

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR  
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**Regarding the Direct Testimony of Melissa Labuda**

PA-EXE-97. Reference the discussion of debt coverage at the bottom of page 6. Please explain why PWD is seeking debt coverages... “which are in excess of the 1989 General Bond Ordinance...requirement of 120 percent”. Specifically explain in detail and provide all empirical evidentiary documents showing that the “minimum senior debt service coverage should be 124 percent for FY16, 125 percent for FY17 and 126 percent for FY18. Also in your response, please provide supporting calculation showing the derivation of debt coverage ratios for FY 16, 17 and 18.

**Response:**

Refer to PWD St.-2: Direct Testimony of Melissa LaBuda, attachment ML-6 for the Water Commissioners Rate Determination from the prior rate proceeding for FY16, FY17, and FY18 minimum coverage metrics. Minimum coverage metrics were provided in ML-6.

Refer to PWD Statement 9A-Direct Testimony of Black & Veatch Corporation, Table C-1 (PDF Page # 109), Line 26 – Senior Debt Service Coverage. This presents the above referenced percentages as a ratio, which is calculated by dividing Line 21 by Line 25.

Refer to PWD St.-7: Direct Testimony of Katherine Clupper for additional supporting documentation regarding the Water Department financial policies.

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

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PA-EXE-98. Please provide a schedule (not references) detailing actual senior debt coverage for each of the past ten fiscal years.

**Response:**

The schedule is provided as part of PWD Exhibit 4 (SI #7), Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2014, Table 16, page number 179.

**Response Provided By:** Melissa LaBuda, Philadelphia Water Department

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PA-EXE-99. Reference page 7. Please explain in detail why PWD will target to fund at least 20 percent of the capital program with cash.”

**Response:**

As of June 30, 2015 the Department’s total long-term debt exceeds \$1.9 billion while the Departments capital assets total \$2.1 billion. Continued reliance on nearly 100% debt funded capital program is not a sustainable practice nor is it in-line with the practices of other municipal water and sewer systems.

Please see attachment Response PA-EXE-99, 2016 Fitch Ratings Water & Sewer Medians, Appendix B, Capital Demands and Debt Policies, CIP Debt Financed %.

**Response Provided By:** Melissa LaBuda, Philadelphia Water Department

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PA-EXE-100. Reference page 17. Please explain in detail and provide support for the statement:

“In addition the Department’s improved focus on Human Resources is reducing vacancies in Department in a meaningful manner.” Specifically, for FY13, through FY18, please identify the number of vacancies reduced (or projected to be reduced) as a result of the Department’s “improved focus”.

**Response:**

- a. In 2012, then Commissioner Neukrug reorganized the reporting structure of the Water Personnel Unit. This was in direct response to Water Department vacancies. See PWD Exhibit 4 (SI-66) for the vacancy statistics for each of the fiscal years. To formulate the vacancy rate, subtract the actual positions from budgeted positions. The Department continues to work aggressively with the Office of Human Resources to ensure that candidates are identified and recruited for these positions with a long-term goal to reduce the vacancy rate to no more than 5% of the total workforce.
- b. Refer to attachment Response PA-EXE-100. The attached table presents the budgeted employee counts versus the actual staffing counts of the Water Department for FY 13 through FY 15. FY 16 Water Department employee counts are presented based upon the budget level, the actual staffing level as of October 1, 2015. Projected staffing levels are also presented for FY 17 and 18, which take into account 100% FY 2016 staffing levels and the additional staffing positions discussed in the Financial Plan: Revenue & Revenue Requirements Assumptions (Ref # BV-S1 at Page 1) included in PWD Statement 9-B: Supplemental Direct Testimony and Exhibits of Black & Veatch Corporation.

For reference purposes, a comparison of the budget and actual Water Department Salary & Wages Class 100 costs are also presented for FY 13 through 15. It’s important to note that while staffing levels have increased annually and currently stand at 92% as of October 1, 2015, the actual salary costs as a percentage of budget has increased from 91% in FY 13 to 99% as of FY 15. Therefore, it is anticipated that projected salary and wages costs will be fully realized during the study period.

**Response Provided By:** a) Gerald Leatherman, Philadelphia Water Department b) Ann Bui, Prabha Kumar and David Jagt, Black & Veatch

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PA-EXE-101. Reference page 17. Please provide a supporting documentation detailing the:

- a. "Increase in exposure due to claims from recent water main breaks;" and
- b. Available balance in the indemnity account at fiscal year-end 2013, 2014 and 2015.

**Response:**

- a. See, PWD Exhibit 4 (SI-18a and SI-18b) for details on actual water main breaks. For example in FY13, the Department repaired 823 water main breaks versus FY15 where the Department repaired 911 water main breaks.
- b. See, PWD Exhibit 5 – Assumptions Provided to the Public Advocate on 12-8-2015, Appendix 1, for the actual indemnity fund expense level for fiscal year-end 2013, 2014 and 2015. As of February 5, 2016, the Water Fund indemnity balance totaled \$1.9 million.

**Response Provided By:** Melissa LaBuda, Philadelphia Water Department

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PA-EXE-102. Reference page 18. Please provide a schedule detailing the “series of projected debt schedules reflecting the timing of future issuance needs.”

**Response:**

Refer to PWD Statement-9A: Direct Testimony and Exhibits of Black & Veatch Corporation, Table C-1 Combined Utility: Projected Revenue and Revenue Requirements. Line No. 24 presents the projected debt service costs related to future bond issuance. In addition, refer to PWD Exhibit - 6: Black & Veatch Corporation Cost of Service Work Papers on work paper DS-4 (PDF Page #325 - 327) for a detailed schedule of future bond issuance and associated debt service.

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

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PA-EXE-103. Please provide a schedule similar to Exhibit ML-6, Attachment B, Table 11, Projected Revenue and Revenue Requirements, showing actual data for each FY 12 through FY15 and actual/projected data for FY 16.

