

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

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4 **PA-IX-1.**       REGARDING THE REPLY TO PA-VI-3, PLANNING & ENGINEERING,  
5                                   PLEASE PROVIDE THE FOLLOWING EXPENSES FOR EACH FISCAL  
6                                   YEAR 2014-2016:

- 7                                   A. SEPARATION PAYMENTS DUE TO RETIREMENTS  
8                                   B. LICENSES AND PERMIT FEES FOR PWD  
9                                   C. ADVERTISEMENTS RELATED TO PUBLIC WORKS BIDDING  
10                                  D. SPENDING FOR EMPLOYEE TRAINING

11 **RESPONSE:**

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		<b>FY14</b>	<b>FY15</b>	<b>FY16</b>
A.	Separation Payments	\$ -	\$ 21,530	\$ -
B.	Licenses and Permit	\$ 44,779	\$ 61,278	\$ 47,658
C.	Advertisement	\$ 66,019	\$ 175,943	\$ 150,460
D.	Employee Training	\$ 11,063	\$ 13,643	\$ 13,792

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27 **RESPONSE PROVIDED BY:** Melissa La Buda, Philadelphia Water Department  
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1 **PA-IX -2.** REGARDING THE REPLY TO PA-VI-4 AND PWD EXHIBIT 6, PAGES 48 &  
2 50, DIRECT O&M ACTUAL TO BUDGET FACTORS, OPERATIONS, GAS,  
3 PLEASE EXPLAIN IN DETAIL THE INCREASE IN GAS EXPENSE FROM  
4 \$4,000,000 FOR FY2015 TO \$5,692,000 FOR FY2016.

5 **RESPONSE:**

6 PWD Exhibit 6, Pages 48 & 50, Direct O&M actual to budget factors, Operations, Gas list the  
7 expense for FY2016 and FY2015 as \$4,013,404 and \$4,190,988 respectively, which is a  
8 decrease not an increase.

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27 **RESPONSE PROVIDED BY:** Melissa La Buda, Philadelphia Water Department  
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1 **PA-IX -3.** REGARDING THE REPLY TO PA-VI-5, PLANNING & ENVIRONMENTAL  
2 SERVICES, PLEASE PROVIDE THE FOLLOWING EXPENSES FOR EACH  
3 FISCAL YEAR 2014-2016:

4 A. PROFESSIONAL SERVICES RELATED TO THE LONG-TERM  
5 CONTROL PLAN GREEN INFRASTRUCTURE MAINTENANCE FOR  
6 THE PLANNING AND ENVIRONMENTAL SERVICES PROGRAM.

7 **RESPONSE:**

8 Professional services related to Long-Term Control Plan Green Infrastructure maintenance for  
9 FY2014, FY215 and FY2016 are presented below:

	FY14	FY15	FY16
Green Infrastructure Maintenance	\$ 1,321,055	\$ 1,088,321	\$ 3,362,893

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27 **RESPONSE PROVIDED BY:** Melissa La Buda, Philadelphia Water Department  
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1 **PA-IX -4.** REGARDING THE REPLY TO PA-VI-16, ADJUSTMENTS, PLEASE  
 2 PROVIDE DETAILED WORKPAPERS (NOT A NARRATIVE) SUPPORTING  
 3 THE FOLLOWING ADJUSTMENTS:

