusion?

24 MR. HAVER: The water rate increase
25 is larger.

1 Transportation - 040298 - 6/9/04

2 COUNCILMAN COHEN: Water rate would
3 even be larger.

4 MR. HAVER: Is a larger increase.

5 And Councilman, I will guarantee
6 that I will tell you what I believe
7 truthfully and honestly. At this point I
8 see no reason to raise rates.

9 There may be some explanation. But
10 I would have to hear why the Water
11 Department wants to hold a hundred and some
12 odd million dollars in the bank and tell
13 the rest of the City that they're not
14 collecting enough money. It's counter
15 intuitive.

16 Anyone who has a hundred and some
17 odd million dollars in cash reserve doesn't
18 need any more money.

19 But they do have a right to go
20 before a hearing examiner and make their
21 arguments.

22 COUNCILMAN COHEN: Well, I think
23 that's sound advice. You're telling us in
24 more pleasant words to be on our guard.

25 Councilman Rizzo.

1 Transportation - 040298 - 6/9/04

2 COUNCILMAN RIZZO: Mr. Haver, in
3 your opinion, could you tell us the delay?
4 I understand that there's been a delay in
5 the process, even moving forward, for the
6 implementation of a rate increase. Could
7 you comment on the process and the lack of
8 that process?

9 MR. HAVER: I cannot give you any
10 real information.

11 My understanding of why there has
12 been no appointment of a hearing examiner
13 is meaningless. No one has told me why
14 they have not made that decision.

15 COUNCILMAN RIZZO: And again, who
16 would make that, so we ask the right
17 question?

18 MR. HAVER: It's between the
19 President of City Council and the Mayor.

20 COUNCILMAN RIZZO: But there's
21 obviously a process that starts that
22 request.

23 MR. HAVER: The Water Department
24 starts the request by filing for a rate
25 increase.

1 Transportation - 040298 - 6/9/04

2 COUNCILMAN RIZZO: And that has not
3 happened.

4 MR. HAVER: That has happened.

5 COUNCILMAN RIZZO: Excuse me.

6 MR. HAVER: They have filed for the
7 rate increase. The hearing examiner and
8 the public advocate have not been
9 appointed.

10 Because I work for the Mayor, it
11 would not be correct to expect me to be the
12 public advocate. I will do the best I can.

13 But for people to have faith, there
14 has to be independent public advocate who
15 the Mayor can't fire if he doesn't like
16 their recommendations.

17 So I don't want to mislead you. It
18 would be misleading for me to suggest that
19 I could do what an independent public
20 advocate could do.

21 But I will tell you again, at this
22 point there needs to be legislation passed
23 by City Council to take care of the
24 laterals and the inlet pipes, and there
25 needs to be very hard questions about why,

1 Transportation - 040298 - 6/9/04
2 when we calculate the cost, when we sell
3 the water to the suburban counties, we
4 allow them to escape the cost of
5 collection, the cost of leakage.

6 Again, it makes absolutely no sense
7 why only Philadelphia businesses and
8 Philadelphia consumers have to pay all the
9 costs.

10 COUNCILMAN RIZZO: You're aware that
11 I'm the one that asked that question.

12 MR. HAVER: Absolutely.

13 COUNCILMAN RIZZO: At the last
14 hearing.

15 And also, a concern of mine are the
16 exhibits that were handed out today which
17 I'm going to be interested to hear what the
18 Water Commissioner thinks, after he's
19 looked over the documents, about
20 contractors and others that use our City
21 water for a fee, for a permit, and take
22 thousands and thousands of gallons, from
23 what I understand, in tank trucks back to
24 the suburbs.

25 So I'm interested to hear about

1 Transportation - 040298 - 6/9/04
2 that, along with the wholesale rate of
3 water.

4 But I understand your position on
5 the rate increase, that the rate increase
6 has been filed but we're waiting for the
7 President of City Council and the Mayor to
8 sign on.

9 MR. HAVER: To appoint the hearing
10 examiner, and then set up a process where a
11 public advocate is appointed. And then
12 we'll really have an opportunity to go into
13 some of the questions you've raised.

14 Some of the questions have to be
15 done through a simple spreadsheet, and we
16 will have that opportunity at a real rate
17 hearing.

18 It is disappointing for me to have
19 to tell you there are questions I have that
20 I have no answers to and cannot answer any
21 place short of a rate hearing.