**Response:**

Refer to attachment Response PA-EXE-103. The attached table presents a comparison of the projected revenue and revenue requirements from Table 11 of the settlement agreement for the previous rate proceeding versus the actual results for FY 12 to FY 15. The line numbers corresponding to Table 11 are presented in the left hand column.

For FY 16 projections of revenue and revenue requirements, refer to PWD Statement 9A-Direct Testimony and Exhibits of Black & Veatch Corporation, Table C-1 (PDF Page # 109). Table C-1 of the current rate proceeding is the equivalent of Table 11 for the prior rate proceedings.

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

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PA-EXE-104. Reference page 3. Ms. LaBuda states that the potential impact of the labor settlements was not an allowable expense in the prior rate proceeding. Please provide a citation from that proceeding that support this claim.

**Response:**

The 2012 Rate Proceeding was settled by agreement of the parties, as sanctioned by the Water Commissioner. The terms and conditions of the settlement included authorization for additional revenues of \$140,019,000 for the rate period (FY2013-2015). It was a “black box” settlement. However, that the calculation of increased revenues (as negotiated) was lower than the level originally proposed by PWD in that proceeding and was net of the projected salary increases which had not been negotiated at the time of settlement.

**Response Provided By:** Melissa LaBuda, Philadelphia Water Department



**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-105. Reference page 3. Ms. LaBuda indicates that Bucks County Water and Sewer Authority terminated its wholesale water contract on June 30, 2014. Please provide a schedule identifying the annual cost savings associated with no longer serving Bucks and show how it has been reflected in the cost of service.

**Response:**

FY 2015 is the first full year in which Bucks County Water and Sewer Authority (BCWSA) is no longer a wholesale water customer. Therefore, there is no specific analysis available at this time which isolates the potential cost savings.

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

**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-106. Reference page 6. Please provide copies of the supporting documentation requiring the Department to maintain at least \$110 million in the Rate Stabilization Fund (RSF) and \$15 million in the Residual Fund, adjusted for inflation.

**Response:**

The RSF was established in conjunction with the Series 1993 Revenue Bonds to provide funds to cover annual expenditures when the revenues are less than projected and to prevent the need for large swings in rates year to year.

The residual fund was established to maintain the remaining revenues after payment of all operating expenses, all debt service obligations, scheduled transfers to the RSF and required deposits to the Capital Account of the Construction Fund.

**Response Provided By:** Melissa LaBuda, Philadelphia Water Department

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

PA-EXE-107. Please provide a schedule detailing the actual cost of the 2012 rate case, broken down into the following categories: expense by vendor/contractor (separately identifying each such vendor/contractor and associated expense), personnel/labor cost, other (including a brief description).

**Response:**

Below please find a table to summarize the payments made during FY2012- FY2015 for services related to the 2012 rate case and mediation.

<b>Vendor</b>	<b>FY2012-FY2015 Total Payments</b>	<b>Purpose of Contract</b>
Andre Dasant	502,895	Outside Legal Counsel
Bowman & Partners	258,141	Rate Hearing Officer
CLS	540,514	Public Advocate - Water Rate Study
Resolve	155,053	Mediator
RFC	873,507	Management Audit

\* In addition, Black and Veatch served as the rate study engineering firm. Our available records do not segregate the cost for individual sub-tasks that make up the full scope of their contract.

**Response Provided By:** Melissa LaBuda, Philadelphia Water Department

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR  
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**Regarding the Direct Testimony of Black & Veatch Corp**

PA-EXE-108. Reference page 26 of Direct Testimony of Black & Veatch Corp. “Pension, pension obligation, and benefits, which are directly related to personnel services expenses, which were estimated based upon current levels of such expenses and the growth rate reflected in the City’s 5-Year Plan. Please identify the growth rate used in the derivation of the pension, pension obligations, and benefits and provide documentation supporting the growth rate.

**Response:**

The growth rates used for pension, pension obligations and benefits are provided in PWD Exhibit 5 - Assumptions Provided to the Public Advocate on 12-8-2015, Appendix 4 - O&M Escalation Factors, page 28 of 182. As indicated on pages 9 and 10 of 182 of PWD Exhibit 5, these growth rates are based upon anticipated growth of these items as detailed in the City’s Five Year Plan. See, PWD Exhibit 4 (SI- 8) which is The City of Philadelphia Five Year Financial and Strategic Plan for Fiscal Years 2016-2020.

The City’s Five Year Plan is the primary source for the pension obligation and benefits. However, the final financial plan for the cost of service study as filed for this rate proceeding reflects the most recent available data as of December 2015 from City Finance for the pension costs. We have provided attachment Response to PA-EXE-108 which summarizes the basis of the growth rates for the pension, pension obligations, and benefits.

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

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PA-EXE-109. Reference page 26 of Direct Testimony of Black & Veatch Corp. Please provide supporting documentation for the annual escalation factor of three percent (3.0%) that was used to project personnel budget costs.

**Response:**

The annual escalation factor for personnel budget is discussed in PWD Exhibit -5: Financial Plan: Revenue & Revenue Requirement Assumptions Document # BVS-1 Figure 5 on Page 6. The annual escalation factor is based upon the Labor Contract Settlement. Refer to the previously provided response to PA-EXE-50 for further information.

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

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-110. Reference page 27 of Direct Testimony of Black & Veatch Corp. Please provide a schedule identifying the additional staffing costs that are included to account for the additional staffing anticipated in the various divisions of the Water Department during the study period.

**Response:**

Additional staffing costs are detailed and discussed in PWD Exhibit - 5: Assumptions Provided to the Public Advocate on 12-8-2015, Financial Plan: Revenue & Revenue Requirement Assumptions Document # BVS-1 in Figure 6 provided on pages 7 to 9 of that document (pages 11 to 13 of 182). Also refer to PWD Exhibit – 6: Black & Veatch Corporation Cost of Service Work Papers, FINPLAN15.XLS – O&M Adjustments (PDF pages 243 to 266). The additional staffing costs for the various divisions of the Water Department during the study period are detailed therein.

