

**RESPONSE TO PECO AND EXELON GENERATION COMPANY  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

**II-1.** Please explain the rationale for the higher customer rate increases applied to the sewer service and storm water service vs. water service in 2017 and 2018.

**Response:**

The proposed revenue increases for both the water and wastewater water services are based on the analyses of the revenue and revenue requirements for each utility service, as provided in PWD St.-9A: Direct Testimony and Exhibits of Black & Veatch Corporation, Tables W-6 and Table WW-6.

While several of the Rate Increase Factors, as identified on Slide 38 of the Presentation to the Board – City of Philadelphia, Water Department, February 22, 2016, impact both the water and the wastewater services, the Environmental Regulations currently impacts the wastewater service more significantly than the water services.

**Response Provided By:** Ann Bui, Prabha Kumar and David Jagt, Black & Veatch

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**II-2.** If more of the proposed rate increase were applied to the customer service charges rather than to the consumption charges, would that reduce the Department's exposure to the water systems' declining sales estimate and provide a more stable revenue forecast? Please explain.

**Response:**

Applying more of the proposed rate increase to the customer charges rather than the consumption charges would reduce the Department's exposure to the water system's declining water sales estimate. However, any adjustments would have to consider cost of service recovery by customer type and impacts to affordability. Shifting more cost recovery to fixed charges impacts customers' ability to reduce their bills. For example, customer conservation efforts will have less of an impact on the monthly bills if more costs are recovered via fixed charges.

Note that under the proposed water, sanitary sewer, and stormwater rates for FY 2017 and FY 2018, the monthly bill for a typical residential customer with a 5/8" meter and 0.6 Mcf monthly water consumption consists of 39% fixed charges (customer and stormwater management service charges) and 61% consumption charges (water and sanitary sewer commodity charges).

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- II-3.** Reference the Department's proposal to switch from Automatic Meter Reading to Advanced Metering Infrastructure. Please explain the following:
- a. Why is a 4% inflation adjustment necessary to the planned capital project each year?
  - b. Are there multiple suppliers of this technology?
  - c. Are there potential price reductions due to competitive bidding for the program?
  - d. Are there performance guarantees associated with the systems?

**Response:**

- a. Please refer to the previously provided responses for PECO-I-1 and PA-EXE-36. Projected CIP costs need to be inflated annually from the base year (FY 2017).
- b. Yes.
- c. d. The Water Department will use the City's competitive procurement process and does not know at this time if there will be price reductions or if performance guarantees will be included.

**Response Provided By:** Ann Bui, Prabha Kumar and David Jagt, Black & Veatch and Debra McCarty, Philadelphia Water Department