22 COUNCILMAN RIZZO: Thank you.

23 COUNCILMAN COHEN: Everybody has to
24 have the opportunity to have their
25 questions answered.

1 Transportation - 040298 - 6/9/04

2 Why does Philadelphia seem to have
3 so much trouble collecting bills owed to
4 it? You know, usually people have trouble
5 collecting either because they give bad
6 service or they don't know how to collect
7 money. It seems to me that's a real
8 question the City's got to answer.

9 It ought to be very efficient in
10 collecting money because basically it's
11 unfair to make others pay for deficiencies
12 of still other citizens.

13 And second, we've got to take care
14 of those situations in which, frankly,
15 there's no ability to pay. Somehow in
16 those areas we've got to find the answers.

17 We thank you very much, Mr. Haver.

18 MR. HAVER: Thank you very much.

19 COUNCILMAN COHEN: Any other
20 questions?

21 (No response.)

22 COUNCILMAN COHEN: If not, thank you
23 very much for your answers. Thank you.

24 The next witness will be the acting
25 Water Commissioner, Bernard Brunwasser.

1 Transportation - 040298 - 6/9/04

2 Mr. Brunwasser, we've given you a breathing
3 spell to prepare yourself for the answers.

4 We're very glad to see you. We
5 welcome you to your post, but don't welcome
6 any part of this increase.

7 COUNCILMAN MARIANO: Commissioner,
8 does that mean water in German, your name?

9 COUNCILMAN COHEN: Brown water.

10 COUNCILMAN MARIANO: What does your
11 name mean, brown water, in German?

12 MR. BRUNWASSER: Spring water.
13 Brunwasser. Braun is brown in German,
14 and Brun is well or spring.

15 COUNCILMAN MARIANO: Glad you don't
16 work for the Gas Company.

17 MR. BRUNWASSER: That's right.

18 COUNCILMAN COHEN: Build on that
19 relationship with Councilman Mariano.

20 COUNCILMAN MARIANO: We're going to
21 work on it.

22 MR. BRUNWASSER: My name is Bernard
23 Brunwasser. I'm the acting Water
24 Commissioner. And since this is a
25 continuation of a prior hearing, I have no

1 Transportation - 040298 - 6/9/04
2 formal testimony this time around, but I'm
3 available for all your questions.

4 COUNCILMAN COHEN: Well, could you
5 help us with... One of the first questions
6 that came up, what's happening? Can we
7 assume that the water increase proposal is
8 dead? We'd love to be able to assume that.
9 That would solve one of our many budget
10 problems.

11 MR. BRUNWASSER: I hope it's not
12 dead.

13 COUNCILMAN COHEN: Tell us why.

14 MR. BRUNWASSER: I believe the
15 decision to choose a hearing officer, an
16 independent hearing officer and the public
17 advocate rests with the Mayor, the
18 President of City Council, and the City
19 Controller.

20 And as far as I know, unless
21 corrected, the request is still in the
22 Mayor's Office.

23 And we did file properly and
24 appropriately. Back in January we sent our
25 filing to Council President Verna.

1 Transportation - 040298 - 6/9/04

2 And I think on February 26th, 30
3 days later, we filed with the Department of
4 Records, giving anyone an opportunity to
5 come in and take part in the rate hearings.

6 COUNCILMAN COHEN: Well, how long
7 have you been in the Water Department?

8 MR. BRUNWASSER: 33 and a half
9 years.

10 COUNCILMAN COHEN: All right. So we
11 can't say that you came from somewhere
12 else, and therefore need time to learn more
13 about it. You've been there.

14 Can you tell us why you feel such an
15 increase is needed? Or can you give us
16 advice as to how we can change things, make
17 the government more efficient so that no
18 such increase is, in fact, needed?

19 MR. BRUNWASSER: Well --

20 COUNCILMAN COHEN: See, the easy
21 answer always is, let's raise rates. Then
22 we don't have to worry about being
23 efficient because the rate payer can always
24 be compelled. The rate payer needs water;
25 therefore, you feel -- a person can feel

1 Transportation - 040298 - 6/9/04
2 that the rate payer is going to have to pay
3 whatever it is, and it makes for less
4 efficiency. Now, is that the case?

5 MR. BRUNWASSER: Well, I think a
6 mark of our efficiency is that we're the
7 lowest-priced water and waste water utility
8 in this whole region.

9 And for water, we are less than half
10 the price of most suburban -- that most
11 suburban customers have to pay. Those are
12 customers of Aqua Pennsylvania or
13 Pennsylvania American. Their water bills,
14 water only, are more than twice our bills.
15 So, as far as efficiency, I think we're
16 there.