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

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-111. Reference page 27 of Direct Testimony of Black & Veatch Corp. Please provide the supporting documentation and provide a schedule showing the derivation of the 3.3 percent annual escalation factor that is assumed based upon the most recent three-year average of Water Department chemical costs.

**Response:**

Refer to PWD Exhibit -5: Assumptions Provided to the Public Advocate on 12-8-2015, Financial Plan: Revenue & Revenue Requirement Assumptions Document # BVS-1, Figure 5 beginning on Page 6 and Appendix 2 on Page 20. The Water Fund historical chemical costs are presented on the line entitled “307 Chemicals” of Appendix 2. The annual escalation factor is based upon the 3-year average annual increase between FY 2012 and FY 2015. The 3-year average increase is calculated and presented in Appendix 2 based on the historical data provided.

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

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PA-EXE-112. Reference page 27 of Direct Testimony of Black & Veatch Corp. Please provide a schedule showing the three-year average of the Producer Price Index that validates the use of the three-year average escalation factor used for chemical costs. Include the PPI source documents in your response.

**Response:**

Refer to PWD Exhibit – 5: Assumptions Provided to the Public Advocate on 12-8-2015, Financial Plan: Revenue & Revenue Requirement Assumptions Document # BVS-1, Appendix 3. The PPI data and derivation of the annual percentage increase in the PPI data are in the columns entitled “Producer Price Index Industrial Chemicals.” The sources of PPI data are cited in Appendix 3 and available for download from the Bureau of Labor Statistics.

Note that the Producer Price Index for Industrial Chemicals is provided for information purposes only. Please refer to response to PA-EXE-111 for the basis of the escalation factor used for chemical costs.

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



**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-113. Reference page 27 of Direct Testimony of Black & Veatch Corp.:

- a. Please provide the supporting documentation and show the derivation of the 3.0 percent annual escalation factor used for other expense categories by Black & Veatch. Identify the recent 3 years used in the analysis; and
- b. Please identify and provide all of the “various cost indices” reviewed by Black and Veatch to evaluate the 3.0 percent escalation rate for all other expense categories as stated on page 27. Include copies of the source documents in your response.

**Response:**

The statement “3.0 percent annual escalation factor used for other expense categories” in the interrogatory request is incorrect. PWD St.-9A - Direct Testimony and Exhibits of Black & Veatch Corporation presents the annual escalation for the other expense categories as three percent (3%).

The 3 percent annual escalation factor referenced in the Direct Testimony is the general overall average used for projecting other operating expenses. As discussed and detailed in PWD Exhibit -5: Assumptions Provided to the Public Advocate on 12-8-2015, Financial Plan: Revenue & Revenue Requirement Assumptions Document # BVS-1, “Other Costs” for Class 200, 300 and 400 expenses were projected separately as 3.5%, 2.0%, and 2.25% respectively. These escalation factors are based upon the recent three year average cost increases of the Water Fund as well as a review of various cost indices as follows:

- Class 200 Other Costs escalation factor is based upon the Water Fund Historical O&M Expenses. Supporting documentation is provided in PWD Exhibit -5. Refer to Appendix 2 on Page 20 for historical Water Fund O&M cost and the calculated FY 2015 annual increase. Note that the historical experience of Water Fund O&M costs supports a higher escalation factor. However, based on discussions with the Water Department it was decided to use 3.0% to reflect the Department’s commitment to control Class 200 Other Costs.
- Class 300 Other Costs escalation factor is based upon the three year average historical increase in PPI – Material for Construction. Supporting documentation is provided in PWD Exhibit -5. Refer to Appendix 3 on Page 22 for historical PPI – Material & Construction data and calculated three year average increase for FY 2015 (FY 2013 to FY 2015). The sources of PPI data are cited in Appendix 3 and available for download from the Bureau of Labor Statistics website.

- The Class 400 Other Costs escalation factor is based upon the three year average historical increase in PPI – Construction Machinery & Equipment. Supporting documentation is provided in PWD Exhibit -5. Refer to Appendix 3 on Page 22 for historical PPI – Construction Machinery & Equipment data and calculated three year average annual increase for FY 2015 (FY 2013 to FY 2015). The sources of PPI data are cited in Appendix 3 and available for download from the Bureau of Labor Statistics website.

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

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PA-EXE-114. Reference pages 27 to 28 of Direct Testimony of Black & Veatch Corp. Please provide a schedule detailing annual inter-department charges for FY 16 through FY 21. In your response, provide supporting documentation showing Black & Veatch's derivation of the annual inter-departmental charges were for each year from \$164.4 million in FY 16 to \$195.9 million in FY 21.

**Response:**

Refer to PWD Exhibit – 6: Black & Veatch Corporation Cost of Service Work papers, FINPLAN.XLS, INTER DEPT O&M (PDF Pages 221 to 231) for documentation showing the detailed schedule and derivation of the annual inter-departmental charges for FY 16 to FY 21. Also refer to PWD Exhibit-5: Assumptions Provided to the Public Advocate on 12-8-2015, Financial Plan: Revenue & Revenue Requirement Assumptions Document # BVS-1 for additional information regarding the assumptions utilized in the derivation of the annual interdepartmental charges during the study period.

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

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PA-EXE-115. Reference page 28 of Direct Testimony of Black & Veatch Corp. “The cash flow adjustment indicated in line 9 of Table W-3 and line 10 of Table WW-3 represents the net result of carrying forward costs which are encumbered in one year, but which do not become a cash expenditure until a subsequent year.” Please provide the basis of the statement with supporting documentation.

