

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-1. Please explain the major reasons for the proposed rate increase.

Response: The three largest cost projections that drive the need for additional revenues are in the following expense areas:

- Personal Services;
- Purchase of Services; and
- Debt Service.

The major reasons for increased costs in these areas include the growing costs of renewal and replacement of infrastructure, regulatory compliance, and employee wages, health care benefits and pensions. See Exhibits ML-3 and ML-4 attached to the Direct Testimony of Melissa LaBuda (PWD Statement 2) for actual and projected cost figures.

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SI-2. Please state the rate period for which proposed additional revenue requirements are requested (i.e., the “Rate Period”).

Response: The Rate Period for the rate filing is FY 2017-2018.

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SI-3. Please provide a summary of projected revenues and revenue requirements for the period FY 2017-2018.

Response: See Statement of Combined Projected Revenues and Revenue Requirements depicting revenues and expenses for FY 2017-2018 and the forecast period (PWD Statement 9A, Exhibit BV-E1, Table C-1). For an explanation of revenues and revenue requirements for the Rate Period, please refer to the Direct Testimony of Black & Veatch (PWD Statement 9A at pages 20-40).

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SI-4. Please provide the proposed PWD Regulations and a summary of changes in these regulations since the last rate proceeding.

Response: See PWD Exhibit 3 (Proposed PWD Regulations) and Attachment SI-4, which is a copy of the proposed regulations showing additions in red and deletions stricken.

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SI-5. Please provide a table showing the impact of the proposed rate increase on typical customers in various rate classifications.

Response: See Tables C-4, C-5, W-20 and W-20A of Exhibit BV-E1, attached to the Direct Testimony of Black & Veatch (PWD Statement 9A).

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-6. Please provide the Financial Stability Plan prepared in connection with the rate filing.

Response: See PWD Exhibit 2 (Financial Plan).

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-7. Please provide the annual financial statements for the Department since the last rate proceeding.

Response: See the following attachments:

Attachment SI-7a – Financial Statement for Fiscal Year Ended June 30, 2013
Attachment SI-7b – Financial Statement for Fiscal Year Ended June 30, 2014
Attachment SI-7c – Comprehensive Annual Financial Report Fiscal Year 2014
Attachment SI-7d – City of Philadelphia Annual Financial Report Fiscal Year 2015

The operations of the Water Department are accounted for in the Water Fund, which is an enterprise fund of the City. The Water Fund is an accounting convention established pursuant to the Philadelphia Home Rule Charter (“Charter”) for the purpose of accounting for the assets, liabilities, revenues, expenses and Rate Covenant compliance for the Water and Wastewater System.

The City reports its financial performance on a consolidated basis in its audited Comprehensive Annual Financial Report (“CAFR”). The CAFR is audited by the City Controller.

The Water Department’s financial statements for the fiscal years ended June 30, 2013 (Fiscal Year 2013) and June 30, 2014 (Fiscal year 2014) were derived from the CAFR for those fiscal years. The financial information pertaining to the Water Fund was extracted from the City’s audited financial information contained in the CAFR in order to present the financial condition of the Water Department separately from the financial condition of the City and its other funds and units as a whole. The City Controller has neither examined nor expressed an opinion on the financial statements for the Water Department.

The City’s Annual Financial Report for the Fiscal Year ended June 30, 2015 (Fiscal Year 2015) was prepared by the Director of Finance and submitted to the Mayor and City Council on October 28, 2015. This report is an unaudited report intended to meet the requirements of the Charter.

The CAFR is attached as Attachment SI-7c and City’s Annual Financial Report for Fiscal Year 2015 is attached as Attachment SI-7d. These documents also may be downloaded from the City’s Investor Website at <http://www.phila.gov/investor>.

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SI-8. Please provide the most recent Five Year Plan for the City of Philadelphia.

Response: See Attachment SI-8, which is The City of Philadelphia Five Year Financial and Strategic Plan for Fiscal Years 2016-2020.

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SI-9. Please provide the most recent Comprehensive Financial Report (“CAFR”) for the City of Philadelphia.

Response: See Response to SI-7.