4 A. OPERATIONS-SALARIES & WAGES

5 B. PLANNING & ENVIRONMENTAL SERVICES-SALARIES & WAGES

6 **RESPONSE:**

7 Please see detail below for class 100 adjustments for salaries and wages.

8 A. Operations

9 **Operations - Staffing Increases for FY2019-2021**

10 FY2019- FY2020 - FY2021 (11 positions added each Fiscal Year)

	<b>Class Code</b>	<b>Class Title</b>	<b>Pay Range</b>	<b>Salary Min.</b>	<b>Salary Max.</b>	<b>Union / FLSA Codes</b>
11	<u>7C13</u>	Heavy Equipment Operator 1 (S)	<u>14</u>	\$40,727	\$44,633	M / 1N
12	<u>7C14</u>	Heavy Equipment Operator 2 (S)	<u>16</u>	\$42,652	\$46,866	M / 1N
13	<u>7K63</u>	Electronic Technician 1 (S)	<u>15</u>	\$41,633	\$45,688	M / 1N
14	<u>7K64</u>	Electronic Technician 2 (S)	<u>19</u>	\$46,234	\$50,960	M / 1N
15	<u>7N73</u>	Grounds and Facilities Maintenance Crew Chief (S)	<u>13</u>	\$39,716	\$43,447	A / 1N
16	<u>3B06</u>	Civil Engineer 2	<u>EP19-(3-5)</u>	\$54,983	\$61,866	J / 2P
17	<u>7B21</u>	Sewer Maintenance Inspector	<u>11</u>	\$37,692	\$41,128	M / 1N
18	<u>7B01</u>	Water Operations Repair Helper	<u>8</u>	\$34,421	\$37,413	M / 1N
19	<u>7N71</u>	Grounds and Facilities Maintenance Worker 1 (S)	<u>7</u>	\$33,191	\$36,016	M / 1N
20	<u>7N71</u>	Grounds and Facilities Maintenance Worker 1 (S)	<u>7</u>	\$33,191	\$36,016	M / 1N
21	<u>7N71</u>	Grounds and Facilities Maintenance Worker 1 (S)	<u>7</u>	\$33,191	\$36,016	M / 1N

22 B. Planning and Environmental Services

<b>FY2019</b>	<b>Class Code</b>	<b>Class Title</b>	<b>Pay Range</b>	<b>Salary Min.</b>	<b>Salary Max.</b>	<b>Union / FLSA Codes</b>
	<u>3B06</u>	Civil Engineer 2	<u>EP19-(3-5)</u>	\$54,983	\$61,866	J / 2P
	<u>3B81</u>	Engineering Supervisor 1 (S)	<u>N023</u>	\$62,578	\$80,457	H / 2E
<b>FY2020</b>						
	<u>3B06</u>	Civil Engineer 2	<u>EP19-(3-5)</u>	\$54,983	\$61,866	J / 2P
	<u>3B81</u>	Engineering Supervisor 1 (S)	<u>N023</u>	\$62,578	\$80,457	H / 2E
<b>FY2021</b>						
	<u>3B81</u>	Engineering Supervisor 1 (S)	<u>N023</u>	\$62,578	\$80,457	H / 2E

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

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1 **PA-IX -5.** REGARDING THE REPLY TO PA-VI-29C, PLEASE EXPLAIN IN DETAIL  
2 WHY THE \$1,493,250 ADJUSTMENT THAT REFLECTS CAPACITY TO PAY  
3 FOR ENERGY & GAS DEMANDS DUE TO WEATHER RELATED EVENTS  
4 IS CONSIDERED TO BE RECURRING. PLEASE PROVIDE A 3-YEAR  
5 HISTORY OF SIMILAR PAYMENTS THAT WERE NOT INCLUDED IN  
6 PREVIOUS BUDGETS.

7 **RESPONSE:**

8 The \$1,493,250 adjustment represents the required budgetary appropriation needed for  
9 fluctuations in demand, charges not related to energy consumption and spot market purchases.  
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27 **RESPONSE PROVIDED BY:** Melissa La Buda, Philadelphia Water Department  
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1 **PA-IX -6.** REGARDING THE REPLY TO PA-VI-29D, PLEASE EXPLAIN IN DETAIL  
2 WHY THE INCREASES FOR WRAP/TAP ARE CONSIDERED TO BE  
3 RECURRING ADJUSTMENTS.

4 **RESPONSE:**

5 Currently the City has approximately 400 planned enhancement tickets between basis2, the  
6 online application form, the printed application design and CAMP. The City will need  
7 additional recurring adjustments in order to address the 400 planned enhancements as these  
8 enhancements will occur over the FY19 to FY21 rate period.

9  
10 The following requirements which are examples of planned enhancements were out of scope  
11 for the July release with the plan to add them to the program after the initial launch:

- 12 • Auditing customers for fraud
  - 13 • The ability to interface to the IRS Tax database
  - 14 • Monitoring conservation measures taken or not taken by IWRAP customers falls under  
15 LICAP
  - 16 • The ability to save incomplete applications online with a user name and password
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27 **RESPONSE PROVIDED BY:** Water Revenue Bureau  
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1 **PA-IX -7.** REGARDING THE REPLY TO PA-VI-29E, MAINTENANCE & REPAIR,  
2 PLEASE PROVIDE A 3-YEAR HISTORY OF SIMILAR EXPENSE  
3 INCREASES THAT WERE NOT INCLUDED IN PREVIOUS BUDGETS.