17 For instance, the concern that
18 Councilman Rizzo has said about a tank
19 truck filling up with our water from one of
20 our hydrants, you know, under our permit
21 program, the good news about that is, even
22 if someone comes with, let's say, a 5,000
23 gallon truck and fills that up completely
24 and leaves for the suburbs, that person has
25 just left with less than \$10 worth of water

1 Transportation - 040298 - 6/9/04
2 because that's -- that's how cheap our
3 rates are.

4 So, we're starting from a very
5 inexpensive place, in relation to other
6 water and sewer utilities.

7 COUNCILMAN MARIANO: Point of
8 information. My 19-year-old son likes to
9 take a whole lot of showers when I force
10 him to. Can I get that rate for him, 5,000
11 gallons for 10 cents? What is it?

12 MR. BRUNWASSER: It's a dollar --
13 The highest rate that we charge which is
14 the lowest block, the one the residents use
15 first, \$1.88 per thousand gallons. That is
16 the rate.

17 COUNCILMAN MARIANO: That's what it
18 is?

19 MR. BRUNWASSER: That is the rate.

20 COUNCILMAN MARIANO: So why is my
21 bill so expensive if he's not showering?

22 MR. BRUNWASSER: Well, two-thirds of
23 your bill --

24 COUNCILMAN MARIANO: Is for handling
25 and all --

1 Transportation - 040298 - 6/9/04

2 MR. BRUNWASSER: Let me say, about
3 60 percent of the bill is the waste water
4 side of the utility.

5 On waste water we are also cheaper
6 than the suburbs, but it's difficult to
7 measure against all the suburban customers,
8 simply because most of that charge in the
9 suburbs is buried in their real estate tax.

10 COUNCILMAN MARIANO: Okay.

11 MR. BRUNWASSER: But those that we
12 can measure against, we are cheaper. And
13 they're all customers of ours, so --

14 COUNCILMAN MARIANO: Do they buy the
15 same rate that I buy from you or do they
16 get a discount because they buy in bulk?

17 MR. BRUNWASSER: It's wholesale.
18 And one of the answers to the questions of
19 May 20th are in the package that we
20 provided.

21 There are a lot of services that we
22 provide to inside City customers, retail
23 customers, that we do not provide to
24 outside City customers.

25 I think Mr. Haver mentioned storm

1 Transportation - 040298 - 6/9/04

2 water and infiltration, and why don't we
3 get that from the suburbs?

4 The facts -- The fact is, yes, we do
5 get that from the suburbs. It comes in
6 through their connections. And we treat
7 that waste water. We measure the flow, and
8 we charge them on the basis of flow and
9 strength. And so we capture all of those
10 costs.

11 COUNCILMAN MARIANO: Do we still
12 have Captain Sewer on the payroll?

13 MR. BRUNWASSER: Captain Sewer, I
14 believe, retired.

15 COUNCILMAN MARIANO: Did he?

16 COUNCILMAN RIZZO: In the DROP.

17 COUNCILMAN MARIANO: Is that job
18 open? Not for me; but, I mean, there's a
19 couple other Council people that need some
20 things to do. No one in this room.

21 MR. BRUNWASSER: I would be
22 difficult to fill the uniform.

23 COUNCILMAN MARIANO: You didn't
24 replace him? Seriously.

25 MR. BRUNWASSER: I don't know what

1 Transportation - 040298 - 6/9/04
2 the status of it is right now. I think as
3 a cost-cutting measure we actually --
4 COUNCILMAN MARIANO: Cut --
5 MR. BRUNWASSER: -- cut back on the
6 captain.
7 COUNCILMAN MARIANO: Down the sewer?
8 Down the drain?
9 All right. Thank you.
10 COUNCILMAN RIZZO: Commissioner, I
11 know you're trying to make light of a
12 potential abuse of a contractor or -- At
13 least my impression was that when you said
14 it's only \$10 worth of water, again, I
15 think you were just making light of that --
16 MR. BRUNWASSER: No.
17 COUNCILMAN RIZZO: because you don't
18 want anybody to abuse --
19 MR. BRUNWASSER: No, no, no.
20 COUNCILMAN RIZZO: -- a permit
21 that's there for a purpose, not a person
22 that says they have a great idea. We'll
23 get one of those permits from Philadelphia.
24 We'll go to the City limits, put 3,000
25 gallons of water in a truck, and then go

1 Transportation - 040298 - 6/9/04

2 water their lawn at their company.