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SI-10. Please provide the Department's Capital Improvement Program Budget for FY 2016-2021.

Response: See the following documents:

Attachment SI-10a – Fiscal Year 2016-2021 Capital Budget (Summary); and
Attachment SI-10b – Fiscal Year 2016-2021 Capital Budget (with Project Description).

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SI-11. Please describe the regulatory requirements that are the basis for projected increases in expenditures during the Rate Period.

Response: The federal Clean Water Act and Pennsylvania's Clean Streams Law and regulations promulgated under these laws require the Department to undertake certain programs as well as operate its facilities within designated protocols during the Rate Period. The documents listed below incorporate these requirements and account for some of the significant programs and expenditures during the Rate Period driven by escalating regulatory requirements:

Attachment SI-11a – Letter from PaDEP dated April 20, 2006, with Amendment No. 2 to NPDES Permit PA0054712, Municipal Separate Sewer System (MS4) permit for discharges of stormwater from City of Philadelphia;

Attachment SI-11b – NPDES Permit PA0026689, Northeast Water Pollution Control Plant, 2007;

Attachment SI-11c – Letter from PaDEP dated July 14, 2015, with second draft NPDES Permit PA0026689;

Attachment SI-11d - Selected permit requirements for education/outreach programs; and

See also Attachment SI-12 - Consent Order and Agreement.

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SI-12. Please provide a copy of the Consent Order and Agreement, dated June 1, 2011, entered into between the Department and PaDEP in connection with Department's Long Term Control Plan.

Response: See Attachment SI-12 – Consent Order and Agreement, June 1, 2011.

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SI-13. Please provide City Controller reports concerning the Department issued since the last rate proceeding.

Response: See the following attachments:

Attachment SI-13a – Report on Internal Control and Compliance and Other Matters, Fiscal Year 2013;

Attachment SI-13b – Report on Internal Control and Compliance and Other Matters, Fiscal Year 2014; and

Attachment SI-13c – Annual Auditor’s Report on Philadelphia City Agencies Fiscal Years 2014 and 2013.

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SI-14. Please provide a summary of customer assistance programs and rate discounts offered to PWD customers and their associated costs and participation rates.

Response: See Direct Testimony of Joanne Dahme and Erin Williams (PWD Statement 4, pages 7-8 and Exhibit JD-2) and Direct Testimony of Michelle L. Bethel and Mark D. Harvey (PWD Statement 6, page 4 and Exhibit MB-2). See also the Direct Testimony of Jon Davis of Raftelis (PWD Statement 8) for a description of the proposed new affordable rates program for economically disadvantaged residential customers.

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SI-15. Please explain how budget assumptions in the rate filing are employed in projecting the necessary revenue requirement for the Rate Period.

Response: See the Direct Testimony of Black & Veatch (PWD Statement 9A at pages 20-40) and PWD Revenue & Revenue Requirement Assumptions (Statement 9B, Exhibit BV-S1 at pages 1-11).

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-16. Please provide the Mayor's Operating Budget in Brief and supporting detail for FY 2014 and 2015.

Response: See the following attachments:

Attachment SI-16a – Mayor's Operating Budget in Brief for Fiscal Year 2014; and
Attachment SI-16b – Mayor's Operating Budget in Brief for Fiscal Year 2015.

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SI-17. Please provide the prepared budget testimony submitted for the FY 2015 and 2016 operating budgets.

Response: See the following attachments:

Attachment SI-17a – Fiscal Year 2016 Budget Testimony; and
Attachment SI-17b – Fiscal Year 2015 Budget Testimony.

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SI-18. Provide the most recent Monthly Manager's Reports.

Response: See Attachments SI-18a (monthly reports for FY2014) and SI-18b (monthly reports for FY 2015).

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-19. Please define Class 100 expenses (Personal Services).

Response: Please see the Direct Testimony of Melissa LaBuda (PWD Statement 2, page 13).

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-20. Summarize changes in expense levels related to personnel and fringe benefits in FY 2015-2016.

