

1 **PHILADELPHIA WATER DEPARTMENT RESPONSE TO TRANSCRIPT REQUEST**

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3 **TR-21.** PLEASE CLARIFY THE FOLLOWING STATEMENT, AS INCLUDED IN
4 PWD REBUTTAL STATEMENT NO.1 BEGINNING ON PAGE 6 LINE 23
5 THROUGH PAGE 7 LINE 2:

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7 *“AS DEMONSTRATED BY THE TESTIMONY OF MELISSA LABUDA (PWD*
8 *STATEMENT 2) HAS SHOWN, PWD IS FAR FROM BEING AN OUTLIER WITH*
9 *REGARD TO ANY FINANCIAL METRICS. IF MR. MORGAN’S STATEMENT*
10 *WERE TRUE, PWD’S RESERVES AND CURRENT CREDIT RATING WOULD*
11 *BE WELL BEYOND THOSE OF PEER COMMUNITIES.”*

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13 **RESPONSE:**

14 As demonstrated in Ms. LaBuda’s testimony and supported by the Peer Utility Review results
15 (PWD Statement No. 2, Pages 64 through 76), PWD’s metrics range from weaker (e.g. debt
16 service coverage, asset condition) to “middle of the road” (e.g. debt to revenue, debt ratio,
17 reserve levels, days cash on hand prior to any further depletion of the rate stabilization fund)
18 when compared again to its peers and medians for its rating. In no cases are PWD’s metrics
19 demonstrably superior (i.e., an outlier to the positive) when compared to its peers or the
20 medians for its rating. It is in part due to these weaker metrics that PWD has a lower rating
21 than its peers. Moreover, the City’s General Obligation Bond rating is also lower than its peer
22 cities due to pension challenges among other things. PWD bears the expense of nearly 10% of
23 the City’s annual underfunded pension liability expense.

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25 If PWD were in fact not following “accepted ratemaking practices” (as Morgan contends) and
26 were establishing rates in a “non-accepted practice” which could lead to higher rates, then it is
27 reasonable to expect that PWD’s metrics, especially debt service coverage and reserves, to be
28 outliers to the positive. PWD’s metrics are not outliers; so the credit ratings are, to an extent,

1 evidence that PWD is not overcharging the rating payers or as Mr. Morgan claims in his
2 testimony in PA Statement 1, Page 7, Lines 4 to 5 that “ratepayers pay rates that are higher
3 than needed.”
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6 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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