3 That's not what the purpose of the
4 permit is. And I would hope either the
5 Inspector General or -- Because I'm going
6 to send this stuff all over to him --

7 MR. BRUNWASSER: Mm-hmm.

8 COUNCILMAN RIZZO: -- to see if
9 there's any abuse of a system that's
10 supposed to be a legitimate permit.

11 I don't want to see anybody take \$10
12 worth of our water, if they don't deserve
13 it.

14 MR. BRUNWASSER: Absolutely.

15 I think the more important purpose
16 of the permitting system, because our rates
17 are so low, the most important aspect of
18 the permitting system, I think, is for the
19 safety of our own water system, because
20 there was an incident in South Philadelphia
21 about... I don't know... 10, 15 years ago
22 when somebody was hydro seeding. And there
23 was a back flow when something was done
24 improperly.

25 He hooked into one of these -- into

1 Transportation - 040298 - 6/9/04
2 one of our hydrants, and seeds -- all these
3 seeds, actually, got sucked into the
4 system, and then was distributed within a
5 group of homes. And really it ruins -- it
6 ruined some fixtures that we had to
7 replace.

8 COUNCILMAN RIZZO: Commissioner,
9 what I'd like to hear from you today is
10 that -- You did a lot of good work here
11 pulling together the permits, the active,
12 the expired, et cetera.

13 But I would want -- And this is one
14 little piece of this whole hearing. It
15 annoys me when I think people are getting
16 over on us. And when we allow them to get
17 over on us, that really makes it even
18 worse.

19 I would like to hear you say today
20 that this permit program is going to be for
21 real; that if a person gets a permit to
22 take water from our distribution system,
23 that they deserve to take it; that they're
24 not taking it across the bridge, that
25 they're not taking to it Montgomery, Bucks,

1 Transportation - 040298 - 6/9/04
2 Chester County, to use for -- to avoid
3 buying the water in the municipality that
4 they operate in.

5 So, I would like to make sure --
6 Again, I'll hold off. But I'm going to ask
7 the Inspector General to take a look at
8 this. But I'd like to hear from you that
9 before I do that, that you're confident
10 that everyone on this list is legit.

11 COUNCILMAN MARIANO: Can I ask some
12 questions?

13 MR. BRUNWASSER: Right. I hope so.
14 I hope that's the case. I don't -- I can't
15 speak --

16 COUNCILMAN RIZZO: Well, you get me
17 nervous when you hesitate.

18 MR. BRUNWASSER: I can't speak to
19 each of the contractors, but that is our
20 purpose. And we do police this.

21 COUNCILMAN RIZZO: And I would hope
22 the scrutiny of who asks for these permits
23 and where they're from, and how long their
24 job is -- And I don't want to belabor this,
25 but I really need you to really focus and

1 Transportation - 040298 - 6/9/04

2 make sure that is done right.

3 COUNCILMAN MARIANO: And that's

4 where on him I want to take that there.

5 How much -- What do you got to do to get

6 this permit?

7 You just show up and say you're a

8 contractor? Do you have to show a business

9 privilege license? Because just -- And

10 hold on a minute.

11 Just on the respect of terrorism, if

12 they can back feed something into the

13 system, imagine... We're going to have

14 Eddie Trezyansky (phonetic) here. Imagine

15 what could go on if someone back feeds the

16 wrong thing in to Philadelphia's water

17 bureau --

18 COUNCILMAN RIZZO: You're right.

19 COUNCILMAN MARIANO: When they come

20 to apply, do you check them out to make

21 sure they're legitimate Business Privilege

22 Licensed people in the City of

23 Philadelphia?

24 Because I saw one in here was for

25 watering the flowers at Lowe's -- at Lowe's

1 Transportation - 040298 - 6/9/04

2 down the street.

3 I mean, Lowe's couldn't go inside
4 and get a water thing and run a hose from
5 there? They had to use.

6 COUNCILMAN RIZZO: Free water.

7 COUNCILMAN MARIANO: Free -- Well,
8 not free. They're paying, I assume.

9 COUNCILMAN RIZZO: Could you
10 describe the permit process and what it
11 costs to get a permit?

12 MR. BRUNWASSER: Well, I -- I -- I
13 know I think I mentioned the proposed new
14 rates. These rates are going up quite a
15 bit, and certainly that would act as a
16 disincentive, but I don't --

17 (Councilman Rizzo's microphone was
18 not on; the first part of what he said is
19 not reportable.)