Response: The changes in expense levels related to personnel and fringe benefits between Fiscal Years 2015 and 2016 are summarized in the table below. This increase is primarily attributable to the recent settlement of labor contracts, the anticipated filling of vacant positions, the addition of critical new positions associated with the City's obligations under the Consent Order and Agreement with PaDEP dated June 1, 2011 (COA) (attached as Attachment SI-12) and an increase in lump-sum payments for retirees during that fiscal period. All of the foregoing expenditures reflect PWD's commitment to the central task of strengthening its workforce to ensure that the utility is prepared (necessary staffing) to meet infrastructure and operational challenges. In addition to the above, expenditures for pension benefits increased in FY 2015 and were budgeted in FY 2016 in-line with the Five Year Plan.

	FY2015	FY2016	Increase	Increase
Personal Services (Total)	\$219,288,353	\$231,186,101	\$11,897,748	5.15%
Salary	\$118,719,436	\$123,198,999	\$4,480,563	3.6%
Fringe	\$48,293,131	\$49,358,102	\$1,064,971	2.15%
Pension	\$52,276,786	\$58,629,000	\$6,352,214	11%

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SI-21. Please state the major reasons for projected increases in overall spending for salaries, fringes and pension expenses.

Response: The rate filing assumptions include annual salary increases of 3.0% in compliance with the labor contracts; and annual increases in fringes and pension benefits of 3.0% consistent with the Five Year Plan. The most recently negotiated labor agreements are provided in response to SI-63. The Five Year Plan is provided in response to SI-8.

In addition to the above, additional staffing requirements are identified in PWD Revenue & Revenue Requirement Assumptions (PWD Statement 9B, Exhibit BV-S1). Also, see the response to SI-22 and the Direct Testimony of Melissa LaBuda (PWD Statement 2 at pages 16-17).

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SI-22. Please state the number of authorized positions at the Department funded by the Department's operating fund for FY 2015-2016.

Response: Authorized positions funded by the Department's operating fund in FY 2015 were budgeted at 1,947 employees. For FY 2016, 1,959 positions are budgeted and there are 147 vacancies as of October 2015.

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SI-23. Please indicate the number of personnel assigned to capital programs for FY2016 and plans for increased hiring in connection with the Department's capital programs during the Rate Period.

Response: The Water Department has 304 budgeted capital positions in FY 2016. In FY 2017, the Department is adding 6 budgeted positions for a total of 310. These positions will support the implementation of the Department's Long Term Control Plan (LTCP) as well as the increased renewal of the Water Department's water and wastewater infrastructure. As the LTCP continues to ramp up, additional positions may be needed in future years.

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-24. Please define Class 200 expenses (Purchase of Services).

Response: See the Direct Testimony of Melissa LaBuda (PWD Statement 2, page 13).

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SI-25. Please state the major reasons for the increase in Class 200 expenses in FY 2015-2016 and the projected revenue requirements associated with Class 200 expenses during FY 2017-2018.

Response: See the Direct Testimony of Melissa LaBuda (PWD Statement 2 at page 17) and PWD Revenue & Revenue Requirement Assumptions (PWD Statement 9B, Exhibit BV-S1 at pages 6-9).

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-26. Please define Class 300 and 400 expenses (Materials, Supplies & Equipment)

Response: See the Direct Testimony of Melissa LaBuda (PWD Statement 2, page 13).

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SI-27. Please summarize changes in FY 2015-2016 Class 300-400 expense levels and provide projected revenue requirements associated with these expenditures during the Rate Period.

Response: As depicted in Table 1 (Exhibit ML-3 of PWD Statement 2), Class 300 and 400 expenses projected for Fiscal Year 2016 increased by approximately \$1.5 million above the FY 2015 Year-End unaudited obligations. Total Class 300/400 budgeted expenditures were approximately \$48.9 million in FY 2016 compared to the \$47.4 million Year-End unaudited obligations for FY 2015. Increases are due primarily to escalating chemical costs, building materials, machinery and equipment at the water and wastewater treatment facilities. The most notable increase in this expense category is related to chemical costs which are projected to increase during the FY 2017-2018 period by 3.3% annually (6.6% total). The bases for the above projections are also addressed in PWD Revenue & Revenue Requirement Assumptions, attached to PWD Statement 9B as Exhibit BV-S1, at pages 7-9.