4 **RESPONSE:**

5 At a line item level of operating expenses within each division and class of costs, there are  
6 bound to be variances between budgeted and actual expenses as the task of budgeting is a  
7 prospective exercise. Hence, for rate setting purposes, it is only practical and reasonable to  
8 present projected costs at a class level based on “class level” actual to budget trends and  
9 identify adjustments for major known and planned changes in expenditures during the rate  
10 period.

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12 The schedule that the reply to PA-VI-29E is referring to is detailing the delta between the  
13 Department’s FY2017’s projected performance against the FY2018 budget. The cost of  
14 maintenance is always recurring to the extent of repair needs at the plants and other facilities  
15 and has increased for the last three years as can be seen in the Department’s Fiscal Year  
16 Budget Increase over Prior Year's Projected Spending table, below. The table below represents  
17 the increases in each budget year over the prior year estimated amount as used for budget  
18 projections. Budget projections are as of December 31 of each year.

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20 All budget details can be found on the Office of the Director of Finance’s webpage:

21 <http://www.phila.gov/finance/reports-BudgetDetail.html>.

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23 **Fiscal Year Budget Increase over Prior Year's Projected Spending**

	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Increase (\$)	\$ 1,404,150	\$ 139,500	\$ 2,384,090	\$ 578,409

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



1 **PA-IX -8.** REGARDING THE REPLY TO PA-VI-29H, MINOR CLASS 200 INCREASES,  
2 PLEASE PROVIDE A 3-YEAR HISTORY OF SIMILAR EXPENSE  
3 INCREASES THAT WERE NOT INCLUDED IN PREVIOUS BUDGETS.

4 **RESPONSE:**

5 At a line item level of operating expenses within each division and class of costs, there are  
6 bound to be variances between budgeted and actual expenses as the task of budgeting is a  
7 prospective exercise. Hence, for rate setting purposes, it is only practical and reasonable to  
8 present projected costs at a class level based on “class level” actual to budget trends and  
9 identify adjustments for major known and planned changes in expenditures during the rate  
10 period.

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12 The schedule that the reply to PA-VI-29H is referring to is detailing the delta between the  
13 Department’s FY2017’s projected performance against the FY2018 budget. The costs of  
14 services are always recurring and have increased for the last three years as can be seen in the  
15 Department’s Fiscal Year Budget Increase over Prior Year's Projected Spending table, below.  
16 The table below represents the increases in each budget year over the prior year estimated  
17 amount as used for budget projections. Budget projections are as of December 31 of each year.

18  
19 All budget details can be found on the Office of the Director of Finance’s webpage:

20 <http://www.phila.gov/finance/reports-BudgetDetail.html>.

21 **Fiscal Year Budget Increase over Prior Year's Projected Spending**

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	FY15	FY16	FY17	FY18
Increase (\$)	\$ 845,285	\$ 374,300	\$ 1,108,425	\$ 552,494

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

1 **PA-IX -9.** REGARDING THE REPLY TO PA-VI-29I, BUILDING & CONSTRUCTION  
2 SUPPLIES FOR CREWS & GLASS REPLACEMENT AT THE SOUTHEAST  
3 PLANT, PLEASE PROVIDE A 3-YEAR HISTORY OF SIMILAR EXPENSE  
4 INCREASES THAT WERE NOT INCLUDED IN PREVIOUS BUDGETS.

5 **RESPONSE:**

6 At a line item level of operating expenses within each division and class of costs, there are  
7 bound to be variances between budgeted and actual expenses as the task of budgeting is a  
8 prospective exercise. Hence, for rate setting purposes, it is only practical and reasonable to  
9 present projected costs at a class level based on “class level” actual to budget trends and  
10 identify adjustments for major known and planned changes in expenditures during the rate  
11 period.

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13 The schedule that the reply to PA-VI-29I is referring to is detailing the delta between the  
14 Department’s FY2017’s projected performance against the FY2018 budget. The costs of  
15 building & construction supplies are always recurring to the extent of repair needs at the plants  
16 and other facilities and has increased for the last three years as can be seen in the Department’s  
17 Fiscal Year Budget Increase over Prior Year's Projected Spending table, below. The table  
18 below represents the increases in each budget year over the prior year estimated amount as  
19 used for budget projections. Budget projections are as of December 31 of each year.

