

MINUTES
CITY COUNCIL SPECIAL MEETING
Tuesday October 19, 2010

Special Session

Council President Edward Simpson called the meeting to order at 7:10pm and welcomed everyone to the meeting. Council members present were Council President Edward Simpson, Council Vice President Karl Marking, Messrs., Jarrell Brazzle, Joseph Hamrick, Ingrid W. Jones and Karen Jorgenson. Staff members present included City Solicitor John Carnes, Interim City Manager Ted Reed, Director of Public Works Donald Wilkinson, Director of Urban Planning and Codes Enforcement Damalier Molina and Recording Secretary Ruthann Mowday.

Mr. Simpson announced an executive session was held earlier this evening October 19, 2010.

Presentation

1. **Pennsylvania American Water Settlement – Gil Hamberg and Charles Thomas**

Mr. Thomas stated he specializes in utility rate cases. He currently represents the City/Borough Alliance of Coatesville. The City Borough Alliance consists of the City of Coatesville, Parkesburg and East Fallowfield. The PAWC filed a rate increase of \$8.2 million dollars. The average residential customer would be at a two hundred twenty nine percent increase. The Settlement agreement provides a 5.99 million increase to be passed in over 6 years. Low income families will receive a fifteen percent discount. The family will not be penalized (loss of the discount) due to a late payment. The agreement has a six year moratorium where the rates cannot be increased other than what is proposed in the agreement. A credit will be applied for customer growth and reservation fees of \$4,000 per unit. The credit adjustment will apply revenue from new hookups such as residential or commercial to the revenue that PAWC is permitted to recover. Once the credit is received it would then require PAWC to lower the rates. AWC is required to explore options on debt finances and financing to lower the cost. Mr. Thomas apologized for the mix up regarding the absence at the Council meeting. The settlement proposed is the best settlement he has seen in his 30 years of service.

Mr. Hamberg announced what was settled was in the best public interest. If the settlement is thrown out, the increase would be \$8.2 million. Mr. Hamberg explained the phased in increase would be \$42.22 in 2011, \$57.14 in 2012, \$71.94 in 2013, \$86.73 in 2014, \$86.73 in 2015 and decrease to \$71.94 in 2016.

Citizens' Hearings – Regular Action Items Only

Khadijah Al-Amin – Resident

Ms. Al-Amin asked for the rate to be reread. She asked why the City is only using fifty percent. She asked how the citizens are guaranteed the rate going down if development occurs. Mr. Simpson stated PAWC must file a report and show income. Ms. Al-Amin asked how the public will see the report. Mr. Simpson replied that anyone can submit a right to know to the PUC. Mr. Thomas stated all entities will receive a copy of the report. Mr. Simpson stated if the agreement is not approved, the rate can be increased to the original price. Mr. Marking stated the rate would go down with development because of this settlement agreement and without it, that wouldn't happen. Ms. Al-Amin announced that she felt it was not appropriate for Mr. Reed to make the presentation since we had hired attorneys and he was previously employed by PAWC. Mr. Simpson stated Mr. Reed represented the City.

Gail Lynn Ungst - Resident

Ms. Ungst stated she is a licensed contractor in Coatesville. The Section 8 tenants only receive so much per month. The landlords cannot increase their rent. The money is not there for the landlords of these properties for the increase in water. The increase will choke the landlords.

Marie Hess -Resident

Ms. Hess asked how the rates will be decreased for low income people. Mr. Thomas stated the rates will be based by family income and amount of children. She asked if we could get hit again with the increase. Mr. Thomas stated the agreement has a six year moratorium where the increase is based on the settlement amount. If the settlement is not approved, PAWC can increase the rates now. Ms. Hess thanked Council and everyone for representing the citizens.

Mr. Hamrick made a motion to close citizens' hearing on Regular action items only; Mrs. Jones seconded the motion. Motion passed 6-0.

Regular Action Items

1. Receive and consider the approval of a proposed Pennsylvania American Water Company Settlement Agreement and Joint Statement in Support of the Settlement.

Mr. Marking stated the City starting fighting the increase in May and in June approved fees to retain Special Council. . Mr. Marking explained Council is not voting on raising the rate. They are trying to mitigate it the best they can. Mr. Marking explained the settlement agreement benefits compared to the case being decided by the Pennsylvania Utility Commission. The agreement provides a lower revenue increase than the company requested; a negotiated phase-in, which the rate will increase annually; a seven year moratorium; protection for lower income customers; and credit adjustments for customer growth and capacity reservation fees.

Mrs. Jorgenson stated this is not something that anyone sitting around this table wants to do, but in good conscience to try and take advantage of it. As a result of the settlement, Pennsylvania American will look for ways to refinance their investment in the plant.

Mr. Brazzle stated he is not happy with the increase. The agreement is the best option for the resident to not receive the \$92 increase but a \$42 increase. It is not Coatesville's fault why the rates are so high. It is the surrounding municipalities.

Mr. Simpson explained Council did not have an explanation of the agreement by the lawyers prior to this meeting. He explained surrounding municipalities requested capacity increase from Act 53& ranging from 253 (Caln) to 2333 percent. The City only requested a 19 percent increase. Due to the increases, PAWC was obligated to construct the facility. The City will ultimately pay the price. If Council approves it, it still may not go through and changes may be made to the agreement. If not approved, the original increase may be charged. Thanked Mr. Thomas and Mr. Hamberg for coming out to explain. Council now knows the downside and the City could have received the 229 % increase. Mr. Simpson stated the information on the rates is available at City Hall.

Mrs. Jones stated she is not comfortable with it.

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Approved as Corrected November 8, 2010

Mr. Hamrick made the motion to approve the proposed Pennsylvania American Water Company Settlement Agreement and Joint Statement in Support of the Settlement; Mr. Marking seconded the motion. Motion passed 5-1. Mrs. Jones was the dissenting vote.

Adjournment

Mr. Marking made a motion to adjourn the meeting; Mr. Hamrick seconded the motion. Motion passed 6-0.