

1 **RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES**
2 **AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

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4 **PA-VI-1.** REGARDING PWD EXHIBIT 6, PAGE 43, O&M ESCALATION FACTORS,
5 PLEASE PROVIDE DETAILED WORKPAPERS SUPPORTING THE
6 FOLLOWING FACTORS:

7 A. OTHER BENEFITS

8 B. GENERAL

9 C. PROPERTY LEASES

10 D. OTHER 200

11 E. OTHER 300

12 F. OTHER 400

13 G. GAS

14 H. TRANSFERS

15 **RESPONSE:**

16 The basis for all of the O&M Escalation Factors are presented in PWD Statement 9A Schedule
17 BV-E5:WP-1 “Financial Plan - Revenue and Revenue Requirement Assumptions” beginning
18 on Page 4.

19 A. Other Benefits - The pension and benefit cost escalation factors were projected based
20 on the cost increases reflected in the City’s Five Year Plan

21 B. General - The escalation factors for all other non-Labor Costs are based on a review of
22 historical actual O&M costs and analysis of relevant cost indices. PWD’s historical
23 O&M costs are presented in Appendix 4 (of Schedule BV-E5:WP-1). Relevant O&M
24 cost industry indices are provided in Appendix 5 (of Schedule BV-E5:WP-1).

25 C. Property Leases – The escalation factors for Public Property class 200 costs are based
26 on the estimates in the City’s Five Year Plan.

27 D. Other 200 - The escalation factors for all other non-Labor Costs are based on a review
28 of historical actual O&M costs and analysis of relevant cost indices. PWD’s historical

1 O&M costs are presented in Appendix 4 (of Schedule BV-E5:WP-1). Relevant O&M
2 cost industry indices are provided in Appendix 5 (of Schedule BV-E5:WP-1).

3 E. Other 300 - The escalation factors for all other non-Labor Costs are based on a review
4 of historical actual O&M costs and analysis of relevant cost indices. PWD's historical
5 O&M costs are presented in Appendix 4 (of Schedule BV-E5:WP-1). Relevant O&M
6 cost industry indices are provided in Appendix 5 (of Schedule BV-E5:WP-1).

7 F. Other 400 - The escalation factors for all other non-Labor Costs are based on a review
8 of historical actual O&M costs and analysis of relevant cost indices. PWD's historical
9 O&M costs are presented in Appendix 4 (of Schedule BV-E5:WP-1). Relevant O&M
10 cost industry indices are provided in Appendix 5 (of Schedule BV-E5:WP-1).

11 G. Gas – The escalation factors for Gas are based on City Energy Office estimates (see
12 Appendix 8 of Schedule BV-E5:WP-1).

13 H. Transfers - The escalation factors for all other non-Labor Costs are based on a review
14 of historical actual O&M costs and analysis of relevant cost indices. PWD's historical
15 O&M costs are presented in Appendix 4 (of Schedule BV-E5:WP-1). Relevant O&M
16 cost industry indices are provided in Appendix 5 (of Schedule BV-E5:WP-1).

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19 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.
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1 **PA-VI-2.** REGARDING PWD EXHIBIT 6, PAGE 47, CAPITAL ACCOUNT DEPOSIT,
2 PLEASE PROVIDE DETAILED WORKPAPERS SUPPORTING THE 3.4%
3 ESTIMATED INCREASE IN SYSTEM NET VALUE.

4 **RESPONSE:**

5 As discussed in PWD Statement 9A Schedule BV-E5:WP-1, inflated net plant investment
6 of 3.4% per year based on the average annual increase in net plant investment (excluding
7 construction work in progress) during FY 2014 and FY 2016.

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9 Please refer to response attachment PA-VI-2 for additional information.

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28 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.

1 **PA-VI-3.** REGARDING PWD EXHIBIT 6, PAGES 48 & 50, DIRECT O&M ACTUAL TO
2 BUDGET FACTORS, PLANNING & ENGINEERING, PLEASE EXPLAIN IN
3 DETAIL THE FOLLOWING INCREASES IN BUDGET FACTORS FROM
4 FY2014 TO FY2015:

5 A. SALARIES & WAGES: 82.27% TO 97.38%

6 B. SERVICES: 31.24% TO 60.29%

7 **RESPONSE:**

8 A. The increases in FY2015's budget factor is due to the Labor settlement for DC47
9 employees, increases in separation payments due to retirements and increases in
10 overtime in the Planning & Engineering division.

11 B. The increases in FY2015's budget factor is due to increased spending in licenses and
12 permit fees for PWD, increased spending for advertisements related to public works
13 bidding and an increase in spending for employee training.

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28 **RESPONSE PROVIDED BY:** Melissa La Buda, Philadelphia Water Department

1 **PA-VI-4.** REGARDING PWD EXHIBIT 6, PAGES 48 & 50, DIRECT O&M ACTUAL TO
2 BUDGET FACTORS, OPERATIONS, PLEASE EXPLAIN IN DETAIL THE
3 FOLLOWING INCREASES IN BUDGET FACTORS FROM FY2014 TO
4 FY2015:

5 A. SALARIES & WAGES: 94.76% TO 100.61%

6 B. GAS: 77.41% TO 104.77%

7 **RESPONSE:**

8 A. The increases in FY2015's budget factor is due to the Labor settlement for DC47
9 employees.

10 B. The budget for gas was decreased from FY2014 to FY2015. This decrease was coupled
11 with an increase in spending in FY2015 when compared to FY2014, which resulted in an
12 increase in budget factors in FY2015.

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28 **RESPONSE PROVIDED BY:** Melissa La Buda, Philadelphia Water Department

1 **PA-VI-5.** REGARDING PWD EXHIBIT 6, PAGES 49 & 51, DIRECT O&M ACTUAL TO
2 BUDGET FACTORS, PLANNING & ENVIRONMENTAL SERVICES,
3 PLEASE EXPLAIN IN DETAIL THE INCREASES IN THE BUDGET
4 FACTORS FOR SERVICES FROM 90.22% TO 100.06% FOR FY2014 TO
5 FY2015.

6 **RESPONSE:**

7 In FY2015 there was an increase in spending on professional services related to the Long-
8 Term Control Plan green infrastructure maintenance for the Planning and Environmental
9 Services program.

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28 **RESPONSE PROVIDED BY:** Melissa La Buda, Philadelphia Water Department

1 **PA-VI-6.** REGARDING PWD EXHIBIT 6, PAGES 49 & 51, DIRECT O&M ACTUAL TO
2 BUDGET FACTORS, PUBLIC AFFAIRS, PLEASE EXPLAIN IN DETAIL THE
3 FOLLOWING INCREASES IN BUDGET FACTORS FOR EQUIPMENT FROM
4 7.32% TO 88.75% FOR FY2014 TO FY2015.

