

1 **PHILADELPHIA WATER DEPARTMENT AND PUBLIC ADVOCATE COMBINED**
2 **RESPONSE TO TRANSCRIPT REQUEST**

3
4 **TR-23B.** PLEASE PROVIDE THE RESULTS OF THE UPDATED PWD AND PUBLIC
5 ADVOCATE ADJUSTMENT SCENARIOS AS PRESENTED IN TR-23A.

6
7 **RESPONSE:**

8 The following tables presents the results of the updated Philadelphia Water Department
9 and the Public Advocate’s proposed adjustments as presented in response to TR-23A. For
10 each scenario, the following tables are provided:

- 11 • Table C-1: Revenue and Revenue Requirements - Overall
- 12 • Table C-8: Projected Flow of Funds – Capital Improvements Fund

13
14 The above tables are provided in the same format as the original filing for comparison
15 purposes.

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18 **RESPONSE PROVIDED BY:** The Philadelphia Water Department and The Public Advocate
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TABLE C-1: PROJECTED REVENUE AND REVENUE REQUIREMENTS
(in thousands of dollars)

Line No.	Description	Fiscal Year Ending June 30,						
		2017 (a)	2018	2019	2020	2021	2022	2023
OPERATING REVENUE								
1	Water Service - Existing Rates	271,124	280,852	272,455	270,409	268,152	266,038	263,948
2	Wastewater Service - Existing Rates	413,732	430,818	431,108	428,705	425,776	422,912	420,084
3	Total Service Revenue - Existing Rates	684,856	711,670	703,564	699,115	693,929	688,950	684,032
	Additional Service Revenue Required (b)							
	Percent Increase							
	Months Effective							
4	FY 2019	1.34%	10	7,884	9,461	9,461	9,461	9,461
5	FY 2020	3.97%	10		23,429	28,400	28,223	28,048
6	FY 2021	3.86%	10			23,511	28,512	28,331
7	FY 2022	7.10%	10				44,695	54,276
8	FY 2023	7.11%	10					47,660
9	Total Additional Service Revenue Required	-	-	7,884	32,890	61,371	110,891	167,776
10	Total Water & Wastewater Service Revenue	684,856	711,670	711,448	732,005	755,300	799,840	851,809
	Other Income (c)							
11	Other Operating Revenue	32,287	39,647	16,526	13,482	10,614	10,536	10,459
12	Debt Reserve Fund Interest Income	-	-	-	-	-	-	-
13	Operating Fund Interest Income	386	408	370	360	371	395	419
14	Rate Stabilization Interest Income	733	702	667	617	557	523	515
15	Total Revenues	718,260	752,427	729,010	746,463	766,842	811,293	863,201
OPERATING EXPENSES								
16	Total Operating Expenses	(455,742)	(463,159)	(483,684)	(498,318)	(512,152)	(526,452)	(541,087)
NET REVENUES								
17	Transfer From/(To) Rate Stabilization Fund	4,563	12,200	9,277	20,328	14,231	5,400	(1,000)
18	NET REVENUES AFTER OPERATIONS	267,082	301,468	254,603	268,472	268,921	290,242	321,114
DEBT SERVICE								
	Senior Debt Service							
	Revenue Bonds							
19	Outstanding Bonds	(193,841)	(185,756)	(133,964)	(123,040)	(115,891)	(109,229)	(105,309)
20	Pennvest Parity Bonds	(11,816)	(11,500)	(11,682)	(11,636)	(11,636)	(11,636)	(11,636)
21	Projected Future Bonds	-	(22,770)	(53,201)	(71,803)	(79,272)	(102,371)	(130,022)
22	Total Senior Debt Service	(205,657)	(220,026)	(198,847)	(206,479)	(206,798)	(223,236)	(246,967)
23	TOTAL SENIOR DEBT SERVICE COVERAGE (L18/L22)	1.30 x	1.37 x	1.28 x	1.30 x	1.30 x	1.30 x	1.30 x
24	Subordinate Debt Service	-	-	-	-	-	-	-
25	Transfer to Escrow	(11,000)	(19,000)	-	-	-	-	-
26	Total Debt Service on Bonds	(216,657)	(239,026)	(198,847)	(206,479)	(206,798)	(223,236)	(246,967)
27	CAPITAL ACCOUNT DEPOSIT	(22,302)	(23,061)	(35,767)	(36,983)	(38,241)	(39,541)	(40,885)
28	TOTAL COVERAGE (L18/(L22+L24+L27))	1.17 x	1.24 x	1.08 x	1.10 x	1.09 x	1.10 x	1.11 x
RESIDUAL FUND								
29	Beginning of Year Balance	15,189	15,065	15,000	15,043	15,008	15,044	15,063
30	Interest Income	54	54	54	54	54	54	54
	Plus:							
31	End of Year Revenue Fund Balance	28,122	39,381	19,989	25,011	23,882	27,465	33,263
32	Deposit for Transfer to City General Fund (d)	1,866	756	722	733	744	786	858
	Less:							
33	Transfer to Construction Fund	(28,300)	(39,500)	(20,000)	(25,100)	(23,900)	(27,500)	(33,300)
34	Transfer to City General Fund	(1,866)	(756)	(722)	(733)	(744)	(786)	(858)
35	Transfer to Debt Service Reserve Fund	-	-	-	-	-	-	-
36	End of Year Balance	15,065	15,000	15,043	15,008	15,044	15,063	15,080
RATE STABILIZATION FUND								
37	Beginning of Year Balance	205,761	201,198	188,998	179,721	159,393	145,162	139,762
38	Deposit From/(To) Revenue Fund	(4,563)	(12,200)	(9,277)	(20,328)	(14,231)	(5,400)	1,000
39	End of Year Balance	201,198	188,998	179,721	159,393	145,162	139,762	140,762