20 COUNCILMAN RIZZO: -- now.

21 MR. BRUNWASSER: I'm going to have
22 to check to see if someone from my staff
23 knows the answer to that.

24 COUNCILMAN RIZZO: Because we don't
25 have an approval for a rate increase. We

1 Transportation - 040298 - 6/9/04
2 learned that just about a half hour ago.

3 MR. BRUNWASSER: We'll get you a
4 fuller answer. I mean, we'll have to get
5 back to you with the process.

6 COUNCILMAN RIZZO: Okay. Just,
7 today.

8 COUNCILMAN MARIANO: And
9 Commissioner, not just to -- 'cause the
10 whole process, how we check these people
11 out, who they are.

12 COUNCILMAN RIZZO: I mean, I wasn't
13 even -- Commissioner, I wasn't even
14 thinking about that until Councilman
15 Mariano said, you get some person that
16 wants to create havoc... You can imagine
17 pulling up with a 2,000 gallon tank truck
18 and hooking up to a hydrant system and
19 doing what you just described,
20 contaminating the system. That could be
21 really a devastating situation.

22 So, I would hope that we are real
23 careful who we allow to use our hydrants.
24 But I guess in that respect, if anyone
25 even -- No one that would do that would

1 Transportation - 040298 - 6/9/04
2 probably go get a permit to hook up to the
3 hydrant.

4 MR. BRUNWASSER: Probably not. But
5 the permit is issued by L & I.

6 COUNCILMAN RIZZO: Okay.

7 MR. BRUNWASSER: So we have to do a
8 little research, I guess.

9 COUNCILMAN RIZZO: Thank you.
10 Councilman.

11 COUNCILMAN COHEN: Thank you.

12 Could I ask one question about the
13 impact of a change in budget procedure?
14 It's my understanding, and it's confirmed
15 by our fine recorder here, Julia Chapman,
16 that the Water Deposit Fund of about \$125
17 million was planned to be used for economic
18 development purposes.

19 And plans have changed. It's not
20 being used for that purpose. Is that going
21 to have an impact on the request for rate
22 increase by lowering that request?

23 MR. BRUNWASSER: Councilman, it
24 won't have an impact on the current rate
25 request because that current rate request

1 Transportation - 040298 - 6/9/04
2 went in before we knew any -- We -- We...
3 We didn't -- This \$125 million sinking fund
4 reserve money was not part of the equation
5 at the time.

6 So, basically the request, as it
7 went in in January, and the request as it
8 is today is the same.

9 In other words, all of this
10 discussion happened in the intervening
11 period and has not come to pass. So, the
12 status is the same.

13 The rate request counted on that
14 full sinking fund reserve being there.

15 COUNCILMAN COHEN: I ponder that.
16 Let me ask this: What is the relationship
17 between the storm water charge and the
18 water charge. Is there any relationship
19 between the two items?

20 MR. BRUNWASSER: Not really. Not
21 really. Storm water occurs whether a
22 person uses water or not. And the storm
23 water system is approximately \$90 million
24 of cost to the Water Department on an
25 annual basis.

1 Transportation - 040298 - 6/9/04

2 And what we've done over the past
3 three years has been to lower the storm
4 water costs to the residential customer.

5 We allocated storm water on the
6 basis of the land use of the City of
7 Philadelphia.

8 And based on a study that we did in
9 the 1990's, we actually lowered the service
10 charge where storm water shows up in the
11 person's bill. Over each --

12 COUNCILMAN COHEN: How about what's
13 sold to suburban groups?

14 MR. BRUNWASSER: Suburban groups do
15 not pay specifically for storm water; but
16 the storm water that comes, in that
17 infiltrates into their pipes that they
18 send -- from where they send us their flow?
19 We -- We capture -- We capture all of that
20 volume, and we charge them for it.

21 We -- We indirectly are charging
22 them for storm water. We're charging them
23 for sanitary waste water and for storm
24 water.

25 Anything that comes down the pipe

1 Transportation - 040298 - 6/9/04
2 into Philadelphia, we -- they get fully
3 charged for.

4 Now, we can't charge them for the --
5 for the storm water on their own property
6 out in the suburbs. They have to deal with
7 that. The suburban customer deals with
8 that.