**Response:**

Line 9 of Table W-3 and Line 10 of Table WW-3 represent the amount of the annual capital budget not expended during the fiscal year. This is based upon the differences between the projected annual Capital Improvement Program expenditures (Line 10 of Table W-3 and Line 11 of Table WW-3) and the projected inflated annual Capital Budget (Line 8 of Table W-3 and Line 9 of Table WW-3).

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

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PA-EXE-116. Reference page 29 of Direct Testimony of Black & Veatch Corp. “The debt service is estimated based on a 30-year amortization schedule and an annual interest rate of 5.25 percent for each of the bond issues proposed during FY 17 through FY 20, and 5.50 percent for FY 21.” Please provide the basis for the 5.25 percent and 5.50 percent and provide supporting documentation for those rates.

**Response:**

Refer to the response previously provided for PA-EXE-27 for the basis of the 5.25 percent for the bond issues proposed for FY 17 to FY 20. As presented in PWD Statement 9A: Direct Testimony and Exhibits of Black & Veatch Corporation, Line 8 of Tables W-5 and WW 5, the 5.50 percent annual interest rate for the bond issue proposed in FY 2021 does not impact the revenue requirement for the FY 17 to FY 21 study period.

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

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PA-EXE-117. Reference page 30 of Direct Testimony of Black & Veatch Corp. It is stated that “In addition, line 10 indicates that \$246.9 million will be available from the Residual Fund as another major source of funding of the capital improvement program.” Please explain how the projections of these available funds were determined and provide supporting documentation.

**Response:**

As presented in Line 10 of Tables W-4 and WW-4, the projected annual transfers from Residual Fund to the Construction Fund for the water and wastewater utilities, respectively. These projected annual transfers from Residual Fund to the Construction Fund are also presented on Line 34 of Tables W-6 and WW-6. The total combined water and wastewater annual transfers from Residual Fund to the Construction Fund are presented on Line 35 of Table C-1. The annual Residual Fund transfers are projected based on the level of available funds in the Residual Fund while maintaining the end of year Residual Fund Balance of \$15.0 million, as presented on Line 38 of Table C-1.

Refer to PWD St.-2: Direct Testimony and Exhibits of Melissa LaBuda (page 6) and PWD St.-7: Direct Testimony of Katherine Clupper (pages 8 to 10) for additional supporting documentation regarding the policy to maintain the end of year Residual Fund balance of \$15.0 million.

Please refer to Exhibit-9A: Direct Testimony and Exhibits of Black & Veatch Corporation for the tables referenced in this response.

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

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PA-EXE-118. Reference page 30 of Direct Testimony of Black & Veatch Corp. Please provide supporting documentation for the interest rate of 0.36% percent that was assumed to determine the interest income for FY 16 through FY 21.

**Response:** Please refer to the previously provided response for PA-EXE-15.

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

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PA-EXE-119. Reference page 37 of Direct Testimony of Black & Veatch Corp. It is stated that the projected revenue increases were established, taking into consideration an anticipated draw down from the Rate Stabilization Fund. Please provide the basis of this statement.

**Response:**

Refer to PWD Statement - 9A: Direct Testimony and Exhibits of Black & Veatch Corporation Table C-1 Line 20 (PDF Page #109), which presents projected transfers to and from the Rate Stabilization Fund during the planning period. The corresponding projected transfers to and from the Rate Stabilization Fund are also reflected on Line 40 of Table C-1.

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



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**Regarding the Direct Testimony of Katherine L. Clupper**

PA-EXE-120. According to page 3 of Ms. Clupper’s testimony, there are four key drivers for assessing municipal systems financial strength.

- a. Is it correct that all four drivers are taken from Fitch Ratings? If not, please provide the source of each of the drivers.
- b. Does Ms. Clupper believe that these are the critical factors of assessment for the Board to consider in its decision in this proceeding?
- c. As part of the four drivers, Ms. Clupper mentions “affordability metrics”. Please describe what affordability metrics are and provide the affordability metrics for the Department for FY 15 through FY 18 along with the supporting calculations.

**Response:**

A) The four drivers are articulated in the September 3, 2015 Fitch discussion of US Water and Sewer Revenue Bond Rating Criteria. B) Yes, these drivers describe critical factors that the Board needs to consider during its Rate deliberations. C) For a discussion on affordability metrics, please see the discussion on Operating Profile in the Fitch September 3rd discussion. There are several factors included in this driver, including the characteristics of a community. Fitch, as well as other rating agencies, will consider certain factors such as unemployment, wealth levels, poverty rates and as well as certain industry or employee concentration.

Rating drivers are not only a set of metrics but include a qualitative review as well. Additionally metrics are used as a framework for rating agencies to compare and contrast different rated systems. For general guidelines as to how Fitch views Operating Profile, please refer to page 11 which discuss different levels of attributes.

**Response Provided By:** Katherine L. Clupper, PFM

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PA-EXE-121. Reference Page 4 of Ms. Clupper's testimony. Please provide copies of the most recent Moody's and Standard & Poor's scorecards for the Department. Please provide copies of peer indices, sector medians or industry standards which are used to compare the Department's results.

**Response:**

The Moody's scorecard is part of Ms. Clupper's testimony and is detailed at the top of page five. The S&P scorecard is not available at time as the new methodology was announced in January of 2016. Peer indices, sector medians or industry standards can be found attachments Response PA-EXE-121a and Response PA-EXE-121b.

**Response Provided By:** Katherine L. Clupper, PFM

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

PA-EXE-122. Reference the table at the top of Page 4 of Ms. Clupper’s testimony. Please provide a similar table for District of Columbia Water & Sewer Authority, City of Cleveland Water Enterprise and City of Baltimore with the ratios for Moody’s, Fitch and Standard & Poor’s .