5 **RESPONSE:**

6 The higher percent in FY15 resulted from increased furniture purchases.
7 Purchases for furniture was \$957 in FY14 compared to \$13,758 in FY15. Despite
8 the high purchases in FY15, the budgets for FY14 and FY15 for class 400 was
9 \$15,500.
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28 **RESPONSE PROVIDED BY:** Melissa La Buda, Philadelphia Water Department

1 **PA-VI-7.** REGARDING PWD EXHIBIT 6, PAGES 49 & 51, DIRECT O&M ACTUAL TO
2 BUDGET FACTORS, PUBLIC AFFAIRS, PLEASE EXPLAIN IN DETAIL THE
3 FOLLOWING INCREASES IN BUDGET FACTORS FOR EQUIPMENT FROM
4 88.75% TO 179.54% FOR FY2015 TO FY2016.

5 **RESPONSE:**

6 The higher percent in FY16 resulted from \$23,444 purchases of plumbing, AC & space
7 heating equipment bring the total class 400 expenditure to \$27,829. Despite the high
8 purchases in FY16, the budgets for FY17 and FY18 for class 400 was \$15,500 because the
9 expenditure for class 423 in FY16 was not recurring.

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27 **RESPONSE PROVIDED BY:** Melissa La Buda, Philadelphia Water Department
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1 **PA-VI-8.** REGARDING PWD EXHIBIT 6, PAGE 76, LIQUIDATED ENCUMBRANCE
2 RATIO, PLEASE EXPLAIN IN DETAIL WHY A 14.20% RATIO WAS
3 UTILIZED FOR FISCAL YEARS FY2019-FY2021.

4 **RESPONSE:**

5 As stated on page 6 of PWD Statement 9A Schedule BV-E5:WP-1 “Financial Plan - Revenue
6 and Revenue Requirement Assumptions”:

7 “The 14.2% projection is based on the average of the actual ratio of liquidated
8 encumbrances to expenses for Services (class 200) and Materials and Supplies
9 (class 300) experienced in FY 2016 and FY 2015. SMIP/GARP are excluded as
10 the budgets are fully expended.”

11 Note that both the liquidated encumbrance ratio and the O&M actual to budget ratios are based
12 on the two year average of PWD’s historical experience.

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28 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.

1 **PA-VI-9.** REGARDING PWD EXHIBIT 6, PAGE 92, WATER ACCOUNTS, PLEASE
2 PROVIDE A SCHEDULE COMPARING MONTHLY WATER ACCOUNTS
3 FOR GENERAL SERVICE (RESIDENTIAL), 5/8" METER, FOR FY2016 AND
4 FY2017 TO DATE.

5 **RESPONSE:**

6 This information is currently being compiled and is not available due to the shortened
7 period allotted to compile discovery responses in this proceeding. The discovery response
8 will be updated when the information is available.

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28 **RESPONSE PROVIDED BY:** Philadelphia Water Department

1 **PA-VI-10.** REGARDING PWD EXHIBIT 6, PAGE 108 & 110, WATER-BILLED
 2 VOLUME, PLEASE EXPLAIN IN DETAIL WHY GENERAL SERVICE
 3 (RESIDENTIAL), 5/8" METER VOLUME AND PER ACCOUNT GROWTH IS
 4 PROJECTED TO INCREASE BY 2.93% FROM FY2016 TO FY2017 AND
 5 THEN TO DECLINE BY APPROXIMATELY 1.7% FOR EACH FISCAL YEAR
 6 THEREAFTER. IN YOUR RESPONSE, PROVIDE DOCUMENTATION
 7 SHOWING THE DERIVATION OF THE 1.7% DECREASE.

8 **RESPONSE:**

9 As stated on page 1 of PWD Statement 9A Schedule BV-E5:WP-1 "Financial Plan - Revenue
 10 and Revenue Requirement Assumptions":

- 11
- 12 • "The projected water usage reflects the current number of accounts and the average
 13 usage per account based on historical demands, as presented in Appendix 1."
- 14

15 For your reference, the related data from Appendix 1 is presented below:

Annual Billed Volume Per Account (Mcf/Account)						
Customer Type	USE	Historical Averages		Historical Usage Per Account		
	FY 2017	2 Year	3 Year	FY 2014	FY 2015	FY 2016
General Service (Residential)						
5/8" Meter	7.00	6.95	6.99	7.07	7.09	6.80

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- 22 • "For 5/8" meter General Service Customers usage per account is projected to decrease
 23 1.75% per year; this is based on Black & Veatch's review of the historical 2- Year
 24 Average change shown in Figure 1."
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1 **Historical Usage Per Account for General Service Customers (5/8” Meters)**

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<u>Description</u>	<u>Historical</u>				
	2012	2013	2014	2015	2016
Annual Billed Volume Per Account (Mcf/Account)	7.34	7.55	7.27	7.32	7.02
Annual Change	-6.73%	2.86%	-3.71%	0.69%	-4.10%
2 Year Average Change		-2.05%	-0.48%	-1.53%	-1.73%

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12 Note: as presented in Figure 1 of PWD Statement 9A Schedule BV-E5:WP-1 “Financial Plan -
13 Revenue and Revenue Requirement Assumptions,” while the usage per account for General
14 Service Customers with 5/8” meters is decreasing over time, the annual change ranges from -
15 6.73 percent to 2.86 percent.

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27 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.

1 **PA-VI-11.** REGARDING PWD EXHIBIT 6, PAGE 108 & 110, WATER-BILLED
 2 VOLUME, PLEASE EXPLAIN IN DETAIL WHY GENERAL SERVICE
 3 (COMMERCIAL), 5/8" METER VOLUME AND PER ACCOUNT GROWTH IS
 4 PROJECTED TO INCREASE BY 1.7% FROM FY2016 TO FY2017 AND THEN
 5 TO DECLINE BY APPROXIMATELY 1.7% FOR EACH FISCAL YEAR
 6 THEREAFTER. IN YOUR RESPONSE, PROVIDE DOCUMENTATION
 7 SHOWING THE DERIVATION OF THE 1.7% DECREASE.

