Philadelphia Water Department

Why are water rates changing?

The Philadelphia Water Department last raised rates in FY 2009. Since that time, PWD total annual budgeted operating expenditures and encumbrances have increased from $588.9 million to $660.2 million in the current fiscal year and are estimated to increase to a projected $706.2 million in FY2013 for the waterfund budget. Total annual operating requirements are projected to increase to over $782.0 million by the end of the Rate Period (FY 2016).

The proposed rate increase is designed to meet a projected revenue shortfall of some $316.2 million over the Rate Period. In order to raise this level of revenue, the Department is proposing rates to achieve average annual increases of 6.5% for a typical residential customer. The proposed rates would increase typical residential customer rates by approximately $4.10 per month, annually for the four year rate period.

Programs with Greatest Need for Increased Funding

Environmental Regulatory Requirements

Clean Water Act and Safe Drinking Water Act have resulted in enhanced security measures at all facilities, increased watershed protection activities around – Shale, Iodine 131 and other river contaminants, flooding relief projects, combined sewer overflow control, and the implementation of Green City, Clean Waters.

Change in Consumption Patterns

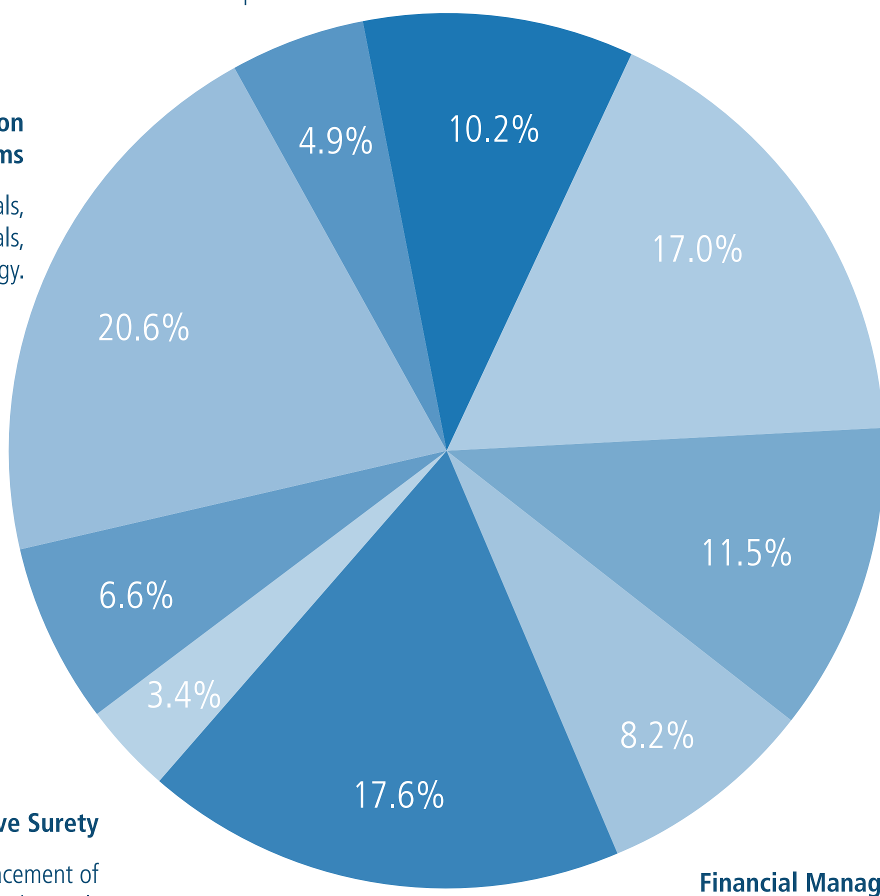
Decrease in revenue due to a reduction in water consumption.

General Inflation and New Programs

Increased costs of materials, services, supplies, chemicals, and energy.

Debt Service to support Capital Projects

Associated with revenue bonds to fund PWD's Capital Program to meet expanding regulatory requirements and ensure that the department's 6,000 mile water and sewer infrastructure is robust and reliable.



Assistance Programs

PWD has increased the range and funding for programs to assist rate payers impacted by changing economic conditions and/or rates.

Working Capital

Reserve funds to handle emergency situations and/or other unforseen financial demands.

Debt Reserve Surety

Costs related to the replacement of the debt reserve surety and miscellaneous other costs to provide for the orderly and prompt replacement of these surety funds upon the expected downgrade as a result of the European debt crisis.

Personnel

Wages, pension, health care, and fringe benefits have nearly doubled since 2003.

Financial Management Plan Implementation

Costs related to revised financial plan and strategies to improve the financial sustainability of the Department through enhanced rate stabilization coverage and increased reserve in the department's Residual Fund to achieve an "AA" bond market credit.