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21 All budget details can be found on the Office of the Director of Finance’s webpage:

22 <http://www.phila.gov/finance/reports-BudgetDetail.html>.

23 **Fiscal Year Budget Increase over Prior Year's Projected Spending**

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	FY15	FY16	FY17	FY18
Increase (\$)	\$ 294,800	\$ 338,018	\$ 126,175	\$ 137,243

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

1 **PA-IX -10.** REGARDING THE REPLY TO PA-VI-29J, PARTS/EQUIPMENT, PLEASE  
2 PROVIDE A 3-YEAR HISTORY OF SIMILAR EXPENSE INCREASES THAT  
3 WERE NOT INCLUDED IN PREVIOUS BUDGETS.

4 **RESPONSE:**

5 At a line item level of operating expenses within each division and class of costs, there are  
6 bound to be variances between budgeted and actual expenses as the task of budgeting is a  
7 prospective exercise. Hence, for rate setting purposes, it is only practical and reasonable to  
8 present projected costs at a class level based on “class level” actual to budget trends and  
9 identify adjustments for major known and planned changes in expenditures during the rate  
10 period.

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12 The schedule that the reply to PA-VI-29J is referring to is detailing the delta between the  
13 Department’s FY2017’s projected performance against the FY2018 budget. The cost of  
14 parts/equipment is always recurring for necessary repairs of critical equipment at the plants and  
15 other facilities and has increased for the last three years as can be seen in the Department’s  
16 Fiscal Year Budget Increase over Prior Year's Projected Spending table, below. The table  
17 below represents the increases in each budget year over the prior year estimated amount as  
18 used for budget projections. Budget projections are as of December 31 of each year.

19  
20 All budget details can be found on the Office of the Director of Finance’s webpage:

21 <http://www.phila.gov/finance/reports-BudgetDetail.html>.

22 **Fiscal Year Budget Increase over Prior Year's Projected Spending**

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	FY15	FY16	FY17	FY18
Increase (\$)	\$ 389,400	\$ 31,300	\$ 293,930	\$ 380,845

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

1 **PA-IX -11.** REGARDING THE REPLY TO PA-VI-29K, DISTRIBUTING CONTROL  
2 SYSTEM UPGRADE, ETC, PLEASE PROVIDE A 3-YEAR HISTORY OF  
3 SIMILAR EXPENSE INCREASES THAT WERE NOT INCLUDED IN  
4 PREVIOUS BUDGETS.

5 **RESPONSE:**

6 At a line item level of operating expenses within each division and class of costs, there are  
7 bound to be variances between budgeted and actual expenses as the task of budgeting is a  
8 prospective exercise. Hence, for rate setting purposes, it is only practical and reasonable to  
9 present projected costs at a class level based on “class level” actual to budget trends and  
10 identify adjustments for major known and planned changes in expenditures during the rate  
11 period.

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13 The schedule that the reply to PA-VI-29K is referring to is detailing the delta between the  
14 Department’s FY2017’s projected performance against the FY2018 budget. The cost of  
15 plumbing, AC and heating is always recurring to the extent of repair needs at the plants and  
16 other facilities and has increased for the last two years as can be seen in the Department’s  
17 Fiscal Year Budget Increase over Prior Year's Projected Spending table, below. The table  
18 below represents the increases in each budget year over the prior year estimated amount as  
19 used for budget projections. Budget projections are as of December 31 of each year.

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21 All budget details can be found on the Office of the Director of Finance’s webpage:

22 <http://www.phila.gov/finance/reports-BudgetDetail.html>.

23 **Fiscal Year Budget Increase over Prior Year's Projected Spending**

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	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Increase (\$)	\$ -113,750	\$ 201,850	\$ 338,917	\$ 270,204

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27 **RESPONSE PROVIDED BY:** Melissa La Buda, Philadelphia Water Department  
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1 **PA-IX -12.** REGARDING THE REPLY TO PA-VI-29L, PURCHASE OF MONITORING  
2 EQUIPMENT, PLEASE PROVIDE A 3-YEAR HISTORY OF SIMILAR  
3 EXPENSE INCREASES THAT WERE NOT INCLUDED IN PREVIOUS  
4 BUDGETS.