8 **RESPONSE:**

9 As stated on page 1 of PWD Statement 9A Schedule BV-E5:WP-1 "Financial Plan - Revenue
 10 and Revenue Requirement Assumptions":

- 11
- 12 • "The projected water usage reflects the current number of accounts and the average
 13 usage per account based on historical demands, as presented in Appendix 1."
- 14

15 For your reference, the related data from Appendix 1 is presented below:

Appendix 1						
Annual Billed Volume Per Account (Mcf/Account)						
Customer Type	USE	Historical Averages		Historical Usage Per Account		
	FY 2017	2 Year	3 Year	FY 2014	FY 2015	FY 2016
General Service (Commercial)						
5/8" Meter	11.50	11.52	11.46	11.33	11.73	11.31

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- 22 • "For 5/8" meter General Service Customers usage per account is projected to decrease
 23 1.75% per year; this is based on Black & Veatch's review of the historical 2- Year
 24 Average change shown in Figure 1."
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1 **Historical Usage Per Account for General Service Customers (5/8” Meters)**

2

<u>Description</u>	<u>Historical</u>				
	2012	2013	2014	2015	2016
Annual Billed Volume Per Account (Mcf/Account)	7.34	7.55	7.27	7.32	7.02
Annual Change	-6.73%	2.86%	-3.71%	0.69%	-4.10%
2 Year Average Change		-2.05%	-0.48%	-1.53%	-1.73%

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11 Note: as presented in Figure 1 of PWD Statement 9A Schedule BV-E5:WP-1 “Financial Plan -
12 Revenue and Revenue Requirement Assumptions,” while the usage per account for General
13 Service Customers with 5/8” meters is decreasing over time, the annual change ranges from -
14 6.73 percent to 2.86 percent.

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28 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.

1 **PA-VI-12.** REGARDING PWD EXHIBIT 6, PAGE 183 & 184, PWD DIRECT O&M,
2 PLEASE UPDATE THESE SCHEDULES TO INCLUDE ACTUAL FY2017
3 DATA.

4 **RESPONSE:**

5 Pages 183 and 184 of PWD Exhibit 6 present the historical actual experience of PWD with
6 regard to Other Department O&M. This information was already provided in response to
7 PA-ADV-7. Please refer to response attachment PA-ADV-7.xlsx

8
9 Please refer to the "Direct O&M." tab and refer to Column O for the preliminary final
10 actuals for FY 2017.

11 The only difference between the preliminary final numbers and the final numbers was an
12 adjustment of \$34,209 to the Class 200 costs in order to reflect actual accounts payable (i.e.
13 the total for Direct Class 200 costs as provided in PA-ADV-7 was adjusted as follows
14 $\$107,927,922 - \$34,209 = \$107,893,768$). This amounts to less than a 0.01% difference in
15 the overall Direct O&M Costs. Note – this adjustment cannot be isolated to a specific
16 Division at this time.

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27 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.
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1 **PA-VI-13.** REGARDING PWD EXHIBIT 6, PAGE 108, WATER-BILLED VOLUME,
2 PLEASE UPDATE THIS SCHEDULE TO INCLUDE ACTUAL FY2017 DATA.

3 **RESPONSE:**

4 This information is currently being compiled and is not available due to the shortened
5 period allotted to compile discovery responses in this proceeding. The discovery response
6 will be updated when the information is available.

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27 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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1 **PA-VI-14.** REGARDING PWD EXHIBIT 6, PAGE 109, WATER-BILLED VOLUME PER
2 ACCOUNT, PLEASE UPDATE THIS SCHEDULE TO INCLUDE ACTUAL
3 FY2017 DATA.

4 **RESPONSE:**

5 This information is currently being compiled and is not available due to the shortened
6 period allotted to compile discovery responses in this proceeding. The discovery response
7 will be updated when the information is available.

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28 **RESPONSE PROVIDED BY:** Philadelphia Water Department

1 **PA-VI-15.** REGARDING PWD EXHIBIT 6, PAGE 110, WATER-BILLED VOLUME PER
2 ACCOUNT GROWTH, PLEASE UPDATE THIS SCHEDULE TO INCLUDE
3 ACTUAL FY2017 DATA.

4 **RESPONSE:**

5 This information is currently being compiled and is not available due to the shortened
6 period allotted to compile discovery responses in this proceeding. The discovery response
7 will be updated when the information is available.

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28 **RESPONSE PROVIDED BY:** Philadelphia Water Department

1 **PA-VI-16.** REGARDING PWD EXHIBIT 6, PAGES 185-186, PWD O&M
2 ADJUSTMENTS, PLEASE EXPLAIN IN DETAIL THE FOLLOWING
3 ADJUSTMENTS:
4 A. OPERATIONS- SALARIES & WAGES
5 B. PLANNING & ENVIRONMENTAL SERVICES- SALARIES & WAGES

6 **RESPONSE:**

7 These adjustments are discussed in PWD Statement 9A Schedule BV-E5:WP-1 Financial
8 Plan – Revenue and Revenue Requirement Assumptions beginning on Page 7 – Figure 8
9 Additional Adjustments for Projected Operating Expenses.

10
11 As noted in the document the adjustment to Item A is related “*Additional Water Department*
12 *staff costs related to regulatory compliance.*”

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14 As noted in the document the adjustment to Item B is related “*Additional Water Department*
15 *staff costs related to regulatory compliance.*”

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28 **RESPONSE PROVIDED BY:** Melissa La Buda, Philadelphia Water Department

1 **PA-VI-17.** REGARDING PWD EXHIBIT 6, PAGES 222 & 223, OTHER DEPARTMENT
2 O&M, PLEASE UPDATE THIS SCHEDULE TO INCLUDE ACTUAL FY2017
3 DATA.

4 **RESPONSE:**

5 Pages 222 and 223 of PWD Exhibit 6 present the historical actual experience of PWD with
6 regard to Other Department O&M. This information was already provided in response to
7 PA-ADV-7. Please refer to response attachment PA-ADV-7.xlsx

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9 Please refer to the “Other Dept O&M.” tab and refer to Column O for the preliminary actuals
10 for FY 2017.

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27 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.
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1 **PA-VI-18.** REGARDING PWD EXHIBIT 6, PAGE 227, OTHER DEPARTMENT O&M
2 ADJUSTMENTS, PLEASE EXPLAIN IN DETAIL THE FOLLOWING
3 ADJUSTMENTS FOR CITY FINANCE:

4 A. BENEFITS

5 B. PENSION

6 C. PENSION OBLIGATIONS

7 D. INDEMNITIES

8 **RESPONSE:**

9 These adjustments are discussed in PWD Statement 9A Schedule BV-E5:WP-1 Financial
10 Plan – Revenue and Revenue Requirement Assumptions beginning on Page 7 – Figure 8
11 Additional Adjustments for Projected Operating Expenses.

12
13 As noted in the document, the adjustments to City Finance related to items A, B and C are
14 the pension and benefits costs associated additional Water Department staff for regulatory
15 compliance. Additional costs are derived using the ratio of projected Water Fund pension
16 and benefit costs (excluding capital related costs) to projected Water Fund salary costs. The
17 annual ratio for FY 2019 to FY 2023 averages 88.4%.

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19 The adjustment to Item D is related to the projected increase in indemnities. For additional
20 information, please also see the previously provided response to PA-IV-24.