**Response:** The table below is updated with publically available information.

Moody's: U.S. Water and Sewer Credit Ratios: Medians	PWD	DC WASA	Baltimore	Cleveland	A	AA
Total Long Term Debt (\$000)	1,830,387	2,547,408	1,217,413	749,490	27,883	79,663
Total Operating Revenues (\$000)	610,988	473,824	338,201	303,408	11,590	34,964
Operating ratio (%)	56.50	56.30	66.70	50.60	62.20	59.60
Debt Ratio (%)	66.70	65.00	37.55	31.70	37.30	31.80
Total Annual Senior Lien Debt Service Coverage (x)	1.40	5.00	1.70	2.20	2.54	2.40
Total Annual Debt Service Coverage (x)	1.40	1.70	1.40	2.10	1.81	2.03
Fitch: U.S. Water and Sewer Credit Ratios: Medians	PWD	Large System (>500,000)			A	AA
	1,607,000 (water)					
Population	2,300,000 (wastewater)	2,200,000			928,281	139,915
MHI \$	45,303	64,348			50,065	43,197
Total Water Customers <sup>1</sup>	475,000	650,000			218,450	20,930
Total Sewer Customers <sup>1</sup>	530,000	Included in Water Customer			237,446	34,933
Average Annual CIP Costs Per Customer \$	201	1664	Not Rated by Fitch	Not Rated by Fitch	318	352
CIP Debt Financed %	70	50			58	64
Debt to Equity (x)	7.2	1.9			5.9	9.5
Total Outstanding Long-Term Debt Per Customer \$	1,926	3,919			2,382	2,218
Senior Lien ADS Coverage	1.40	5.00			2.3	2.4
Days Cash on Hand	290	265			296	366
Standard & Poor's: U.S. Water and Sewer Ratios: Medians	PWD	Pop Above 500,000			A	AA
	1,700,000 (water)					
Population	2,300,000 (wastewater)	2,200,000	1,800,000	1,400,000	998,454	18,919
EBI as % of U.S.	75.4	117	N.A	85	98	85
Water Rate \$	28.71	74	54.43	32.74	30.12	40.84
Sewer Rate \$	35.52	Included in Water Rate	71.36	Included in Water Rate	42.54	40.45
Total Operating Revenues \$	639,974	473,824	338,201	288,100	174,087	4,245
Days' Cash (Excluding RSF*)	60-90*	280	91	400	281	283
Senior-lien Debt Service Coverage	1.20	3.00	1.70	1.80	2.02	1.73
All-in Debt Service Coverage	1.20	1.76	1.35	1.50	1.53	1.43

<sup>1</sup> Fitch and Standard & Poor's incorrectly counts customers served by wholesale agreements as direct customers of the system and which can distort the number of retail customers.

**Response Provided By:** Katherine L. Clupper, PFM

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PA-EXE-123. Reference Page 5 of Ms. Clupper's testimony. Please provide Moody's Utility Revenue Rating Methodology Table with the values for District of Columbia Water & Sewer Authority, City of Cleveland Water Enterprise and City of Baltimore.

**Response:** Specific scorecards related to individual credits are not public information. Individual issuers can request that information from Moody's for their credit profile only.

**Response Provided By:** Katherine L. Clupper, PFM

**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

PA-EXE-124. Please provide all reasons why Ms. Clupper has chosen the District of Columbia Water & Sewer Authority, City of Cleveland Water Enterprise and City of Baltimore as comparable peers to the Department besides the underlying household income levels.

**Response:**

These were selected as peer comparisons of urban water & wastewater systems which were able to maintain ratings in the AA category, adopt positive operating and liquidity policies and maintain healthy debt service coverage. The Department does from time to time review its peer selections.

**Response Provided By:** Katherine L. Clupper, PFM

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

PA-EXE-125. Please provide a schedule detailing the household income levels for the District of Columbia Water & Sewer Authority, City of Cleveland Water Enterprise, City of Baltimore and the Department service areas.

**Response:** Information provided below from the US Bureau of Census.

	Philadelphia city, Pennsylvania	District of Columbia, District of Columbia	Cleveland city, Ohio	Baltimore city, Maryland (County)	UNITED STATES
Population estimates, July 1, 2014, (V2014)	1,560,297	658,893	389,521	622,793	318,857,056
Median household income (in 2014 dollars), 2010-2014	37,460	69,235	26,179	41,819	53,482
Per capita income in past 12 months (in 2014 dollars), 2010-2014	22,542	46,502	17,436	25,062	28,555
Persons in poverty, percent	26.7	18.4	35.9	23.3	14.8

**Response Provided By:** Katherine L Clupper, PFM

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-126. Reference Page 7 of Ms. Clupper’s testimony.

- a. Please provide supporting documentation and identify the “large systems” with 58 percent of capital financed by debt.
- b. Please provide supporting documentation and identify the “Fitch A-Rated systems” with 64 percent of capital financed by debt.

**Response:**

See attachments Response PA-EXE-121a and Response PA-EXE-121b.

**Response Provided By:** Katherine L Clupper, PFM

**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS**

PA-EXE-127. Reference Page 7 of Ms. Clupper's testimony.

- a. Please provide supporting documentation for the assumption that the Department will issue \$250 million of debt annually over the next 25 years as implied by Ms. Clupper.
- b. Please provide a spreadsheet illustrating how the debt would double.

**Response:**

A detailed illustration is not readily available. The statement assumes simple level debt service amortized over 30 years at an additional \$16 million per year at 20% pay go versus an additional \$12 million per year at 40% pay go.

**Response Provided By:** Katherine L Clupper, PFM



**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS**

PA-EXE-128. Reference Page 8 of Ms. Clupper's testimony. Please indicate the time period in which District of Columbia Water & Sewer Authority, City of Cleveland Water Enterprise and City of Baltimore achieved the actual Debt Service Coverage ratios of 1.73, 1.50 and 1.60, respectively.

**Response:**

The coverage's were from information gathered related to FY 2013 and FY 2014.