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-28. Please define Class 500 expenses (Indemnities, Taxes & Awards).

Response: See the Direct Testimony of Melissa LaBuda (PWD Statement 2, page 13).

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SI-29. Please explain the budgeted expenditures for claims and indemnities (Class 500) and projections for same during the Rate Period.

Response: Projections in this area are made based upon prior years' claims experience. Claims against the Department are generally paid out of the Water Fund. The Department's budget for Fiscal Year 2016 contains an appropriation for Water Department claims and indemnities in the amount of \$6.605 million. As of December 28, 2015, the available balance in the account for claims payable by the Water Fund was approximately \$2.2 million. See also, PWD Revenue & Revenue Requirement Assumptions (PWD Statement 9B, Exhibit BV-S1) for assumptions related to the projection of claims and indemnities expense for the Rate Period.

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-30. Please define Class 700 expenses (Debt Service).

Response: See the Direct Testimony of Melissa LaBuda (PWD Statement 2, page 13).

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-31. Please provide the Official Statements of the Department issued in connection with bond transactions since the last rate proceeding.

Response: The Official Statement for the most recent bond transaction (Series 2015 Bonds), dated April 1, 2015, is attached as Attachment SI-31. The Official Statements for the Series 2015 Bonds and other bond transactions since the last rate proceeding are available and may be downloaded from the City's Investor Website at <http://www.phila.gov/investor>.

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-32. Please summarize PWD’s credit rating history and provide the most recent rating agency reports for the Department.

Response: The most recent rating agency reports from Moody’s Investors Service (“Moody’s”), Standard & Poor’s (“S&P”) and Fitch Ratings (“Fitch”) are attached to the testimony of Melissa LaBuda as Exhibit ML-2. The Department’s most recent municipal bond ratings assigned by Moody’s, S&P and Fitch are “A-1” with a stable outlook, “A” with a positive outlook; and “A+” with a stable outlook, respectively. The chart below offers an historic overview of the Department’s recent credit rating experience. Additional information on these ratings is available from the City’s official statements for the bond offerings in the years reported below. The official statements are available and may be downloaded from the City’s Investor Website at <http://www.phila.gov/investor>.

History of Recent Water and Wastewater Revenue Bond Credit Ratings

<u>Year</u>	<u>Moody’s</u>	<u>S&P</u>	<u>Fitch</u>
2015	A-1	A	A+
2014	A-1	A	A+
2013	A-1	A	A+
2012	A-1	A	A+
2011	A-1	A	A+
2010	A-1	A	A+

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SI-33. Please explain the basis for projected Class 700 expenditures for the Rate Period.

Response: The Department anticipates additional borrowing for Fiscal Years 2016 through 2021 as shown below, in Exhibit BV-S1 attached to the Supplemental Direct Testimony of Black & Veatch (PWD Statement 9B, Exhibit BV-S1, page 10) and on Table 8 of the Official Statement dated April 1, 2015 (Attachment SI-31, page 35). New money issues in the aggregate principal amount of \$545 million are projected for the Rate Period (FY 2017-2018).

Anticipated Future Borrowings for Capital Improvement Program

<u>Fiscal Year</u>	<u>Estimated Principal Amount</u>
2017	\$270,000,000
2018	275,000,000
2019	280,000,000
2020	270,000,000
2021	285,000,000

A 5.25% interest rate is assumed in connection with future borrowings in FY 2017 and 2018. Interest only payments are assumed for the Rate Period.

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SI-34. Please define Class 800 expenses (Inter-Fund Payments).

Response: See the Direct Testimony of Melissa LaBuda (PWD Statement 2, page 13).

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SI-35. Please explain the basis for projected Class 800 expenditures.

Response: See PWD Revenue & Revenue Requirement Assumptions (PWD Statement 9B, Exhibit BV-S1 at pages 7 and 10-11). For additional explanation of planned expenditures in this budget area, see the Financial Plan (PWD Exhibit 2).

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-36. Please provide a summary of the results of the Department's cost of service study for retail customers indicating rate impacts on customers with various meter sizes.

