

**BEFORE THE PHILADELPHIA WATER, SEWER AND STORM WATER
RATE BOARD**

In the Matter of a Proposed Rate Increase in :
Water, Sewer and Storm Water Rates : **FY 2017-2018 Rates**

Public Advocate's Interrogatories & Requests for Production of Documents

Instructions: Please respond to the following Interrogatories and Requests for Production of Documents. Please repeat the interrogatory and provide the name of the person providing the response. Please provide copies of all replies in PDF and/or XLS format via email and/or on CDs.

Unless otherwise indicated, all requests refer to the “Philadelphia Water Department Financial Plan: Revenue & Revenue Requirement Assumptions,” distributed on December 8, 2015.

- PA-EXE-1. Please explain what is meant by the statement: “Total system accounts are anticipated to remain stable over the projection period”, and provide detailed support for the statement.
- PA-EXE-2. Please provide the supporting documentation showing the derivation of the 0.6% annual decrease in usage for 5/8” meter General Service Customers for FY 2016 through 2019. Please provide the requested data in electronic format with the formulae intact.
- PA-EXE-3. Please provide the supporting documentation showing the derivation of the 1.5% annual decrease in usage for 5/8” meter General Service Customers for FY 2010 through 2015. Please provide the requested data in electronic format with the formulae intact.
- PA-EXE-4. Please provide the quantification of the annual increase in the 5/8” meter General Service volume usage during FY 2019, 2020 and 2021 resulting from the decrease in theft due to implementation of the Advanced Metering Infrastructure (AMI). In your response include an explanation the cause of the significant growth from year to year.
- PA-EXE-5. Please provide an electronic worksheet showing the derivation of the annual addition revenue relating to the implementation of the AMI for FY 2019, 2020 and 2021 of \$0.4 million, \$1.25 million and \$2.1 million, respectively.
- PA-EXE-6. Please provide any business case or presentations made to management regarding the AMI project.

PA-EXE-7. Please explain the planned implementation of the AMI project and include in the explanation the estimated number of meters that will be affected and annual capital expenditures by year and in total for the project through its completion.

PA-EXE-8. Please provide a narrative that explains the specific functionalities and capabilities of the AMI employed by PWD. Also in your response, explain how the system will reduce theft.

PA-EXE-9. Please provide the supporting documentation showing how the impervious and gross area storm water credits are converted into a reduction of the billable square footage area of 18.3 million sq. ft. for gross area and 10.4 million sq. ft. for impervious area.

PA-EXE-10. Please provide the supporting documentation for the projected revenue reduction of \$15.1 million and \$25.2 million for FY 2017 to FY 2021 related to impervious and gross area storm water. Please identify the specific amount for each year.

PA-EXE-11. Please identify the annual amount of storm water customer assistance program revenue for each year of the study period.

PA-EXE-12. Please provide detailed support for the statement: “The stormwater Customer Assistance Program is projected as an additional \$3.4 M to \$3.0 M projected revenue reduction over the study period.”

PA-EXE-13. With regard to the retail collection factor excluding storm water, it is understood that the difference between the “Current Year %” and the “Collection Ever %” for FY 2015 is related to certain prepaid revenue. Please explain whether the prepaid revenue relates to service provided during FY 2015 or another year and how the prepaid amount is isolated and identified in each year.

PA-EXE-14. With regard to the retail collection factor for only storm water:

- a. Please explain why the second year collection factor is an estimate based upon the projected collections relative to the actual system revenues instead of the historical receipts, done for the retail collection factor excluding storm water.
- b. Please provide workpapers and supporting documentation showing the derivation of second year collection factor based on the estimate of projected collections relative to the actual system revenues.

- c. Please explain the collection percentage for storm water only is significantly less than retail excluding storm water.

PA-EXE-15. Please provide support for the 0.4% interest earning rate related to the operating fund and the rate stabilization fund.

PA-EXE-16. Please provide detailed supporting documentation showing the projected buildup of the Operating Fund and Rate Stabilization Fund at the 0.4% interest rate during the rate period.