(a) FY 2017 is projected and subject to change.

(b) Includes TAP Surcharge Revenue. The TAP Surcharge Revenue reflects billings adjusted for collections.

(c) Includes other operating and nonoperating income, including interest income on funds and accounts transferable to the Revenue Fund. Includes Debt Service Reserve Fund Release in FY 2017 and FY 2018. Other operating revenue (Line 11) includes projected contra revenue credits for Affordability Program Discounts in (also referred to as TAP Loss) FY 2018 to FY 2023. TAP Loss in FY 2019 to FY 2023 is adjusted for collections.

(d) Transfer of interest earnings from the Bond Reserve Account to the Residual Fund as shown in Line 32 to satisfy the requirements for the transfer to the City General Fund shown on Line 34.

TABLE C-8: PROJECTED FLOW OF FUNDS - CAPITAL IMPROVEMENTS FUND
(in thousands of dollars)

Line No.	Description	Fiscal Year Ending June 30,						
		2017	2018	2019	2020	2021	2022	2023
Disposition of Bond Proceeds								
1	Proceeds From Sale of Bonds	313,651	-	280,000	295,000	305,000	340,000	335,000
	Transfers:							
2	Debt Reserve Fund (a)	11,888	-	-	5,974	319	22,975	17,194
3	Cost of Bond Issuance (b)	1,762	-	1,568	1,652	1,708	1,904	1,876
4	Construction Fund (c)	300,000	-	278,432	287,374	302,973	315,121	315,930
5	Total Issue	313,651	-	280,000	295,000	305,000	340,000	335,000
Construction Fund								
6	Beginning Balance	283,140	392,111	137,331	143,780	155,256	171,615	178,482
7	Transfer From Bond Proceeds	300,000	-	278,432	287,374	302,973	315,121	315,930
8	Capital Account Deposit	29,458	23,061	35,767	36,983	38,241	39,541	40,885
9	Penn Vest Loan	-	-	-	-	-	-	-
10	Transfer from Residual Fund	28,300	39,500	20,000	25,100	23,900	27,500	33,400
11	Interest Income on Construction Fund	1,213	951	505	537	587	629	647
12	Total Available	642,111	455,623	472,035	493,774	520,957	554,406	569,345
13	Net Cash Financing Required	250,000	318,292	328,255	338,518	349,342	375,924	387,540
14	Ending Balance	392,111	137,331	143,780	155,256	171,615	178,482	181,805
Debt Reserve Fund								
15	Beginning Balance	218,617	219,505	200,505	200,505	206,479	206,798	229,773
16	Transfer From Bond Proceeds	11,888	-	-	5,974	319	22,975	17,194
17	Debt Service Reserve Release	(11,000)	(19,000)	-	-	-	-	-
18	Ending Balance	219,505	200,505	200,505	206,479	206,798	229,773	246,967
19	Interest Income on Debt Reserve Fund	1,866	756	722	733	744	786	858

(a) Amount of Debt Reserve Fund estimated based on outstanding and proposed debt service payments.