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27 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.

1 **PA-VI-19.** REGARDING PAGE PF-3 OF THE PREFILING PLEASE PROVIDE
2 DETAILED SUPPORT FOR THE 0.4% ANNUAL INTEREST EARNINGS
3 RATE UTILIZED FOR THE OPERATING FUND AND RATE
4 STABILIZATION FUND.

5 **RESPONSE:**

6 Please note that the Prefiling Documents have been superseded by the Advance Filing.
7 Please refer to PWD Statement 9A Schedule BV-E5:WP-1 Financial Plan – Revenue and
8 Revenue Requirements Assumptions - page 2.

9
10 Please refer to PWD Statement 9A Page 39 lines 17 through 24. The 0.4% interest earning
11 rate related to the operating fund and the rate stabilization fund is based on historical average
12 interest rate earned by PWD. The Cost of Service Study used an interest rate of 0.36%. The
13 Financial Plan - Revenue and Revenue Requirements Assumptions document (PWD
14 Statement 9A Schedule BV-E5:WP-1) rounded the interest to 0.4%.

15
16 In addition, please refer to the City’s investment policy, which details allowable
17 investments. The investment policy is available at the following website:

18 http://www.phila.gov/Treasurer/pdfs/Investment_Policy_201.pdf.

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25 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.
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1 **PA-VI-20.** REGARDING PAGE PF-4 OF THE PREFILING, PLEASE PROVIDE ACTUAL
2 ANNUAL PENALTIES EXPENSE FOR THE PERIOD FY2014-FY2017.

3 **RESPONSE:**

4 Please note that the Prefiling Documents have been superseded by the Advance Filing.
5 Please refer to PWD Statement 9A Schedule BV-E5:WP-1 Financial Plan – Revenue and
6 Revenue Requirements Assumptions - page 4.

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8 The penalties as shown in Figure 4 are not an expense; rather these are other revenues.
9 Revenue from penalties is provided in PWD Exhibit 6 on Page 180, which has been
10 provided herein as response attachment PA-VI-20.pdf.

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27 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.
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1 **PA-VI-21.** REGARDING PAGE PF-4 OF THE PREFILING, OTHER MISCELLANEOUS
2 REVENUE, PLEASE PROVIDE DETAILED SUPPORT FOR THE
3 STATEMENT IN FOOTNOTE 2 THAT “FY2019 TO FY2023 REFLECTS AN
4 ANTICIPATED INCREASE IN MISCELLANEOUS FEE REVENUE DUE TO
5 UPDATED FEES”.

6 **RESPONSE:**

7 Please note that the Prefiling Documents have been superseded by the Advance Filing.
8 Please refer to PWD Statement 9A Schedule BV-E5:WP-1 Financial Plan – Revenue and
9 Revenue Requirements Assumptions - page 3.

10
11 As noted in PWD Statement 9A, as part of the cost of service study, Black & Veatch
12 performed a review of all miscellaneous charges and developed proposed charges for FY
13 2019 - 2021. Therefore, based upon the proposed miscellaneous fees, associated revenues
14 are expected to increase. Please refer to PWD Statement 9A – Schedule BV-E4 for
15 additional information regarding the proposed miscellaneous fees and charges.

16
17 A copy of the Miscellaneous Fee Study was provided in response to PA-III-10. The
18 projected miscellaneous fee revenue, as presented below, was calculated using the projected
19 activity volume (based upon the 3-year historical average activity volume) as presented in
20 Table 2- Existing Miscellaneous Charges Activity Volume shown on Pages 41 through 42
21 of response attachment PA-III-10 and the proposed Miscellaneous Rates & Charges for FY
22 2019 to FY 2021 as presented in PWD Statement 9A Schedule BV-E4 Tables M-1 and M-
23 2. As rates are only proposed through FY 2021, revenue levels are maintained at FY 2021
24 for the remainder of the study period (i.e. FY 2022 through FY 2023).

1 Projected Miscellaneous Revenue
2 FY 2019 - \$10.1 M
3 FY 2020 - \$10.9 M
4 FY 2021 - \$11.3 M
5 FY 2022 - \$11.3 M
6 FY 2023 - \$11.3 M

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RESPONSE PROVIDED BY: Black & Veatch Management Consulting, LLC.

1 **PA-VI-22.** REGARDING PAGE PF-4 OF THE PREFILING, STORMWATER CAP,
2 PLEASE PROVIDE DETAILED SUPPORT FOR THE STATEMENT IN
3 FOOTNOTE 5: “REFLECTS A REDUCTION OF \$100,000 IN CAP REVENUE
4 LOSS EACH YEAR”.

5 **RESPONSE:**

6 Please note that the Prefiling Documents have been superseded by the Advance Filing.
7 Please refer to PWD Statement 9A Schedule BV-E5:WP-1 Financial Plan – Revenue and
8 Revenue Requirements Assumptions - page 3.

9
10 Black & Veatch worked with PWD staff to estimate the reduction in CAP revenue loss
11 projected for each year based upon current stormwater CAP program enrollees.

12
13 The CAP program eligibility requirements are defined in the Philadelphia Water
14 Department Regulations, Chapter 2 § 204.0 (B). Customers already enrolled will remain in
15 the program until they no longer meet the assistance requirements as defined in Philadelphia
16 Water Department Regulations, Chapter 2 § 204.0 (F).

17
18 Using the enrollees in CAP as of July 2017, PWD Staff and Black & Veatch estimated the
19 change in the annual amount of CAP Revenue Loss resulting from a range of rate increases
20 over the rate period. Based on these estimates, Black & Veatch assumed an annual reduction
21 of \$100,000 each year.

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26 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.
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1 **PA-VI-23.** REGARDING PAGE PF-10 OF THE PREFILING, CAPITAL ACCOUNT
2 DEPOSIT, (4D2) PLEASE EXPLAIN WHY FY2015 WAS NOT UTILIZED TO
3 DETERMINE THE AVERAGE ANNUAL INCREASE IN NET PLANT
4 INVESTMENT.

5 **RESPONSE:**

6 Please note that the Prefiling Documents have been superseded by the Advance Filing.
7 Please refer to PWD Statement 9A Schedule BV-E5:WP-1 Financial Plan – Revenue and
8 Revenue Requirements Assumptions - page 9.

9
10 Net plant investment (net of construction in progress) in FY 2015 increased 8.06% from
11 FY 2014, which is nearly twice the annual increase experienced in FY 2014 and FY 2016;
12 therefore, FY 2015 was not used to develop the average annual increase in net plant
13 investment.

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28 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.

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PA-VI-24. REGARDING PAGE PF-10 OF THE PREFILING, RESIDUAL TRANSFER TO CONSTRUCTION (4E), PLEASE EXPLAIN WHY THE END-OF-YEAR RESIDUAL FUND BALANCE IS MAINTAINED AT \$15.0 MILLION FOR THE PROJECTION PERIOD.