9 But once -- once that flow comes
10 into Philadelphia, we charge them a hundred
11 percent for that.

12 COUNCILMAN COHEN: Well, it seems to
13 me -- and I've heard the charge made many
14 times -- that people who live in
15 Philadelphia pay much more for storm water
16 than the people who live outside the City
17 who use Philadelphia water.

18 Now, I don't know how it's been
19 computed on the outside. How do we have a
20 basis of comparison, if you don't charge
21 them on the same way you charge
22 Philadelphia businesses and people?

23 How do we know whether we're getting
24 a big bargain or whether we're cheating
25 them, by the method now use?

1 Transportation - 040298 - 6/9/04

2 But the feeling is that people are
3 cheating the City of Philadelphia, and that
4 for some reason or another the City, maybe
5 for political reasons, goes out of its way
6 to sell water very cheaply to suburban
7 areas.

8 MR. BRUNWASSER: I understand that
9 there's a feeling to that effect, but
10 it's --

11 COUNCILMAN COHEN: Is there
12 anything --

13 MR. BRUNWASSER: -- but it's not
14 true.

15 COUNCILMAN COHEN: Can you produce
16 any set of facts to show to the contrary?

17 MR. BRUNWASSER: Storm water...
18 Storm water in most jurisdictions, most
19 jurisdictions in this region, in the
20 suburbs, do not know how much they spend on
21 storm water. They don't know. They don't
22 get charged storm water separately.

23 Many jurisdictions don't get charged
24 for sanitary waste water separately. Some
25 do. They have some kind of a fee.

1 Transportation - 040298 - 6/9/04

2 But it's much different in
3 Philadelphia. Philadelphia, we have very
4 sophisticated set of rates. We know so
5 much about our charges. And we allocate.
6 We have to allocate properly inside the
7 City and outside the City. There's no
8 incentive --

9 COUNCILMAN COHEN: Is there any way
10 you can make that allocation clear to us so
11 that us ordinary mortals who don't work for
12 the Water Department can understand that?

13 Because frankly, very few people
14 believe it. And I've assumed that if the
15 Water Department had a simple story to
16 tell, they would tell it.

17 But they're not telling it; and
18 therefore, I'm among those who have great
19 difficulty believing it to be so.

20 I think if you had a story to
21 convince Philadelphians that they're not
22 being shortchanged by special rates being
23 given to suburban customers, that you could
24 find a way to tell it. Don't you think
25 that could be done?

1 Transportation - 040298 - 6/9/04

2 MR. BRUNWASSER: One of our
3 responses that we sent forward to the May
4 20th hearing is a discussion of retail
5 versus wholesale and what's included in
6 retail, what's included in wholesale is
7 part of that discussion.

8 Here is absolutely -- There would be
9 no motivation for me as Water
10 Commissioner --

11 COUNCILMAN COHEN: Well, if there
12 would be motivation or not, do you have
13 anything that simply explains it so that we
14 can get that material, understand it
15 ourselves, and send it to Philadelphia
16 residents?

17 If this is not true, why should we
18 suffer having people believe it is true?
19 Let's get an explanation.

20 MR. BRUNWASSER: I agree. I agree.
21 But it's a little bit of a -- It's somewhat
22 complex. It's somewhat complex, and we did
23 explain it. And one of the... It's in
24 this package.

25 And maybe somebody from the staff

1 Transportation - 040298 - 6/9/04

2 can help point it out, but...

3 COUNCILMAN COHEN: I'm suggesting
4 that --

5 MR. BRUNWASSER: It's the answer to
6 C-6.

7 COUNCILMAN COHEN: Before the next
8 hearing take place, that that be done. And
9 see what you can do. And then we'll meet
10 together and try to work out something.

11 Because if what you say is true,
12 then there's no reason to bash the Water
13 Department.

14 But if it's not true, then let's
15 tell people that it's not true, and tell
16 them why it's not true in a way that they
17 can check it out themselves.

18 MR. BRUNWASSER: May I give you an
19 example, a simple example that we have? We
20 have... In the City we have 27, 28,000
21 fire hydrants inside the City of
22 Philadelphia. We have about 75,000
23 inlet -- sewer inlet catch basins that we
24 clean for the City of Philadelphia.

25 We meter and bill 475,000 customers

1 Transportation - 040298 - 6/9/04
2 inside Philadelphia. Those costs are not
3 attributable to the suburbanites. They're
4 not attributable to suburbanites.

5 They have costs, and we recapture
6 all of their costs, plus we charge them ten
7 percent over all the costs that we accrue
8 from them.