**Response Provided By:** Katherine L Clupper, PFM

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-129. Reference Page 8 of Ms. Clupper’s testimony. Please explain and provide a schedule detailing how PWD derived the senior debt service coverage of 124 percent in FY2016, 125 percent in FY2017, 126 percent in FY2018, and 135 percent by FY 2019 that it is proposing.

**Response:**

Refer to PWD Statement 9A-Direct Testimony of Black & Veatch Corporation, Table C-1 (PDF Page #109), Line 26 – Senior Debt Service Coverage. This presents the above referenced percentages as a ratio, which is calculated by dividing Line 21 by Line 25.

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

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-130. For the period FY 2011 to 2015, please provide a schedule detailing the Department’s average number days cash on hand and include the supporting calculation.

**Response:**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Equity in Treasury Account	60,964,000	80,624,000	82,494,000	71,136,000
Rate Stabilization	157,050,000	165,907,000	161,464,000	184,796,000
Residual Fund	34,000,000	44,000,000	2,085,000	25,275,000
Operating Expenditures	399,235,000	392,942,000	434,454,000	445,209,000
Depreciation	86,924,000	92,113,000	89,045,000	90,523,000
365				
with Rate Stabilization Fund	<u>295</u>	<u>353</u>	<u>260</u>	<u>289</u>
w/o RSF	<u>111</u>	<u>151</u>	<u>89</u>	<u>99</u>
With Debt Service	<u>157</u>	<u>165</u>	<u>125</u>	<u>159</u>

**Response Provided By:** Katherine L Clupper, PFM

**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS**

PA-EXE-131. Reference Page 9 of Ms. Clupper's testimony, please provide an illustration of the calculation of "Days cash on hand" as the Department proposes to calculate it.

**Response:**

See response to PA-EXE-130.

**Response Provided By:** Katherine L Clupper, PFM

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS**

PA-EXE-132. Reference Page 9 of Ms. Clupper’s testimony, please explain the statement “the allowable use of [the Residual Fund] is broader and more flexible” than the Rate Stabilization Fund.

**Response:**

**Rate Stabilization Fund:** Established in conjunction with the Series 1993 Revenue Bonds to provide funds to cover annual expenditures when the revenues are less than projected and to prevent the need for large swings in the water rates year to year

The City may transfer (i) from the Rate Stabilization Fund to the Revenue Fund or (ii) from the Revenue Fund to the Rate Stabilization Fund the amount determined by the Water Commissioner for each Fiscal Year.

**Residual Fund:** Established to maintain the remaining revenues after payment of all operating expenses, all debt service obligations (including those under a Swap agreement), scheduled transfers to the RSF and required deposits to the Capital Account of the Construction Fund. Upon direction by the City, amounts in the Residual Fund may be used to fund:

- Operating expenses
- Transfers to any other Water Fund accounts (other than the Revenue Fund or the RSF)
- Payments required under any Exchange Agreements
- Debt service on revenue bonds issued under the Act but not the Ordinance
- Debt service on any GO bonds and any other GO bonds issued for the System
- Payment on capitalized leases or other related obligations for the System
- Transfers to the City’s General Fund in an amount not to exceed the lower of (a) net revenue earnings (as defined in the Ordinance) or (b) \$4.994 million

**Response Provided By:** Katherine Clupper, PFM

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-133. Please explain what “equity in the Treasurer’s account” is; how funds accumulate in the equity account; where the funds are deposited; and what are the uses of equity in the treasurer’s account.

**Response:**

Equity in treasurer’s account is a term used by the City in its preparation of the GAAP Financial Statements and represents current assets. However, in the consideration of rates and charges, “equity in the Treasurer’s account” is not considered.

**Response Provided By:** Katherine Clupper, PFM

**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-134. Please provide all studies and analyses that demonstrate that as the level of debt increases by a municipal utility, the level of expenses, excluding debt servicing and capital expenditures, will increase.

**Response:** The Department is not aware of such studies.

**Response Provided By:** Debra McCarty, PWD

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS**

**Regarding the Direct Testimony of Debra McCarty**

PA-EXE-135. Reference Page 6 of Ms. McCarty’s Testimony. Ms. McCarty states “[t]he Wastewater Planning Program is currently developing a long-term Wastewater Master Plan that will incorporate the regulatory requirements contained in the COA and LTCP, connect the collection system and treatment plants holistically, and look beyond current regulatory drivers to envision the future of the utility.” What does it mean to connect the collection system and treatment plants holistically?

**Response:**

To connect the collection system and treatment plants holistically means to consider them as a complete system instead of individual systems.

**Response Provided By:** Debra McCarty, Philadelphia Water Department



**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-136. Reference Page 8 of Ms. McCarty's Testimony. According to Ms. McCarthy, the Department will experience higher operating costs because of regulatory requirements during the rate period.

- a. Please provide a schedule identifying the projected increase over FY 2015 that will be incurred during FY 16, 17 and 18 relating to the existing NPDES permits for the three wastewater treatment plants.
- b. Please provide a schedule identifying the projected increase over FY 2015 that will be incurred during FY 16, 17 and 18 relating to Title V permits.
- c. Please provide a schedule identifying the projected increase over FY 2015 that will be incurred during FY 16, 17 and 18 relating to the conversion of Department disinfection facilities from liquid chlorine to sodium hypochlorite.
- d. Please provide a schedule identifying the projected increase over FY 2015 that will be incurred during FY 16, 17 and 18 relating to the Clean Water Act compliance.

**Response:**

Historical and projected operating costs are reported and projected on a Division and unit level within the Water Department. These historical and projected costs are inclusive of any costs associated with regulatory requirements and standards. Costs of individual regulatory requirements related to NPDES, Title V permits, and Clean Water Act compliance are not tracked separately and are not readily available.

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

**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
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**Regarding PWD Exhibit 6, FINPLAN15.XLS Assumptions**

PA-EXE-137. Reference Assumptions-6-9. Please explain in detail the purpose of the Calculated Billings Adjustment Factor and how it is utilized in the model.