RESPONSE:

Please note that the Prefiling Documents have been superseded by the Advance Filing. Please refer to PWD Statement 9A Schedule BV-E5:WP-1 Financial Plan – Revenue and Revenue Requirements Assumptions - page 9.

1. Please see previously supplied response attachment PA IV 9, Moody’s Report which states: “Continued improvement in liquidity highlights strong financial flexibility. Higher rated entities have historically maintained robust cash positions due to well-developed capital plans supported by rate increases. Maintenance of strong liquidity is a key credit strength for lower-rated entities, given their limited ability to raise rates quickly to address contingencies or possible service disruptions.” Additionally, Moody’s states Stronger liquidity leads to flexibility and low leverage:
 - a. Liquidity improved across all rating categories in fiscal 2015, giving systems financial flexibility to address capital needs and helping maintain low leverage.
 - b. With sound management, higher-rated entities continued to demonstrate a robust cash position due to well developed capital plans that include a mix of pay-as-you-go (through regular rate increases) and debt.
 - c. A strong cash position is key for lower-rated entities with high debt profiles that lack the ability to quickly raise rates to cover unforeseen costs.

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- 2. PWD Statement 2, Schedule ML-4, Rating Agency Reports. Fitch states “RSF balances are anticipated to decline with a projected ending balance in 2022 of \$160 million. While liquidity will fluctuate somewhat over the next few years, Fitch expects PWD to sustain cash at levels generally consistent with the current rating.”
- 3. PWD Statement 2, Schedule ML-2, page number 14 and 28.
- 4. Schedule ML-6, page 1 -4, specifically, “Cash Reserves – Liquidity measures are a critical indicator of the financial stability of utility system. Adequate cash reserves allow systems to contribute to increasing capital projects, mitigate system disruptions, and fund unexpected operating expenses. The Department has maintained liquidity by targeting a \$150 million balance in the Rate Stabilization Fund and \$15 million in the Residual Fund. The credit agencies give credit to the Department for balances in both funds in calculating liquidity levels.”

RESPONSE PROVIDED BY: Melissa LaBuda, Philadelphia Water Department

1 **PA-VI-25.** REGARDING PAGE PF-10 OF THE PREFILING, RATE STABILIZATION
2 FUND TRANSFERS (4F), PLEASE EXPLAIN IN DETAIL WHY THE WATER
3 DEPARTMENT WANTS TO HAVE A RATE STABILIZATION FUND
4 BALANCE GOAL OF APPROXIMATELY \$150 MILLION BY FY 2023.

5 **RESPONSE:**

6 Please note that the Prefiling Documents have been superseded by the Advance Filing.
7 Please refer to PWD Statement 9A Schedule BV-E5:WP-1 Financial Plan – Revenue and
8 Revenue Requirements Assumptions - page 9.

9
10 Please see response to PA VI 24.
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13 **RESPONSE PROVIDED BY:** Melissa LaBuda, Philadelphia Water Department
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1 **PA-VI-26.** REGARDING PAGE PF-10 OF THE PREFILING, RATE STABILIZATION
2 FUND TRANSFERS (4F), PLEASE EXPLAIN IN DETAIL WHY NO
3 DEPOSITS TO THE RATE STABILIZATION FUND ARE PLANNED
4 DURING THE RATE PERIOD (FY 2019 – FY 2021).

5 **RESPONSE:**

6 Please note that the Prefiling Documents have been superseded by the Advance Filing.
7 Please refer to PWD Statement 9A Schedule BV-E5:WP-1 Financial Plan – Revenue and
8 Revenue Requirements Assumptions - page 9.

9
10 No deposits are planned during the rate period, rather PWD plans to withdrawal funds from
11 the Rate Stabilization Fund (RSF) as shown in Table C-1 (PWD Statement 9A Schedule
12 BV-E1) Line 38. As discussed in PWD Statement 9A on Page 48 beginning on line 8, The
13 fund balance in the Rate Stabilization Fund is intended to help stabilize the magnitude of
14 future increases in water and wastewater rates. As such, PWD has planned a series of
15 withdrawals to help manage revenue increase while helping to meet other financial metrics.

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27 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.
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1 **PA-VI-27.** REGARDING PAGE PF-10 OF THE PREFILING, CAPITAL PROGRAM,
2 PLEASE EXPLAIN IN DETAIL WHY THE PROJECTED CAPITAL
3 PROGRAM TOTAL ANNUAL EXPENDITURES FOR THE PROJECTION
4 PERIOD WERE ESTIMATED AS 90% OF THE ANNUAL INFLATED
5 CAPITAL PROGRAM BUDGET.

6 **RESPONSE:**

7 Please note that the Prefiling Documents have been superseded by the Advance Filing.
8 Please refer to PWD Statement 9A Schedule BV-E5:WP-1 Financial Plan – Revenue and
9 Revenue Requirements Assumptions - page 9.

10
11 The projected capital program total annual expenditures were estimated as 90% of the
12 annual inflated capital program budget based on historical spending levels. The table on
13 the following table page provides a summary of the historical capital budget spending levels:

14
15

Fiscal Year	Annual Expenditures	Annual Budget	Actual to Budget
2002	97,471,000	121,018,000	80.54%
2003	118,730,000	127,801,000	92.90%
2004	110,672,000	122,927,000	90.03%
2005	102,789,000	119,044,000	86.35%
2006	85,699,000	142,868,000	59.98%
2007	97,124,000	120,889,000	80.34%
2008	110,743,000	142,225,000	77.86%
2009	102,340,000	145,249,000	70.46%
2010	123,746,000	157,467,000	78.59%
2011	145,027,000	171,077,000	84.77%
2012	162,637,000	187,585,000	86.70%
2013	142,016,000	228,573,000	62.13%
2014	143,024,000	253,153,000	56.50%

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Fiscal Year	Annual Expenditures	Annual Budget	Actual to Budget
2015	175,618,460	260,353,000	67.45%
2016	261,659,345	334,075,000	78.32%
2017	247,692,585	301,629,000	82.12%

Based on historical spending rates, PWD has spent up to 92.9% of the annual Budget. Note that when the capital program budget experienced significant growth, the spending levels are initially lower but approach the 90% historical spending levels over time. The initial lower spending rates reflect the time required to complete the project planning, design and procurement process.

RESPONSE PROVIDED BY: Black & Veatch Management Consulting, LLC.

1 **PA-VI-28.** REGARDING APPENDIX 2 OF THE PREFILING, COLLECTION FACTORS,
2 PLEASE EXPLAIN IN DETAIL WHY A 5-YEAR AVERAGE WAS UTILIZED
3 RATHER THAN THE 2 AND 3-YEAR AVERAGES UTILIZED FOR OTHER
4 DATA PROJECTIONS.