9 COUNCILMAN COHEN: How much money
10 is that? What does the ten percent add up
11 to?

12 MR. BRUNWASSER: Approximately...
13 From all the suburban customers, water and
14 waste water, we're approaching \$30 million
15 a year annually in revenue, plus they pay
16 for their capital. Most of them pay for
17 their capital up front.

18 We've received over \$90 million in
19 capital payments for construction at the
20 plants and the water lines or sewer lines
21 that service their flow. So we've received
22 that over a number of years. So we capture
23 all of the costs, and we charge an
24 additional ten percent.

25 COUNCILMAN COHEN: Mr. Brunwasser,

1 Transportation - 040298 - 6/9/04
2 your explanation is along the line of trust
3 me; we're telling you we're covering
4 everything; we're charging them properly.
5 But you can't prove it. And I don't
6 believe that it can be that complex.

7 I'm asking the Water Department to
8 reconsider, and to begin to find a way to
9 make this clear. Because otherwise you're
10 taking a bad licking, and people don't
11 understand why suburbanites seem to them to
12 get a much better deal.

13 Is there any other question?

14 COUNCILMAN RIZZO: Commissioner, I
15 just want to follow up briefly on that.
16 With the proposal, the potential of a rate
17 increase, tell me what you've done with the
18 water that's already contracted out, the
19 all perk sale. How will that go? Will
20 that also increase simultaneously?

21 MR. BRUNWASSER: I believe the
22 wholesale water customers of Philadelphia
23 are going to see 40 percent increases over
24 the next four years.

25 COUNCILMAN RIZZO: They will also

1 Transportation - 040298 - 6/9/04

2 receive an increase.

3 MR. BRUNWASSER: Yes. In fact, they
4 will receive an increase, regardless of our
5 hearing situation. Their increase goes
6 into effect July 1, since they are under
7 contracts and not under this other process.

8 COUNCILMAN RIZZO: They're one-year
9 deals? How long are the deals with the
10 wholesale?

11 MR. BRUNWASSER: These are
12 long-term -- very long-term deals, but we
13 changed the rates.

14 What we're doing is similar to what
15 we're doing inside the City, what we're
16 proposing to do. We're increasing their
17 rates each of the next four years, and
18 we've noticed them of that. And...

19 COUNCILMAN COHEN: Is Nancy
20 Kammerdeiner here, Revenue Commissioner?
21 Would you come forward?

22 COUNCILMAN RIZZO: Commissioner, is
23 your consultant with you today?

24 MR. BRUNWASSER: He was. But
25 unfortunately, he had to catch a plane. He

1 Transportation - 040298 - 6/9/04
2 had to leave about 4:30, just about when we
3 were starting.

4 COUNCILMAN RIZZO: Apologize to him
5 for us.

6 COUNCILMAN COHEN: This is the last
7 witness.

8 Nancy Kammerdeiner, we welcome you
9 here. You hear us discussing questions
10 about costs. Can you shed any light? And
11 could you tell us why there's such a high
12 delinquency rate among the payments made to
13 the Water Department?

14 And apparently your record of
15 payment exceeds or exceeds in forfeitures
16 or failures to pay even the bad record of
17 the Gas Works. And we wonder why.

18 MS. KAMMERDEINER: I'm Nancy
19 Kammerdeiner, Revenue Commissioner.

20 And I would first off like to
21 correct a misconception that you and some
22 others may have, in terms of our collection
23 rates.

24 During our budget hearing a couple
25 of months ago, when the question of

1 Transportation - 040298 - 6/9/04
2 collection factor came up, we reported
3 accurately that our current year collection
4 factor was 85 percent.

5 What we did not know at that time
6 was that you were comparing that to
7 information from the Gas Works, about their
8 collections over time.

9 When you look at our collection rate
10 over time, when you go out five years and
11 even ten years, you find that we're
12 collecting 97 to 98 percent, in fact, 98.5
13 percent of what was billed.

14 And so, when you compare apples to
15 apples, in terms of the collections over
16 time, our collections are far more
17 favorable than those that you were
18 comparing them to with PGW. And so, I
19 think we need to start out with a
20 correction of the record before we look at
21 it.

22 Am I satisfied with collections at
23 the rate that they are and getting the
24 money in quickly? No. We're constantly
25 working at finding ways to identify groups

1 Transportation - 040298 - 6/9/04
2 of delinquent rate payers who we can
3 address with different ways to get to them,
4 in order to get collections.