PA-EXE-17. Please provide supporting documentation for the penalties rate of 1.45% of billing.

PA-EXE-18. With reference to Miscellaneous Revenues:

- a. Please provide the supporting workpapers in electronic format with the formulae intact showing the derivation of the projected amounts for each classification of miscellaneous revenues as presented on Figure 3.
- b. Please show the support for the general service cost of service adjustment factor of 1.01 used in the derivation of the Affordability Program Discounts.
- c. Please identify the revenues that were projected based on historical data and those that were projected based upon budgeted data.

PA-EXE-19. Please provide a schedule detailing estimated (unaudited) vs. actual (audited) total Operating Expenses for each of the past five fiscal years.

PA-EXE-20. Please provide copies of PWD's FY 2015 and 2016 operating and capital budgets.

PA-EXE-21. Please provide detailed support for the statement: "Liquidated encumbrances for fiscal year 2016 are projected to be 12.0% of projected Services (class 200) and Materials and Supplies (class 300) expenses."

PA-EXE-22. Please provide a definition of the term "Liquidated Encumbrances" as it applies to the PWD.

PA-EXE-23. Please provide detailed support for each of the adjustments shown in Figure 6 "Additional Adjustments for Projected Operating Expenses".

PA-EXE-24. Please explain in detail and provide detailed support for the 5% escalation rate utilized for Electric Costs for FY2018 - FY2021. (Figure 5)

PA-EXE-25. Please provide a copy of the plan documents or narratives explaining the following programs presented on Figure 6:

- a. Stormwater Management Incentive Program (SMIP);
- b. Green Area Retrofit Program(GARP);
- c. City Grant Program; and
- d. Affordability Program.

PA-EXE-26. With regard to the additional abatement costs in Figure 6:

- a. Please explain what is being abated.
- b. Provide a breakdown of the additional abatement costs.
- c. Provide a breakdown of other abatement costs that are included in the FY 2016 budget.

PA-EXE-27. Please provide detailed support for the projected 5.25% interest rate utilized for projected bond issues.

PA-EXE-28. Please provide a schedule showing the all-in interest rate for each of the PWD's last five bond issues and the date of those bond issues.

PA-EXE-29. Please state the required senior debt coverage as shown in the current PWD bond covenants.

PA-EXE-30. Please provide the basis of the increase in debt coverage to 1.35.

PA-EXE-31. Please provide support for the Capital Account Deposit inflation to 2.5% per year.

PA-EXE-32. Please provide support for the requirement of maintaining annual cash funded capital of 20% to 25% of projected annual CIP.

PA-EXE-33. Please provide supporting documentation for maintaining the rate stabilization fund at \$120 million to \$125 million.

PA-EXE-34. With reference to Figure 7,

- a. What does the CIP acronym stand for?
- b. Please explain in detail what is depicted in Figure 7. It is understood that the top of the schedule “CIP Budget” represents a capital budget. Does the “CIP Expenses” represent expenses related to CIP projects, or is that the expected expenditures based upon actual to budget ratios?
- c. Please provide detailed support for the “CIP Expenses” shown in Figure 7.

PA-EXE-35. Please provide the average annual increase in net plant investment during FY2010, FY2011, FY2012 and FY2015.

PA-EXE-36. Please provide detailed support for the statement: “The FY2018 to FY2021 capital program costs are inflated at 4% on an annual basis in accordance with the Water Departments’ CIP projections.”

PA-EXE-37. Please provide detailed support for each of the Actual to Budget Factor Exceptions.

- a. Please explain why 100% was used for salaries and wages under Human Resources, Finance, Planning & Engineering, Operations, Planning & Environmental Services, and Public Affairs given that the 3-year Average is lower than that percentage.
- b. Please explain why 100% was used for SMIP/GARP costs given that the 3-year average is higher than that percentage.
- c. Please explain why 100% was used for Pension costs given that the 3-year average is lower than that percentage.
- d. Please explain why 100% was used for Pension Obligations given that the 3-year average is higher than that percentage.
- e. Please explain why 100% was used for Contributions given that the 3-year average is lower than that percentage.