Response: See Direct Testimony of Black & Veatch (PWD Statement 9A at pages 21-22, 41-42, 66-67, and 97-101) and Tables C-4, C-5, W-7 and WW-7 of Exhibit BV-E1. Tables W-7 and WW-7 show the results of the FY 2017 cost of service study. Tables C-4 and C-5 show the rate impact on residential and non-residential customers of various meter sizes during the period FY 2017 and FY 2018.

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-37. Please describe the projected revenues and revenue requirements for FY 2017 and 2018 as shown in the cost of service study (combined water and wastewater utilities and separated by utility).

Response: See the Direct Testimony of Black & Veatch (PWD Statement 9A at pages 20 and 39-40) and Tables C-1, W-6 and WW-6 of the Black & Veatch cost of service study (Tables C-1, W-6 and WW-6 of Exhibit BV-E1).

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-38. Please explain the major assumptions in the cost of service study for retail customers.

Response: See PWD Revenue & Revenue Requirement Assumptions, attached to the Supplemental Direct Testimony of Black & Veatch (PWD Statement 9B, Exhibit BV-S1).

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-39. Please state how the revenue requirements for retail customers are determined.

Response: See the Direct Testimony of Black & Veatch (PWD Statement 9A at page 20-40).

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-40. Please state the assumptions in the cost of service study with regard to infiltration/inflow.

Response: See the Direct Testimony of Black & Veatch (PWD Statement 9A, page 96) and Table WW-14 of Exhibit BV-E1.

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SI-41. Please indicate the suspended solids and biological oxygen demand (“BOD”) strengths used in the cost of service study for retail customers and the methodology used to derive those strengths.

Response: See the Direct Testimony of Black & Veatch (PWD Statement 9A at pages 89-90) and Table WW-8 of Exhibit BV-E1.

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-42. Please explain all assumptions used in the cost of service study with regard to stormwater costs.

Response: See the Supplemental Direct Testimony of Black & Veatch (PWD Statement 9B at pages 1-8).

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SI-43. Please generally describe the components of the proposed charges for retail water and wastewater service.

Response: See the Direct Testimony of Black & Veatch (PWD Statement 9A at pages 46-49 (water) and pages 70-71 (wastewater)).

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SI-44. Please explain what costs will be recovered on a volumetric basis and what costs will be recovered through the service charge.

Response: See the Direct Testimony of Black & Veatch (PWD Statement 9A at pages 46-57(water) and 70-86 (wastewater)).

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SI-45. Please explain any proposed changes in rate design in the current rate filing.

Response: See the Direct Testimony of Black & Veatch (PWD Statement 9A at pages 64-65 (water) and 97-100 (wastewater)) and the Supplemental Direct Statement of Black & Veatch (PWD Statement 9B at pages 9-10 (stormwater)).

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-46. Please identify any major changes in the cost of service study for retail customers since the last rate proceeding.

Response: The cost of service study for retail customers tracks the analyses followed in prior PWD cases and is consistent with industry standards. See the Direct Testimony of Black & Veatch (PWD Statement 9A at pages 17-19) and the Supplemental Direct Testimony of Black & Veatch (PWD Statement 9B at pages 2 and 4).

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-47. Please state the wholesale wastewater and water contracts in effect since the last rate proceeding and identify any changes in wholesale customers since then.

Response: See the Direct Testimony of James Palladino (PWD Statement 5, pages 2-4) and the Direct Testimony of Black & Veatch (PWD Statement 9A, pages 22-23) .

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-48. Please provide a summary of wholesale contract revenues for the most recent period for which information has been compiled.

Response: See the Direct Testimony of James Palladino (PWD Statement 5, page 3).

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SI-49. Please explain major assumptions/factors in the cost of service study related to wholesale customers.

Response: Major assumptions/factors related to flows, strengths, infiltration/inflow, capital contributions, costs for facilities and associated allocations are discussed in the Direct Testimony of Black & Veatch (PWD Statement 9A at pages 21-25, 88, and 91-93) and the Direct Testimony of James Palladino (PWD Statement 5 at page 4).