5 **RESPONSE:**

6 At a line item level of operating expenses within each division and class of costs, there are  
7 bound to be variances between budgeted and actual expenses as the task of budgeting is a  
8 prospective exercise. Hence, for rate setting purposes, it is only practical and reasonable to  
9 present projected costs at a class level based on “class level” actual to budget trends and  
10 identify adjustments for major known and planned changes in expenditures during the rate  
11 period.

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13 The schedule that the reply to PA-VI-29L is referring to is detailing the delta between the  
14 Department’s FY2017’s projected performance against the FY2018 budget. The cost of  
15 maintenance of monitoring equipment has increased for the last three years as can be seen in  
16 the Department’s Fiscal Year Budget Increase over Prior Year's Projected Spending table,  
17 below. The table below represents the increases in each budget year over the prior year  
18 estimated amount as used for budget projections. Budget projections are as of December 31 of  
19 each year.

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21 All budget details can be found on the Office of the Director of Finance’s webpage:

22 <http://www.phila.gov/finance/reports-BudgetDetail.html>.

23 **Fiscal Year Budget Increase over Prior Year's Projected Spending**

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	FY15	FY16	FY17	FY18
Increase (\$)	\$ 193,800	\$ 214,141	\$ 315,569	\$ 411,715

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

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2 **PA-IX -13.** REGARDING THE REPLY TO PA-VI-29M, MINOR CLASS 300 INCREASES,  
3 PLEASE PROVIDE A 3-YEAR HISTORY OF SIMILAR EXPENSE  
4 INCREASES THAT WERE NOT INCLUDED IN PREVIOUS BUDGETS.

5 **RESPONSE:**

6 At a line item level of operating expenses within each division and class of costs, there are  
7 bound to be variances between budgeted and actual expenses as the task of budgeting is a  
8 prospective exercise. Hence, for rate setting purposes, it is only practical and reasonable to  
9 present projected costs at a class level based on “class level” actual to budget trends and  
10 identify adjustments for major known and planned changes in expenditures during the rate  
11 period.

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13 The schedule that the reply to PA-VI-29M is referring to is detailing the delta between the  
14 Department’s FY2017’s projected performance against the FY2018 budget. The cost of  
15 materials and supplies are always recurring and has increased for the last three years as can be  
16 seen in the Department’s Fiscal Year Budget Increase over Prior Year's Projected Spending  
17 table, below. The table below represents the increases in minor class 300 in each budget year  
18 over the prior year estimated amount as used for budget projections. Budget projections are as  
19 of December 31 of each year.

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21 All budget details can be found on the Office of the Director of Finance’s webpage:

22 <http://www.phila.gov/finance/reports-BudgetDetail.html>.

23 **Fiscal Year Budget Increase over Prior Year's Projected Spending**

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	FY15	FY16	FY17	FY18
Increase (\$)	\$ 1,132,650	\$ 1,158,941	\$ 2,426,042	\$ 465,907

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

1 **PA-IX -14.** REGARDING THE REPLY TO PA-VI-29N, COMMUNICATION & LIGHTING  
2 EQUIPMENT, PLEASE PROVIDE A 3-YEAR HISTORY OF SIMILAR  
3 EXPENSE INCREASES THAT WERE NOT INCLUDED IN PREVIOUS  
4 BUDGETS.

5 **RESPONSE:**

6 At a line item level of operating expenses within each division and class of costs, there are  
7 bound to be variances between budgeted and actual expenses as the task of budgeting is a  
8 prospective exercise. Hence, for rate setting purposes, it is only practical and reasonable to  
9 present projected costs at a class level based on “class level” actual to budget trends and  
10 identify adjustments for major known and planned changes in expenditures during the rate  
11 period.

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13 The schedule that the reply to PA-VI-29N is referring to is detailing the delta between the  
14 Department’s FY2017’s projected performance against the FY2018 budget. The cost of  
15 replacing and upgrading equipment is always recurring due to the extent of the need at the  
16 plants and other facilities. Although replacement and upgrade cost of equipment decrease in  
17 FY15, it has increased for the last two years as can be seen in the Department’s Fiscal Year  
18 Budget Increase over Prior Year's Projected Spending table, below. The table below represents  
19 the decrease and increases in each budget year over the prior year estimated amount as used for  
20 budget projections. Budget projections are as of December 31 of each year.