**Response:**

The Calculated Billings Adjustment Factor is intended to provide an allowance for risks associated with the assumptions used in the development of billing projections such as:

- Customer meter distributions,
- Billed volume distributions,
- Projected number of customers, and
- Usage per customer.

The Calculated Billings Adjustment Factor is used to reduce the billing projections to account for these risks over the planning period.

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

**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-138. Reference Assumptions-10:

- a. Please explain in detail the purpose of the General Service Override and how it is utilized in the model; and
- b. Please explain in detail the purpose of the Revenue Increase Compression Factor and how it is utilized in the model.

**Response:**

- a. The General Service Override is provided to allow for the input of a specified level of revenue for General Service revenue. This functionality is currently inactive and the input is not utilized for the current rate proceedings.
- b. Compression factors are utilized for the development of projected additional revenues in years in which the proposed revenue increase is not put into effect for a full fiscal year. The functionality is included in the model; however, it is not currently utilized.

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

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-139. Reference Assumptions-11:

- a. Please explain in detail the following decreases in Sewer Only Billed Volume from FY15 to FY16:
  - i. Municipal 247,108 to 232,000
  - ii. Groundwater (Non-City): 248,776 to 190,000

**Response:**

- i. The projected FY 16 Sewer Only Billed Volume for the Municipal (or City) customer type reflected on Assumptions-11 is based upon the 3-year average for FY 13, 14, and 15. Refer to the historical sewer only billed volume for City provided in PWD Exhibit - 6: Black & Veatch Corporation Cost of Service, Customer-12 (PDF Page # 112).
- ii. The projected FY 16 Sewer Only Billed Volume for the Groundwater (Non-City) customer type reflected on Assumptions-11 is based upon the 3-year average for FY 13, 14, and 15. Refer to the historical sewer only billed volume for City Groundwater and Groundwater (Non-City) provided in PWD Exhibit - 6: Black & Veatch Corporation Cost of Service, Customer-12 (PDF Page # 112). This billed volume represents the charges associated with groundwater service related to SEPTA, which was shifted from City to Non-City accounts in FY 2015. Prior to FY 2015 the service associated with these accounts was billed as City Groundwater.

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

**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-140. Reference Assumptions-21:

- a. Please explain in detail how the Estimated Increase in System Net Value of 2.50 percent was determined; and
- b. Please provide a schedule detailing the Total System Net Plant Investment for each FY 11-15.

**Response:**

- a. The Estimated Increase in System Net Value of 2.5 percent is a conservative estimate based on the historical annual increase in the Water Fund Net Plant Investment. See attachment Response PA-EXE-140.
- b. Refer to attachment Response PA-EXE-140 for a schedule detailing the Total System Net Plant Investment for each FY 11-15.

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

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS**

PA-EXE-141. Reference Assumptions-22A: Please explain in detail why it is proper for ratemaking purposes to utilize a three-year average in determining Actual to Budget Factors for the following expenses, considering extraordinary historical factors, as compared to the other two years:

<b>Department</b>	<b>Expense</b>	<b>3-Year Avg.</b>	<b>Yr.-Factor</b>
Human Resources and Administration	Materials and Supplies	69.40%	2014-82.01%
Human Resources and Administration	Equipment	108.90%	2014-171.52%
Finance	Services	51.62%	2013-40.51%
Finance	SMIP/GARP	100.00%	2015-113.15%
Finance	Materials	25.78%	2015-47.53%
Finance	Transfers	62.12%	2013-85.62%

**Response:**

The use of the three-year average for the determination of actual to budget factors was selected since the 3-year period captures increased costs related to the implementation of the Consent Order & Agreement as well as the reorganization within PWD. Utilization of an individual year may over or under estimate anticipated spending. The three-year average represents a longer term trend versus utilizing the results from an individual fiscal year. Utilization of the three year average also reflects the most current spending since the last rate proceeding. A consistent approach for the determination of the actual to budget factor for the above referenced expenses was utilized for projection purposes. The three-year average for these expenses is a reasonable basis by which to estimate actual spending versus the projected budget.

With regard to the Actual to Budget Factors utilized for SMIP/GARP, please also refer to the previously provided response for PA-EXE-37b.

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

**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-142. Reference Assumptions-32. Please explain in detail why 12.00 percent was utilized in the model for Liquidated Encumbrances considering that the historical averages were 12.50 percent, 19.23 percent, and 17.66 percent, respectively.

**Response:**

Refer to the previously provided response for PA-EXE-21.

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

**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
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**Regarding PWD Exhibit 6, FINPLAN15.XLS Direct O&M**

PA-EXE-143. Reference Direct O&M-2. Please provide detailed workpapers supporting each O&M adjustment for FYs 17 and 18:

- a. Human Resources and Administration;
- b. Finance;
- c. Planning and Engineering;
- d. Operations;
- e. Planning & Environmental Services; and
- f. Public Affairs.

**Response:**

Refer to the workpapers provided in PWD Exhibit - 6, FINPLAN.XLS, O&M Adjustments – 1 to O&M Adjustments 11 (Pages 245 to 266). An explanation of each of the O&M adjustments noted above is provided in PWD Statement-9B: Supplemental Direct Testimony and Exhibits of Black & Veatch Corporation Financial Plan: Revenue and Revenue Requirement Assumptions, Document #BVS-1, Figure 6 – Additional Adjustments for Projected Operating Expenses (pages 7 to 9).

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



**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
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**Regarding PWD Exhibit 6, FINPLAN15.XLS Inter Dept O&M**

PA-EXE-144. Reference InterDept O&M-1:

- a. Please explain in detail the increase in expense for Division of Technology Services from \$10,226,939 for FY15 to \$13,166,774 for FY16;
- b. Please explain in detail the increase in expense for Division of Technology Materials & Supplies from \$944,117 for FY14 to \$1,609,074 for FY15;
- c. Please explain in detail the increase in expense for City Finance Pension from \$40,861,335 for FY15 to \$46,529,000 for FY16; and
- d. Please explain in detail the increase in expense for City Finance Contributions from \$3,840,767 for FY15 to \$6,500,000 for FY16.