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-50. State how the allocation of cost of service responsibility is determined for wholesale customers is determined.

Response: See Direct Testimony of Black & Veatch Corporation (PWD Statement 9A, pages 40-41, 43-54, 61, 72-74, 78-81, 88, and 91-93).

Allocation of cost of service responsibility for capital related costs to wholesale customers recognizes the contract capacities for various water and/or wastewater facilities which are utilized by each wholesale customer. The capital related costs allocated to Wastewater wholesale customers include a share of the capital costs for the system-wide green infrastructure associated with the long term control plan in accordance with their contractual agreements. Capital cost responsibility for the wholesale customers recognizes depreciation expense and an appropriate rate of return on the investment allocated to each contract customer (which is determined based upon the relationship of the contract capacity versus design capacity of facilities utilized by individual wholesale customers).

Some of the wholesale wastewater customers have chosen to make capital contributions to the Department for their share of allocated plant investment in lieu of paying annual depreciation expense and return on investment.

Operation and maintenance expenses allocable to wholesale customers recognize the facilities used by each customer and the contribution of annual volume, peak rates of flow and strength by each customer relative to the total units of service to be treated or handled at the various facilities for the wholesale customer. Operation and Maintenance expenses to wastewater wholesale customers include a share of the system-wide long term control plan operating and maintenance expenses in accordance with their contractual agreements. In lieu of recovering from wastewater wholesale customers the annual Stormwater Management Incentives Program (SMIP) and Green Acre Retrofit Program (GARP) operating and maintenance costs in the year the expenses are incurred, the costs are allocated to the wastewater wholesale customers based on the amortization of the costs upon the project completion.

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SI-51. Please state whether certain wholesale customers have made direct capital contributions in designated PWD facilities which impact their revenue responsibility during the Rate Period.

Response: Certain wholesale customers have made direct capital contributions. See the Direct Testimony of James Palladino (PWD Statement 5, page 4).

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SI-52. Please provide the basis for the determination of the cost of various facilities allocated to wholesale customers.

Response: See the Direct Testimony and of Black & Veatch (PWD Statement 9A at pages 40-41, 46-54, 61, 72-74, 78-81, 88, and 91-93) and Exhibit BV-E2, Tables WH-1 through WH-31.

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SI-53. Please explain whether wastewater flows and strengths are measured at the point of discharge to the City sewers for wholesale customers.

Response: See the Direct Testimony of Black & Veatch (PWD Statement 9A at pages 88).

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SI-54. Please state the assumptions made in the cost of service study with respect to infiltration/inflow for wholesale customers.

Response: The wholesale customers' wastewater flows are metered at the City limits. Any infiltration/inflow ("I/I") which occurs within the wholesale customer's service area is included in the wholesale customer's annual volume units. In the cost of service study Black & Veatch includes an allowance for I/I downstream of the wholesale customer's connection points into the City's system.

The downstream allowance is to recognize that major interceptor sewers, such as used to transport the township customers' flows to the City's wastewater treatment plants, are designed to assume some allowance for groundwater seepage or infiltration into the sewers over their useful lives. Based upon discussions with Black & Veatch engineering design staff, an allowance of 1.5 percent of the contract customer's peak flow capacity (generally stated in the contracts in cubic feet per second) was included as an annual allowance for downstream I/I. Peak rates of I/I (for the capacity component) was assigned to the wholesale customers at 1.50 times the annual volume allowance for I/I.

See also the Direct Testimony of Black & Veatch (PWD Statement 9A at 73 and 88-89) and Tables WW-8 of Exhibit BV-E1 and WH-3 of Exhibit BV-E2.

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SI-55. Please explain changes in the cost of service study regarding wholesale customers since the last rate proceeding.

Response: Except as noted in the Direct and Supplemental Direct Testimony of Black & Veatch (PWD Statements 9A and 9B), there have been no changes in assumptions related to the cost of service study for wholesale customers. Any changes in costs borne by wholesale customers would be tied to newly negotiated contracts. See the Direct Testimony of James Palladino (PWD Statement 5 at page 4-5) and response to SI-51.