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22 All budget details can be found on the Office of the Director of Finance’s webpage:

23 <http://www.phila.gov/finance/reports-BudgetDetail.html>.

24 **Fiscal Year Budget Increase over Prior Year's Projected Spending**

	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Increase (\$)	\$ -245,100	\$ 6,400	\$ 123,670	\$ 256,295

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

1 **PA-IX -15.** REGARDING THE REPLY TO PA-VI-29Q, ADDITIONAL SERVICES  
2 PROVIDED BY THE GENERAL FUND, PLEASE PROVIDE A DETAILED  
3 BREAKDOWN AND DESCRIPTION OF SUCH SERVICES AND EXPLAIN  
4 WHY SUCH SERVICES ARE RECURRING.

5 **RESPONSE:**

6  
7 Approximately 15 City departments and agencies, including the Revenue Department and the  
8 Department of Public Property, provide services to the Water Department for which they bill  
9 the Water Department at the close of each Fiscal Year (“Interfund Charges”). These services  
10 include, but are not limited to, cash management (City Treasurer); auditing (City Controller);  
11 debt management (City Treasurer); testing and hiring (Human Resources and Labor Relations);  
12 and other support services (Managing Director’s Office, Civil Service Commission,  
13 Department of Licenses & Inspections, and Police Department).

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



1 **PA-IX -16.** REGARDING THE RESPONSE TO PA-VI-2, PLEASE FULLY EXPLAIN  
2 WHY CWIP IS EXCLUDED IN CALCULATING THE INFLATED NET  
3 PLANT OF 3.4%.

4 **RESPONSE:**

5 CWIP stands for “construction work in progress”. The CWIP represents the costs of  
6 projects that are not yet fully complete, and therefore not in service. The Net Plant reflects  
7 the costs of assets that have been booked and are in service. Therefore, per accepted cost  
8 of service principles, CWIP costs are excluded when determining the Net Plant value.

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10 This methodology is consistent with prior rate proceedings.  
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28 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC

1 **PA-IX -17.** REGARDING THE RESPONSE TO PA-VI-23, PLEASE CONFIRM THAT THE  
2 REASON 2015 WAS EXCLUDED FROM DETERMINING THE AVERAGE  
3 ANNUAL INCREASE IN NET PLANT IS BECAUSE THE “[N]ET PLANT  
4 INVESTMENT (NET OF CONSTRUCTION IN PROGRESS) IN FY 2015  
5 INCREASED 8.06% FROM FY 2014, WHICH IS NEARLY TWICE THE  
6 ANNUAL INCREASE EXPERIENCED IN FY 2014 AND FY 2016”. IF THAT  
7 IS NOT THE REASON IT WAS EXCLUDED, PLEASE EXPLAIN WHY IT  
8 WAS EXCLUDED.

9 **RESPONSE:**

10 Confirm

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

1 **PA-IX -18.** REGARDING THE RESPONSE TO PA-VI-22, PLEASE PROVIDE THE DATA  
2 INCLUDING THE SUPPORTING DOCUMENTATIONS USED TO  
3 CALCULATE THE 6.8% AND 3.7% CHEMICAL COST ESCALATION.

4 **RESPONSE:**

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6 Regarding the response to PA-IV-22, please see Response Attachment PA-IX-18. The  
7 attachment has been updated to include additional known cost such as the contracted price for  
8 ferric chloride, the chemical that represents 30% of the chemical budget for water treatment,  
9 which increased 31.29% in January 2018. These updated costs differ slightly than the cost  
10 included in the cost of service study, which were provided in June 2017.

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12 PWD's chemical contracts are on a two-year cycle. For FY2019, all chemical costs are known  
13 except for activated carbon, which was estimated using the previous bid information and  
14 current market conditions.

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16 FY2020 will be a new contract period for all chemical contracts except activated carbon and  
17 new bid pricing will be submitted to PWD in the summer/fall of 2019. The estimated cost used  
18 for FY2020 comes from PWD's recent experience and unit costs provided during the  
19 procurement process that just occurred in the summer/fall of 2017 and January 2018.