**Response:**

- a. Information about Division of Technology Services related to the Water fund can be found in the City's Budget. Approved budget detail can be found on the Office of the Director of Finance's website, under financial reports, budget detail. <http://www.phila.gov/finance/reports-BudgetDetail.html>. The specific sections that relate to the Water Fund can be found in Book 1, PDF page 517-524, 539-542, 565-575. Class 200 Services. Black & Veatch Work Paper Inter Dept O&M -1 reflects an actual to budget factor thereby reducing the requested budget.
- b. Information about Division of Technology Materials & Supplies related to the Water fund can be found in the City's Budget. Approved budget detail can be found on the Office of the Director of Finance's website, under financial reports, budget detail. <http://www.phila.gov/finance/reports-BudgetDetail.html>. The specific sections that relate to the Water Fund can be found in Book 1, PDF page 517-524, 539-542, 565-575. Class 200 Services. Black & Veatch Work Paper Inter Dept O&M -1 reflects an actual to budget factor thereby reducing the requested budget.
- c. Please see the City of Philadelphia Board of Pensions webpage ([www.phila.gov/pensions](http://www.phila.gov/pensions)) for the Actuarial Valuations Reports.
- d. Please see PWD St.-2: Direct Testimony and Exhibits of Melissa LaBuda (page 17) regarding the increase in expense for City Finance Contributions.

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

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR  
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PA-EXE-145. Reference InterDept O&M-2. Please provide detailed workpapers supporting each O&M adjustment for FYs 17 and 18:

- a. Fleet Management;
- b. City Finance; and
- c. Revenue.

**Response:**

Refer to the workpapers provided in PWD Exhibit - 6, FINPLAN.XLS, O&M Adjustments – 12 to O&M Adjustments 22 (Pages 267 to 288). An explanation of each of the O&M adjustments noted above is provided in PWD Statement-9B: Supplemental Direct Testimony and Exhibits of Black & Veatch Corporation Financial Plan: Revenue and Revenue Requirement Assumptions, Document #BVS-1, Figure 6 – Additional Adjustments for Projected Operating Expenses (pages 7 to 9).

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

**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
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**Regarding PWD Exhibit 6, FINPLAN15.XLS O&M Adjustments**

PA-EXE-146. Please provide detailed workpapers supporting all adjustments shown on these worksheets for FYs17 and 18:

- a. Additional SMIP Costs;
- b. General Fund Reimbursement (combined sewer outfall construction);
- c. AMI;
- d. OOW Additional Staffing, and Class 200 Additions;
- e. Funding for Grants;
- f. HR & Admin Additional Staffing and Class 200 Revision;
- g. P&E Additional Staffing and Class 200 Costs;
- h. Finance Additional Staffing;
- i. Public Affairs Additional Staffing;
- j. Operations Add Package Adjustments; and
- k. Affordability Program.

**Response:**

The workpapers are provided in PWD Exhibit - 6, FINPLAN.XLS, O&M Adjustments (pages 241 to 289). An explanation of each of the O&M adjustments noted above is provided in PWD Statement-9B: Supplemental Direct Testimony and Exhibits of Black & Veatch Corporation Financial Plan: Revenue and Revenue Requirement Assumptions, Document #BVS-1, Figure 6 – Additional Adjustments for Projected Operating Expenses (pages 7 to 9).

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

**RESPONSE TO PUBLIC ADVOCATE'S INTERROGATORIES AND REQUESTS FOR  
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**Regarding PWD Exhibit 6, FINPLAN15.XLS Debt Service**

PA-EXE-147. Reference DS-4. Please explain in detail why the Issuance Costs percentage has been increased from 0.51 percent for FY15 to 1.50 percent for FY17 and FY18.

**Response:**

The FY 2015 Issuance Costs percentage is based on the actual issuance costs for the Series 2015A Water & Sewer Revenue Bonds (refer to Standard Interrogatory 31 and Attachment SI-31). The FY 17 and FY 18 Issuance Costs percentage is an estimate based on historical Water Department experience and water and wastewater utility industry experience.

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

**RESPONSE TO PUBLIC ADVOCATE’S INTERROGATORIES AND REQUESTS FOR  
PRODUCTION OF DOCUMENTS**

**Regarding PWD Exhibit 6, FINPLAN15.XLS Funds**

PA-EXE-148. Reference Funds-1:

- a. Please define the term “Balance Target” regarding the Construction Fund;
- b. Please explain in detail why a \$70,000,000 ending Revenue Fund balance is projected for FYs17 and 18; and
- c. Please provide schedules for each of the combined funds showing actual data for each FY12-FY14.

**Response:**

- a. The Balance Target for the Construction Fund reflects an estimate of the minimum balance for the Construction Fund. Sufficient funds must be maintained in the Construction Fund to provide funding for capital projects until the next projected bond issue.
- b. The \$70.0 million ending balance for the Revenue Fund is an estimated allowance to reflect an average balance throughout the year on a cash basis. This estimated allowance is only reflected for the purposes of projecting interest earnings as the year end transfers occur at the close out of the fiscal year.
- o Schedules for each of the combined funds showing actual data for each FY 12-FY 14 are not readily available. Please refer to PWD Exhibit 4 (SI-7b), FY 14 Financial Statements, Note 8 for information for FY 13 and FY14. For FY12, see the table below:

<b>FY2012</b>	<b>Cash and Investments</b>
<b>Amounts Reserved for:</b>	
Capital Projects	253,043,716.85
Rate Stabilization	165,641,269.81
Residual	59,312,106.48
Debt Service	152,569,594.92
<b>Total</b>	<b>630,566,688.06</b>

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