(b) Cost of bonds issuance assumed at 0.56 percent of issue amount. FY 2017 based on actual issuance costs.

(c) Deposits equal proceeds from sale of bonds less transfers to Debt Reserve Fund and Costs of Issuance.

TABLE C-1: PROJECTED REVENUE AND REVENUE REQUIREMENTS
(in thousands of dollars)

Line No.	Description	Fiscal Year Ending June 30,						
		2017 (a)	2018	2019	2020	2021	2022	2023
OPERATING REVENUE								
1	Water Service - Existing Rates	272,715	282,477	274,048	271,987	269,716	267,590	265,487
2	Wastewater Service - Existing Rates	415,956	433,125	433,368	430,948	428,002	425,121	422,278
3	Total Service Revenue - Existing Rates	688,671	715,602	707,416	702,935	697,718	692,711	687,765
	Additional Service Revenue Required (b)							
	Percent Increase							
	Months Effective							
4	FY 2019	1.34%	10	7,884	9,461	9,461	9,461	9,461
5	FY 2020	0.53%	10		3,138	3,765	3,765	3,765
6	FY 2021	0.45%	10			2,655	3,186	3,186
7	FY 2022	0.00%	10				-	-
8	FY 2023	9.01%	10					52,858
9	Total Additional Service Revenue Required	-	-	7,884	12,598	15,881	16,412	69,269
10	Total Water & Wastewater Service Revenue	688,671	715,602	715,300	715,533	713,599	709,123	757,034
	Other Income (c)							
11	Other Operating Revenue (d)	32,287	39,647	16,526	16,949	10,614	10,536	10,459
12	Debt Reserve Fund Interest Income	-	-	-	-	-	-	-
13	Operating Fund Interest Income	392	415	408	380	351	265	279
14	Rate Stabilization Interest Income	733	702	735	800	797	685	496
15	Total Revenues	722,083	756,366	732,969	733,662	725,360	720,609	768,268
OPERATING EXPENSES								
16	Total Operating Expenses	(455,742)	(463,159)	(470,668)	(483,017)	(494,397)	(519,982)	(534,421)
NET REVENUES								
17	Transfer From/(To) Rate Stabilization Fund	4,563	12,200	(28,823)	(4,972)	7,751	55,100	49,800
18	NET REVENUES AFTER OPERATIONS	270,904	305,407	233,478	245,673	238,714	255,727	283,647
DEBT SERVICE								
	Senior Debt Service							
	Revenue Bonds							
19	Outstanding Bonds	(193,841)	(185,756)	(133,964)	(123,040)	(115,891)	(109,229)	(105,309)
20	Pennvest Parity Bonds	(11,816)	(11,500)	(11,682)	(11,636)	(11,636)	(11,636)	(11,636)
21	Projected Future Bonds	-	(22,770)	(48,870)	(62,562)	(66,245)	(89,782)	(119,399)
22	Total Senior Debt Service	(205,657)	(220,026)	(194,516)	(197,238)	(193,771)	(210,647)	(236,344)
23	TOTAL SENIOR DEBT SERVICE COVERAGE (L18/L22)	1.32 x	1.38 x	1.20 x	1.24 x	1.23 x	1.21 x	1.20 x
24	Subordinate Debt Service	-	-	-	-	-	-	-
25	Transfer to Escrow	(11,000)	(19,000)	-	(3,467)	-	-	-
26	Total Debt Service on Bonds	(216,657)	(239,026)	(194,516)	(200,706)	(193,771)	(210,647)	(236,344)
27	CAPITAL ACCOUNT DEPOSIT	(22,302)	(23,061)	(23,845)	(24,655)	(25,494)	(26,360)	(27,257)
28	TOTAL COVERAGE (L18/(L22+L24+L27))	1.18 x	1.25 x	1.06 x	1.10 x	1.08 x	1.07 x	1.07 x
RESIDUAL FUND								
29	Beginning of Year Balance	15,189	18,895	22,790	15,075	15,041	15,034	15,108
30	Interest Income	61	75	68	54	54	54	54
	Plus:							
31	End of Year Revenue Fund Balance	31,945	43,320	15,117	20,312	19,450	18,719	20,046
32	Deposit for Transfer to City General Fund (e)	1,866	756	722	716	709	746	817
	Less:							
33	Transfer to Construction Fund	(28,300)	(39,500)	(22,900)	(20,400)	(19,510)	(18,700)	(20,100)
34	Transfer to City General Fund	(1,866)	(756)	(722)	(716)	(709)	(746)	(817)
35	Transfer to Debt Service Reserve Fund	-	-	-	-	-	-	-
36	End of Year Balance	18,895	22,790	15,075	15,041	15,034	15,108	15,108
RATE STABILIZATION FUND								
37	Beginning of Year Balance	205,761	201,198	188,998	217,821	222,793	215,042	159,942
38	Deposit From/(To) Revenue Fund	(4,563)	(12,200)	28,823	4,972	(7,751)	(55,100)	(49,800)
39	End of Year Balance	201,198	188,998	217,821	222,793	215,042	159,942	110,142