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27 **RESPONSE PROVIDED BY:** Donna Schwartz, Philadelphia Water Department  
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1 **PA-IX -19.** REGARDING THE RESPONSE TO PA-VI-10 AND 11, PLEASE EXPLAIN  
2 WHY THE GROWTH RATE WAS NOT BASED UPON THE CLASS  
3 SPECIFIC GROWTH INSTEAD OF USING THE OVERALL GENERAL  
4 SERVICE GROWTH RATE FOR 5/8" METERS AS USED BY PWD.

5 **RESPONSE:**

6 In PWD's existing rate structure, the service charge which is based on meter size and the  
7 declining block volume rate are applicable to all customer types. Further, the general  
8 service 5/8" meters represent the majority of the customer base. With respect to historical  
9 usage trends, this category of 5/8" meter customers reflects a higher degree of year-to-year  
10 usage change than that of other customer types. For these reasons, it is appropriate to  
11 project usage for the study period based on the overall growth rate of the general service  
12 5/8" meters.

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

1 **PA-IX -20.** IN THE RESPONSE TO PA-VI-27, THE TABLE INCLUDED AS PART OF  
2 THE RESPONSE SHOWS ACTUAL TO BUDGET RATIOS WELL BELOW  
3 90% USING THE MOST RECENT 2- AND 3-YEAR AVERAGES. PLEASE  
4 EXPLAIN WHY THE 90% IS APPROPRIATE GIVEN THAT PWD HAS NOT  
5 EXPERIENCED AN ACTUAL TO BUDGET RATIO IN THE 90% RANGE  
6 SINCE 2003 AND 2004.

7 **RESPONSE:**

8 As noted in the response to PA-VI-27, when the capital program budget experienced  
9 significant growth, the spending levels are initially lower but approach the 90% historical  
10 spending levels over time. The initial lower spending rates reflect the time required to  
11 complete the project planning, design and procurement process. More specifically – the  
12 spending in the last 3 years reflects a ramp up in the overall capital program related to

- 13 1. The accelerating requirements of the Consent Order Agreement (COA), which  
14 PWD entered into on June 1, 2011 with the Pennsylvania Department of  
15 Environmental Protection (PADEP) to mitigate combined sewer overflows (CSOs)  
16 from the City’s combined sewer system. The primary means for accomplishing  
17 this is implementing the Long-Term Control Plan Update (LTCPU). The LTCPU  
18 includes significant necessary capital improvements spread over a 25-year period  
19 to reduce CSOs and the associated pollutant loads. These requirements grow as  
20 PWD reaches milestones every 5 years and PWD is currently in years 5-10 of the  
21 25 year plan.
- 22 2. Acceleration of annual renewal and replacements of the water distribution and  
23 wastewater collection system assets.

24 With the above requirements and initiatives, planning and execution of CIP is  
25 accelerating, a lag in spending as projects are designed and bid and additional resource  
26 capacity is required is not unusual. As projects move from the planning and bidding  
27 phase, construction spending will increase. Therefore, basing the actual to budget ratios  
28

1 for future capital spending levels purely the previous 2 to 3 year period would not reflect  
2 the level of spending PWD anticipates to experience over the rate period.

3  
4 This anticipated increase in spending is further demonstrated in the below table, which  
5 presents the capital budget, amount encumbered and actual cash expended on an annual  
6 and average monthly basis for the last 3 years.

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<b>FY</b>	<b>Budget</b>	<b>Encumbered</b>	<b>Cash Expended Annually</b>	<b>Average Cash Expended Monthly</b>
2015	\$260,353,000	\$235,833,991	\$175,671,572	\$14,604,622
2016	\$284,041,000	\$290,086,548	\$178,695,800	\$15,597,543
2017	\$301,629,000	\$333,689,547	\$239,750,046	\$20,641,049
2018 (Q1-Q2)*	\$353,658,000	\$288,362,433	\$134,547,104	\$22,424,517

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16 \*This represents data for the 1st six months of the fiscal year.

17 It is anticipated that the Department will encumber over \$390M in FY 2018

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20 As demonstrated by the table above the Department's annual encumbrances have been  
21 rising and the monthly cash spend rate has been consistently rising over this period as  
22 well. As of the end of Quarter 2 in FY 2018 the Department encumbered \$288 million. It  
23 is currently projected that the FY 2018 encumbered amount will exceed \$390 million,  
24 which would be approximately \$60 million over FY 2017.