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SI-56. Please indicate the overall level of collections projected for the Rate Period and the reasons supporting the collection assumptions utilized in the rate filing.

Response: See the Direct Testimony of Black & Veatch (PWD Statement 9A at page 22) and PWD Revenue & Revenue Requirements Assumptions (PWD Statement 9B, Exhibit BV-S1),

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SI-57. Please provide the Water Fund accounts receivable balances as shown in recent PWD financial statements.

Response: See PWD Financial Statements FY 2013-2014 (SI-7a and SI-7b). Note 3 in the Fiscal Year 2013 Financial Statement and Note 4 in the Fiscal Year 2014 Financial Statement state the levels of accounts receivable reported for the respective fiscal years, indicating amounts (i) billed during the last 12 months, (ii) billed during 15-year cycle billing, (iii) penalties on receivables and (iv) other receivables.

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SI-58. Please describe all collection factors, lag factors, compression factors and any related adjustments utilized in the cost of service study.

Response: See the Direct Testimony of Black & Veatch (PWD Statement 9A, pages 19, 64-65 and 99), the Supplemental Direct Testimony of Black & Veatch (PWD Statement 9B, page 8), and PWD Revenue & Revenue Requirement Assumptions (PWD Statement 9B, Exhibit BV-S1).

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SI-59. Please provide a listing of the Department's top ten customers during the last three fiscal years.

Response: See Table 3 on page 23 of the Official Statement dated April 1, 2015, attached as Attachment SI-31.

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SI-60. Please provide the most recent water quality reports for the Department.

Response: See Attachments SI-60 – 2015 Drinking Water Quality Report Featuring data collected in 2014.

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-61. Please provide a summary of the Green City, Clean Waters Program.

Response: See Attachment SI-61 – Green City, Clean Waters, Program Summary, Amended June 1, 2011

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-62. Please state debt service coverage levels projected for each year encompassed in the cost of service study.

Response: See the Financial Plan (PWD Exhibit 2, page 24)

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-63. Please provide the current collective bargaining agreements with District Council 33 and District Council 47.

Response: See the following attachments:

Attachments SI-63a – Memorandum of Agreement between the City of Philadelphia and AFSCME DC 33, August 21, 2014;

Attachment SI-63b – Memorandum re District Council 33 Ratification Bonus, September 18, 2014;

Attachment SI-63c – Memorandum of Agreement Between the City of Philadelphia and AFSCME DC 47 Local 2186, February 25, 2015; and

Attachment SI-63d – Memorandum of Agreement Between the City of Philadelphia and AFSCME DC 47 Local 2187, February 25, 2015.

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-64. Please provide the most recent City of Philadelphia Quarterly City Managers Report.

Response: See Attachment SI-64 – City of Philadelphia Quarterly City Managers Report for the period ending September 30, 2015. This report and other Quarterly City Manager's Reports are available and may be downloaded from Office of Director of Finance Website at <http://www.phila.gov/finance/reports.html>.

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-65. Please provide the pages from the most recent Book II of the Mayor's Operating Budget for Fiscal Year 2016 which identify employee compensation and positions funded by the Water Fund for Fiscal Year 2014 (actual obligations and positions as of June 30, 2014), Fiscal Year 2015 (estimated obligations and budgeted positions) and Fiscal Year 2016 (obligation level and budgeted positions).

Response: See Attachment SI-65, which contains the relevant pages from most recent Mayor's Operating Budget (Book II) for Fiscal Year 2016. The entire report and reports for prior fiscal years are available and may be downloaded from Office of Director of Finance Website at <http://www.phila.gov/finance/reports.html>.

RESPONSE TO PHILADELPHIA WATER DEPARTMENT STANDARD INTERROGATORIES

SI-66. Please provide a chart summarizing the actual and budgeted positions funded by the Water Fund for Fiscal Years 2013 through 2016.

Response: See Attachment SI-66, which summarizes available information on positions funded by the Water Fund for FY 2013 through FY2016 based on information obtained from the Quarterly City Manager's Report as of September 30, 2015 and formal budget submission to City Council for FY 2015 and FY2016.