5 **RESPONSE:**

6
7 A five year average was utilized based on the available data for collection factor analysis.
8 Note that we only used a five year average for the “Billing Year” collection factor, as that
9 was the extent of the available data. The “Billing Year Plus 2 and Beyond” collection factor
10 is based on a three year average based on the extent of the available data.

11
12 The average over the longer period is utilized based on the availability of data. The average
13 of the longer period of time allows for the recognition of payment patterns over various
14 economic conditions.

15
16 Please note that the Prefiling Documents have been superseded by the Advance Filing.
17 Please refer to PWD Statement 9A Schedule BV-E5:WP-1 Financial Plan – Revenue and
18 Revenue Requirements Assumptions – Appendix 2.

19
20 Averages were developed based upon billing years for which complete data sets were
21 available. For example payments received within 13-24 months and after 24 months would
22 not be available for FY 2016, therefore the percent collected cannot be determined nor
23 should it be used to calculate the average collection factor for that billing year.

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27 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.
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1 **PA-VI-29.** REGARDING THE REPLY TO PA-ADV-9, PLEASE EXPLAIN IN DETAIL
2 AND PROVIDE DETAILED SUPPORTING WORKPAPERS FOR THE
3 FOLLOWING ADJUSTMENTS. ALSO, STATE WHETHER EACH
4 ADJUSTMENT IS RECURRING OR NON-RECURRING, THAT IS, IS THE
5 ADJUSTMENT INCLUDED IN JUST THE FY2018 BUDGET OR WILL IT
6 ALSO OCCUR IN THE THREE RATE YEAR BUDGETS.

7 A. INCREASE IN POSITIONS FROM WRB (54 POSITIONS), OIT (7
8 POSITIONS, AND NEW POSITIONS RELATED TO COA (25
9 POSITIONS), FUNDING OF STAFFING LEVEL CHANGES, AND
10 DC33 CONTRACT WAGE INCREASES: +\$6,797,637

11 B. ADJUSTMENT FOR DC33 SIGNING BONUS: -\$692,500

12 C. REFLECT CAPACITY TO PAY FOR ENERGY COST DUE TO
13 WEATHER RELATED EVENTS AND ALSO TO ACCOUNT FOR
14 ENERGY NOT PURCHASED IN ADVANCE: +\$1,548,000

15 D. INCREASE IN CONTRACTED SERVICES RELATED TO TAP
16 (TIERED ASSISTANCE PROGRAM), REGULATORY REQ. (CO&A)
17 AND OTHER MATTERS: +\$1,569,366

18 E. INCREASE IN MAINTENANCE AND REPAIR AT WATER &
19 WASTEWATER TREATMENT PLANTS: +\$578,409

20 F. INCREASE RELATED TO LEAD SERVICE LINE REPLACEMENT
21 PROGRAM: +\$612,199

22 G. INCREASE IN OTHER EQUIPMENT AND VEHICLE RENTAL: +\$
23 261,313

24 H. VARIOUS MINOR CLASS 200 INCREASES; +\$ 552,494

25 I. INCREASE IN CONSTRUCTION SUPPLY COST AND GLASS
26 REPLACEMENT AT SOUTH EAST PLANT: +\$137,244 \

27 J. VARIABLE SPEED DRIVE AND OTHER INCREASES RELATED
28 TO ELECTRIC PARTS: +\$380,845

1 K. DISTRIBUTING CONTROL SYSTEM UPGRADE, FILTER
2 BUILDING RADIATOR REPLACEMENT, PARTS TO REPLACE
3 HVAC:+ \$270,204
4 L. INCREASE DUE TO PURCHASE OF MONITORING EQUIPMENT :
5 +\$411,715
6 M. VARIOUS MINOR CLASS 300 INCREASES: +\$465,907
7 N. INCREASE IN COMMUNICATION AND LIGHTING
8 EQUIPMENT/FIXTURES/MATERIALS: +\$256,295
9 O. VARIOUS MINOR CLASS 400 INCREASES: +\$41,539
10 P. INCREASE TO UESF GRANT : +\$99,000
11 Q. INCREASE RELATED TO ADDITIONAL SERVICES PROVIDED
12 BY THE GENERAL FUND: +\$2,000,000
13 R. INCREASE RELATED TO REQUIRED TRANSFER FOR
14 RENEWAL AND REPLACEMENT: +\$1,000,000
15 S. INCREASE DUE TO REQUIRED TRANSFER TO THE GENERAL
16 FUND FOR REPAYMENT OF CSO PROJECT: +\$2,300,000

17 **RESPONSE:**

- 18 a) The increase of \$6,797,637 resulted from 54 customer services/representative positions
19 transferred from WRB to Public Affairs (\$2,825,060), 16 GSI positions under Operations
20 (\$807,450), 5 positions under Human Resources (\$306,299), 2 positions under
21 Environmental Services (\$98,581), 1 position under Finance (\$84,000) and \$2,676,247 for
22 DC33 wage agreement. This increase is recurring.
- 23
- 24 b) As Part of the AFSCME DC33 labor settlement, there was a \$500 dollar signing bonus for
25 employees. This was a onetime expense in FY2017. This is a non-recurring cost, which is
26 why it was shown as a negative adjustment in the FY2018 budget.
- 27
- 28