25  
26 As of the end of Quarter 2 of FY 2018 the Department had \$871 million in projects in the  
27 construction phase with \$375 million of that amount remaining to be constructed and  
28 invoiced.

1 This increase in procurement of capital projects over the last few years has dramatically  
2 increased monthly cash flow as shown in the far-right column. The monthly cash flow is  
3 expected to increase in FY 2019 as the large encumbrance of \$390 million+ in FY 2018  
4 will translate into higher monthly cash flow, as these projects enter the construction phase.

5  
6 The FY 2019 monthly cash flow is projected to be \$26.4 million/month or \$317  
7 million/year. This corresponds to 90% of the FY 2019 budget of \$353.7 million and is  
8 consistent with the projections utilized in the cost of service analysis.

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22 **RESPONSE PROVIDED BY:** Steve Furtek, Philadelphia Water Department and Black &  
23 Veatch Management Consulting, LLC

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**PA-IX -21.** REGARDING SCHEDULE BV-E5 WP-1, APPENDIX 8, PLEASE PROVIDE THE DOCUMENTATION SUPPORTING THE 3% USED IN THE GENERAL FUND'S FIVE-YEAR PLAN.

**RESPONSE:**

The General Fund's five-year plan uses a 3% utility cost escalator for those years that are beyond its current hedge positions in order to provide a conservative five-year budget.

**RESPONSE PROVIDED BY:** Philadelphia Water Department



1 **PA-IX -22.** REGARDING SCHEDULE BV-E5 WP-1, APPENDIX 8, IT IS STATED: “[O]F  
2 THE PURCHASES ALREADY MADE, THE EXECUTED PRICES ARE  
3 SIMILAR OR SLIGHTLY LOWER THAN CURRENT RATES”. WILL ANY  
4 OF THE PURCHASES ALREADY MADE APPLY TO ELECTRICITY TO BE  
5 USED IN FY 2021? IF SO, PLEASE ESTIMATE HOW MUCH OF PWD’S  
6 ELECTRICITY IN FY 2021 WOULD BE COVERED BY THOSE  
7 PURCHASES.

8 **RESPONSE:**

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10 None of the purchases made will apply to FY 2021. No electricity purchases have been  
11 made for FY 2021.  
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20 **RESPONSE PROVIDED BY:** Philadelphia Water Department  
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1 **PA-IX -23.** REGARDING THE REPLY TO PA-ADV-10, RATE CASE EXPENSE, PLEASE  
 2 PROVIDE A SIMILAR BREAKDOWN SHOWING BUDGETED AND  
 3 ACTUAL RATE CASE EXPENSE FOR THE PAST THREE BASE RATE  
 4 CASES.

5 **RESPONSE:**

6 The City has objected to the data request and has provided 2016 rate proceeding expenses  
 7 and 2018 budget proceeding.

8 **Rate Proceedings Expenses and Proposed Expenses**

	2016 Rate Proceeding Expenses (\$)	2018 Rate Proceeding Budget (\$)
<b>Water Rate Board</b>		
Hearing Officer	62,000	61,980
Board's Technical Expert	32,000	76,180
Public Advocate	300,000	325,000
Board's Counsel and Personnel	9,000	120,000
Court Reporting	17,000	25,000
Remaining Budget TDB	-	361,840
<b>Sub-total</b>	<b>\$ 420,000</b>	<b>\$ 970,000</b>
<b>Water Department Consultants and Experts</b>		
Cost of Service, Rate Design, Billing System Reporting , Testimony	1,300,000	1,043,000
Cost of Service Reporting <sup>(1)</sup>		200,000
Financial Advisory	55,000	55,000
PWD Outside Rate Counsel <sup>(2)</sup>	160,000	170,000
City Personnel Cost <sup>(3)</sup>	695,000	750,000
<b>Sub-total</b>	<b>\$ 2,210,000</b>	<b>\$ 2,218,000</b>
<b>TOTAL</b>	<b>\$ 2,630,000</b>	<b>\$ 3,188,000</b>

21 <sup>(1)</sup> Cost of Service Reporting was included as Billing System Reporting in 2016 Rate Proceeding

22 <sup>(2)</sup> Includes Bond Council

23 <sup>(3)</sup> Estimated Amounts used for City Personnel Cost

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