(a) FY 2017 is projected and subject to change.

(b) Includes TAP Surcharge Revenue. The TAP Surcharge Revenue reflects billings adjusted for collections.

(c) Includes other operating and nonoperating income such as interest income on funds and accounts transferable to the Revenue Fund.

(d) Other Operating Revenue includes Debt Service Reserve Fund Release in FY 2017 and FY 2018 and projected contra revenue credits for Affordability Program Discounts in (also referred to as Tap Loss) FY 2018 to FY 2023. Tap Loss in FY 2019 to FY 2023 is adjusted for collections.

(e) Transfer of interest earnings from the Bond Reserve Account to the Residual Fund as shown in Line 32 to satisfy the requirements for the transfer to the City General Fund shown on Line 34.

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Line No.	Description	Fiscal Year Ending June 30,						
		2017	2018	2019	2020	2021	2022	2023
Disposition of Bond Proceeds								
1	Proceeds From Sale of Bonds	313,651	-	170,000	250,000	285,000	360,000	365,000
	Transfers:							
2	Debt Reserve Fund (a)	11,888	-	-	-	-	20,573	18,733
3	Cost of Bond Issuance (b)	1,762	-	952	1,400	1,596	2,016	2,044
4	Construction Fund (c)	300,000	-	169,048	248,600	283,404	337,411	344,223
5	Total Issue	313,651	-	170,000	250,000	285,000	360,000	365,000
Construction Fund								
6	Beginning Balance	283,140	392,111	186,932	126,094	134,357	168,309	175,474
7	Transfer From Bond Proceeds	300,000	-	169,048	248,600	283,404	337,411	344,223
8	Capital Account Deposit	29,458	23,061	23,845	24,655	25,494	26,360	27,257
9	Penn Vest Loan	-	-	-	-	-	-	-
10	Transfer from Residual Fund	28,300	39,500	22,900	20,400	19,510	18,700	20,100
11	Interest Income on Construction Fund	1,213	1,040	562	468	544	618	639
12	Total Available	642,111	455,712	403,287	420,217	463,309	551,398	567,692
13	Net Cash Financing Required	250,000	268,780	277,193	285,860	295,000	375,924	387,540
14	Ending Balance	392,111	186,932	126,094	134,357	168,309	175,474	180,152
Debt Reserve Fund								
15	Beginning Balance	218,617	219,505	200,505	200,505	197,038	197,038	217,610
16	Transfer From Bond Proceeds	11,888	-	-	-	-	20,573	18,733
17	Debt Service Reserve Release	(11,000)	(19,000)	-	(3,467)	-	-	-
18	Ending Balance	219,505	200,505	200,505	197,038	197,038	217,610	236,344
19	Interest Income on Debt Reserve Fund	1,866	756	722	716	709	746	817

- (a) Amount of Debt Reserve Fund estimated based on outstanding and proposed debt service payments.
- (b) Cost of bonds issuance assumed at 0.56 percent of issue amount. FY 2017 based on actual issuance costs.
- (c) Deposits equal proceeds from sale of bonds less transfers to Debt Reserve Fund and Costs of Issuance.