- 1 c) Of the \$1,548,000, \$1,493,250 reflects capacity to pay for energy & gas demands due to
2 weather related events and \$54,750 provides for energy purchased in the spot market that is
3 not part of hedge. This provision will be recurring.
4
- 5 d) Of the \$1,569,366 , \$1,100,000 represents increase for WRAP/TAP implementation cost,
6 bond engineering, affordable rate studies and reporting. The balance \$470,000 will go
7 toward other professional services. This is recurring.
8
- 9 e) The \$578,409 represents cost to repair chillers and digesters, upgrade ABB, chemical tank
10 project and installation/maintenance of stair lift at the treatment plants. The cost of
11 maintenance is always recurring to the extent of repair needs at the plants and other
12 facilities.
13
- 14 f) The \$612,199 represents need for the HELP and Lead Line loan programs. Please note that
15 although \$6.3m was budget in FY17, an additional \$1.6m was transferred to class 264
16 bringing the obligation level for FY17 to \$7.9m. Hence, the \$7m budgeted in FY18 is a
17 reduction compared to FY18 obligation level. This is recurring.
18
- 19 g) The \$261,313 increase is for additional WRT stream restoration work for PWD Design and
20 rental of Geppert Crane used for CSPS Grit Chamber Cleaning (class 285). This is recurring.
21
- 22 h) The \$552,494 represents increases in other class 200 as follow: class 205, Barge
23 Drydocking, tank and digester cleaning (\$94,000); mailing to customer (\$50,000);
24 employee training (\$65,000); emergency repair contracts (\$215,000); lease payment for the
25 biosolid recycling facility (\$77,000) and others (\$51,494). The cost of maintenance is
26 always recurring.
27
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- 1 i) The \$137,244 provides for building & construction supplies for crews & glass replacement
2 at the Southeast Plant. The cost of maintenance is always recurring.
3
- 4 j) The \$380,845 represents parts/equipment for variable speed drive, carbon system, Easton
5 meters FC/QLR/QLFW, radios, etc. The cost of maintenance is always recurring.
6
- 7 k) The \$270,204 provides for distributing control system upgrade, replacement of filter
8 building radiator and parts to replace HVAC. The cost of maintenance is always recurring.
9
- 10 l) The \$411,715 provides for Ammo analyzers for contractor/carbon system upgrade, tub parts
11 & replacement, Gas meters, Hach Turbidimeters/parts project, Honeywell gas detector and
12 Rosemount Transmitters. The cost of maintenance is always recurring.
13
- 14 m) The \$465,907 represents increases in other class 300 as follow: projector control & design,
15 mailing etc. (\$132,800); office supplies (\$74,000); others (\$259,107). This is recurring.
16
- 17 n) The \$256,295 provides for Radios, corrosion control material, small/electric motor
18 replacement, LED fixtures. The cost for equipment is recurring.
19
- 20 o) The \$41,539 represents increases in other class 400 equipment purchases. This is recurring.
21
- 22 p) The \$99,000 increase under the UESF's Housing Stabilization Program is to assist
23 customers that are above the 150% FPL in accordance with the new program guidelines.
24 This is recurring.
25
- 26 q) The \$2,000,000 increase is due to services provided by the City of Philadelphia for the
27 Water Department as well as the increase in salary for the personnel performing these
28 services. This is recurring.

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r) The \$1,000,000 increase is due to the Water Department’s NPPE value increases, causing the 1% transfer increases to the Capital account. This is recurring.

s) Please see PA Set IV, question 12-D.

RESPONSE PROVIDED BY: Melissa La Buda and Jaclyn Rogers, Philadelphia Water Department

1 **PA-VI-30.** PLEASE EXPLAIN WHY NO BOND ISSUANCE IS PLANNED DURING FY
2 2018, EVEN THOUGH IN THE 2016 BASE RATE CASE, PWD PROJECTED
3 \$275 MILLION IN NEW MONEY BONDS IN FY2018 AND THE BOARD
4 APPROVED A 5.25% INTEREST ASSUMPTION.

5 **RESPONSE:**

6 Please refer to the previously provided response to ADV-17 and PA-IV-38. The 2016
7 Base rate case projected a \$275 million new money bond issue in the second half of fiscal
8 year 2018 with no principal and interest payments in that fiscal year.

9
10 In addition to the previously supplied responses, the Fiscal Year 2017 bond issuance
11 resulted in a capital account deposit of \$300 million versus the prior rate case assumption
12 of \$275 million.

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26 **RESPONSE PROVIDED BY:** Melissa LaBuda, Philadelphia Water Department and Black &
27 Veatch Management Consulting, LLC.

1 **PA-VI-31.** REGARDING PWD STATEMENT 9A, PAGE 23, LINES 4 THROUGH 6,
2 PLEASE EXPLAIN WHY ONLY 10 MONTHS OF ADDITIONAL REVENUES
3 ARE REFLECTED IN EACH FISCAL YEAR.

4 **RESPONSE:**

5 Please refer to the previously provided response to PA-II-25.

6
7 As noted in the response “As presented in PWD Exhibits 3A, 3B, 3C, 3D, 3E, and 3F, the
8 proposed schedules of rates and charges are to be effective on September 1st during fiscal
9 years 2019, 2020 and 2021. Therefore, each increase will only be effective for 10 months
10 of the initial fiscal year.”

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28 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.

1 **PA-VI-32.** REGARDING PWD STATEMENT 9A, PAGE 25,

2 A. PLEASE PROVIDE THE AQUA PENNSYLVANIA RECEIPTS
3 (REVENUE) FOR FY 2015, 2016 AND 2017.

4 B. PLEASE PROVIDE THE AQUA PENNSYLVANIA SALES
5 VOLUME FOR FY 2015, 2016 AND 2017.

6 C. PLEASE PROVIDE AN ANALYSIS THAT SHOWS THE AQUA
7 PENNSYLVANIA RATE COVERS THE POWER, CHEMICAL AND
8 ALLOCATED COSTS AS DISCUSSED ON PAGE 26, LINES 1
9 THROUGH 4.

10 **RESPONSE:**

11
12 A. The following table presents the Aqua Pennsylvania Receipts for FY 2015, FY 2016,
13 and FY 2017.

14

Fiscal Year	Receipts
2015	\$3,750,000
2016	\$3,561,000
2017	\$3,277,000

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19 Note that the FY 2015 and FY 2016 Aqua Pennsylvania receipts are provided in PWD
20 Exhibit 6, SCOS17_19, Customer-9 (page 119).

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22 B. The following table presents the Aqua Pennsylvania sales volume for FY 2015, FY
23 2016, and FY 2017.

24

Fiscal Year	Annual Sales Volume (Mcf)
2015	129,410
2016	69,888
2017	71,320

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1 Note that the FY 2015 and FY 2016 Aqua Pennsylvania sales volumes are provided in
2 PWD Exhibit 6, SCOS17_19, Customer-9 (page 119).

3
4 C. A summary of the cost of service analysis associated with the Aqua Pennsylvania
5 proposed rate is presented in Table 13A, Table 13B, and Table 13C of PWD Statement
6 9A Schedule BV-E1.

7
8 Please refer to the following workpaper references from PWD Exhibit 6 for the details
9 associated with the Test Year 2019 cost of service analysis as summarized in Table
10 13A of PWD Statement 9A Schedule BV-E1.

11 Workpaper Reference	Description
12 WCOS17_19, Plant-13 (page 742)	Allocation basis for capital costs
13 WCOS17_19, Plant-15 (page 745)	Allocation of capital costs
14 WCOS17_19, Womallo-17 (page 777)	Allocation basis for O&M expenses
15 WCOS17_19, Womallo-17 (page 778)	Allocation of O&M Expenses
16 WCOS17_19, Retcos-6 (page 786)	Aqua Pennsylvania Rate Design

17
18 Note: The cost of service and rate design methodology is consistent with the terms of
19 the Aqua Pennsylvania Drinking Water Agreement and is consistent with the cost of
20 service analysis in support of the FY 2017 and FY 2018 Rate Proceeding.