5 We use collection agencies. We lien
6 their properties. We have the Law
7 Department file judgments in court against
8 the individuals. And we are working with
9 them to increase the number of executions
10 on those judgements.

11 One of the big problems that you
12 have, and one of the reasons for the
13 delinquency rate that we have, is that we
14 have been putting water and sewer charges
15 on properties that we're now finding are
16 vacant. And many of them are abandoned
17 and.

18 And when I say that, and distinguish
19 between vacant and abandoned, I'm really
20 referring to properties where there is no
21 viable owner, you can't find anyone who's
22 willing to pay.

23 And we find that our rates for
24 nonpayment on real estate tax and water and
25 sewer are very similar, and they generally

1 Transportation - 040298 - 6/9/04
2 relate to properties where there's no
3 viable owner.

4 COUNCILMAN COHEN: Well, could
5 you -- Who gave us the data on which the
6 conclusion was founded at the last hearing
7 that the rates were as bad as they seemed
8 to be at that hearing?

9 MS. KAMMERDEINER: The staff in the
10 Water Revenue Bureau correctly gave the
11 rate for the current collection factor at
12 85 percent.

13 That was being compared --
14 unfortunately, being compared to PGW
15 collection factors over time.

16 If we had compared our collection
17 rate over time to PGW's, which I believe
18 was mentioned at that time as being 92
19 percent, ours over time is 98 percent,
20 which is better.

21 COUNCILMAN COHEN: What is your
22 current rate, which apparently is --

23 MS. KAMMERDEINER: I don't know --

24 COUNCILMAN COHEN: -- below what it
25 had been before --

1 Transportation - 040298 - 6/9/04

2 MS. KAMMERDEINER: I don't know what
3 PGW's current year collection rate is.

4 COUNCILMAN COHEN: But I'm asking
5 about your water revenue rate.

6 MS. KAMMERDEINER: 85 to 87 percent,
7 depending upon the year.

8 But you have to remember that when
9 you look at the current year collection,
10 the way we calculate that, we could have
11 billed in June and not had more than 25
12 days to collect on that.

13 And when you look at our payment
14 patterns over time, the 30-, 60-, 120-day
15 collections, and you look at that over the
16 last ten years, we're actually collecting
17 faster in the more recent years than we
18 were eight to ten years ago.

19 The other thing that confirms that
20 is that the amount of penalty that we
21 collect that's added to a bill when its
22 delinquent is going down, in relationship
23 to the collections which would be another
24 confirmation that we are collecting the
25 money that we collect more quickly.

1 Transportation - 040298 - 6/9/04

2 Our accounts receivable isn't going
3 up in the same time period that the rate
4 increases have taken place. If we were
5 collecting less, our accounts receivable
6 would rise, instead of staying level or
7 going down.

8 COUNCILMAN COHEN: Do you have a
9 question, Councilman?

10 Councilman Nutter suggested that we
11 recess... Do you have a question you
12 wanted to raise? Do you want to recess?
13 Your suggestion is to recess to September
14 22nd at 2:00.

15 COUNCILMAN RIZZO: That's correct.

16 COUNCILMAN COHEN: Could we ask in
17 the meantime that both your departments
18 work together and get this clarity that is
19 lacking.

20 We ought to have on the record a
21 correction, you know, to your testimony if
22 one is required from the last hearing.

23 And so Council stands recessed on
24 this matter until September 22nd, at 2:00,
25 when the Committee on Transportation and

1 Transportation - 040298 - 6/9/04
2 Public Utilities will resume on this
3 subject.

4 We thank both Commissioners for
5 their attendance. And we hope that your
6 consultant for Black & Veach will be able
7 to make it at the next hearing.

8 All right. Thank you all for
9 attending. I'm going to recess this
10 hearing now so that the next hearing which
11 is at 3 o'clock, scheduled hearing of the
12 Committee of the Whole, can proceed to take
13 place because they have very important
14 legislation to consider yet.

15 So, thank everybody for their
16 testimony, their patience. And those that
17 are here for the 3:00 hearing of the
18 Committee of the Whole which I understand
19 is going to deal with the KOZ problem, will
20 take place shortly. Thank you.

21 (Hearing concluded at 5:30 p.m.)
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CERTIFICATE

I HEREBY CERTIFY that the proceedings and evidence are contained fully and accurately in the stenographic notes taken by me upon the public hearing of The Philadelphia City Council, taken on June 9, 2004, and that this is a true and correct transcript of same.

DAVID A. DEIK, RPR and
Commissioner of Deeds

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