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25 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC
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1 **PA-VI-33.** REGARDING PWD STATEMENT 9A, PAGE 26, LINES 6 THROUGH 12,
2 PLEASE PROVIDE THE WASTEWATER CONTRACT RECEIPTS
3 (REVENUE) FOR FY 2015, 2016 AND 2017.

4 **RESPONSE:**

5
6 The following table presents the Wastewater Contract Receipts for FY 2015, FY 2016,
7 and FY 2017.

Fiscal Year	Receipts
2015	\$33,221,384
2016	\$32,389,116
2017	\$34,652,023

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13 Note that the FY 2015 and FY 2016 wastewater contract receipts are provided in PWD
14 Exhibit 6, SCOS17_19, Customer-19 (page 143).

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26 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.
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1 **PA-VI-34.** REFERENCE PWD EXHIBIT 6, PAGE 23, PLEASE PROVIDE THE OTHER
2 OPERATING REVENUE AS BROKEN DOWN ON THIS SCHEDULE FOR FY
3 2015, 2016 AND 2017.

4 **RESPONSE:**

5 PWD Exhibit 6, Page 23 presents the assumptions for other operating revenue utilized for
6 projection purposes.

7
8 The same schedule presenting the other revenues for FY 2015 and FY 2016 is provided in
9 PWD Exhibit 6 on Page 180. FY 2017 actuals were not available at the time of the analysis.

10 Miscellaneous Revenue – (in \$1,000)

Description	FY 2015	FY 2016	FY 2017
Penalties	\$8,486	\$9,474	\$10,056
Misc City Revenues	\$2,109	\$2,520	\$1,709
Other	\$11,223	\$10,020	\$9,577
State & Federal Grants	\$1,083	\$944	\$1,408
Permits Issued by L&I	\$3,840	\$3,795	\$4,647
Miscellaneous (Procurement)	\$327	\$358	\$365

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27 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.
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PA-VI-35. PLEASE PROVIDE A NARRATIVE EXPLAINING THE CONCEPT OF THE MARK-TO-MARKET VALUATION AND WHY THE VALUATION IS PERFORMED.

RESPONSE:

Please see response attachment PA-I-21 Restated General Water and Wastewater Revenue Bond Ordinance, Section 4.17.

RESPONSE PROVIDED BY: Philadelphia Water Department

1 **PA-VI-36.** REGARDING PWD STATEMENT 9A, PAGE 34, LINES 17 THROUGH 21,

2 A. PLEASE EXPLAIN WHY AVERAGE SPEND FACTORS ARE
3 BASED UPON THE TWO-YEAR AVERAGE OF FY 2015 AND FY
4 2016. IN YOUR RESPONSE, ALSO EXPLAIN WHY FY 2017 WAS
5 EXCLUDED.

6 B. PLEASE PROVIDE A CALCULATION OF THE SPEND FACTORS
7 INCLUDING FY 2017.

8
9 **RESPONSE:**

10 A. FY 2017 actuals were not available at the time of the cost of service analysis.

11 B. Please refer to response attachment PA-VI-36.pdf.

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26 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.

1 **PA-VI-37.** USING THE BREAKDOWN OF COST COMPONENTS PRESENTED ON
2 PWD EXHIBIT 6, PAGES 333 THROUGH 336, PLEASE PROVIDE A
3 WORKPAPER SHOWING ACTUAL AND BUDGETED WATER AND
4 WASTEWATER CAPITAL PROJECTS FOR FY 2014, 2015, 2016 AND 2017.

5 **RESPONSE:**

6 Actual water and wastewater capital project encumbrances were previously provided in
7 response to PA-IV-39.

8
9 A similar schedule including actual and budgeted CIP for water and wastewater is not
10 available for FY 2014, FY 2015, FY 2016 and FY 2017.

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27 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.
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1 **PA-VI-38.** PLEASE REVISE THE CHART ON PWD STATEMENT 9A, PAGE 41, LINES
2 3 THROUGH 9 TO INCLUDE THE AMOUNTS FOR FY 2015, 2016 AND
3 2017.

4 **RESPONSE:**

5 The interest earnings presented on PWD Statement 9A, Page 41, Lines 3 through 9 show
6 projected annual interest earning payments.

7
8 The actual annual interest earnings payments for FY 2015 and FY 2016 are provided in the
9 Official Statement, in addition the actual interest earnings payments for FY 2016 and FY
10 2017 were also provided in response to PA-ADV-14 and included in the corresponding
11 response attachment.

12
13 Presented here again for your reference, the actual annual interest earnings payments for FY
14 2015, FY 2016 and FY 2017 were as follows:

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16 FY 2015 - \$745,585

17 FY 2016 - \$1,555,702

18 FY 2017 - \$1,866,000
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28 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.

1 **PA-VI-39.** PLEASE REVISE THE CHART ON PWD STATEMENT 9A, PAGE 41, LINE
2 22 THROUGH PAGE 42, TO INCLUDE THE AMOUNTS FOR FY 2015, 2016
3 AND 2017.

4 **RESPONSE:**

5 The capital account deposits on PWD Statement 9A, Page 41, Lines 22 through Page 42 9
6 show projected Capital Account Deposit amounts. The split between the water and
7 wastewater portion of the capital account deposit is based upon the plant investment for the
8 study period.

9
10 The total actual Capital Account Deposit amounts for FY 2015, FY 2016 and FY 2017 were
11 previously provided in response to PA-ADV-29 and are as follows:

12 FY 2015 - \$20,704,920

13 FY 2016 - \$21,496,800

14 FY 2017 - \$22,302,330

15 Note – the split between water and wastewater is only utilized for projection purposes in
16 context of the cost of service study and not tracked otherwise.

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28 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.

1 **PA-VI-40.** REGARDING PWD STATEMENT 9A, PAGE 42, LINE 15, PLEASE PROVIDE
2 THE BASIS FOR THE PROPOSAL THAT THE CAPITAL ACCOUNT
3 DEPOSIT BE NO LESS THAN 1.5 PERCENT.

4 **RESPONSE:**

5 The basis for all of the Capital Account Deposit of 1.5% is explained in PWD Statement 9A
6 Schedule BV-E5:WP-3 “Fiscal Year 2019 Capital Account Deposit”.

7
8 While PWD’s overall capital improvement program has increased since FY 2010, the
9 associated Capital Account Deposit has not been adjusted. As the Capital Account Deposit has
10 been based on the depreciated value of property, plant and equipment for the system (i.e.
11 booked assets), it does not reflect the recent ramp up in the capital improvement program and
12 acquisition of assets by PWD.

13
14 In other words PWD has been more reliant on debt financing for Capital Improvements than in
15 previous periods partly because the Capital Account Deposit has not kept pace with increase in
16 assets.

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28 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.