

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

**I-1.** Reference Exhibit BV-E1, Table W-3: Please document and explain the large water meter replacement program \$20,000,000 per year expansion from 2018-2020 and why it needs an additional 4 % inflation adjustment.

**Response:**

The large meter program \$20,000,000 per year expansion for fiscal years 2018 to 2020 is to provide the capital improvement program funding for the implementation of an advanced metering infrastructure system.

In accordance with the City Charter, prior to May 31 the City Council adopts a capital budget for the ensuing fiscal year and a capital program for the planned capital appropriations for that year and each of the five subsequent fiscal years. The projected appropriations for the five subsequent fiscal years are presented in current cost levels and are subject to adjustment for cost escalation and revisions to the capital improvement program to address system needs. As stated on page 28 of PWD St.-9A: Direct Testimony and Exhibits of Black & Veatch Corporation:

The Water Department presents the FY 2017 through FY 2021 CIP costs based on the FY 2017 levels. Accordingly, an annual inflation allowance of four percent (4%) has been applied to the CIP costs beginning with Fiscal Year 2018.

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

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**I-2.** Reference Exhibit BV-E1, Table W-13: Please provide the derivation, calculation and support for the "allocated investment return of 7.5%."

**Response:**

The following response assumes that the "allocated investment return of 7.5%" refers the 7.5% rate of return for wholesale customers applied to the water system investment allocated to Aqua PA as presented in Table W-13.

The 7.5% rate of return for wholesale customers is consistent with the rate of return for wholesale customers used in the prior rate cases. During the development of the cost of service analysis for the current rate proceeding, Black & Veatch reviewed the prior analyses and reaffirmed its validity. Based on industry experience, a 7.5% rate of return for wholesale customers is reasonable and adequate for municipal water and sewer utilities.

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

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**I-3.** Reference Exhibit BV-E1, Table W-15: Please provide the derivation, calculation, support and choice for the retail water rate of return of 3.3314%. in Test Year 2017.

**Response:**

Refer to PWD Exhibit-6: Black & Veatch Corporation Cost of Service Work Papers, WCOS15\_2017, Retcos-2 (see Box 1).

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

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**I-4.** Reference Exhibit BV-E1, Table WW-11: Please provide the derivation, calculation, support and choice for the retail wastewater rate of return of 5.1629% in Test Year 2017.

**Response:**

Refer to PWD Exhibit-6: Black & Veatch Corporation Cost of Service Work Papers, SCOS15\_2017, Retcos-9.

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

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**I-5.** Reference Exhibit BV-E3, Table SW-2: Please provide the source and support for the growth in residential appeals/data adjustments and decline in non-residential appeals/data adjustments shown in the table.

**Response:**

Refer to PWD Statement 9-B: Supplemental Direct Testimony of Black & Veatch Corporation, Stormwater Units of Service Analysis REF#: BV-S4, Section 4.4.2 Stormwater Appeals/Data Adjustments beginning on page 9, for the source of the information and a discussion on the historical and projected number of appeals.

As noted in Section 4.4.2 (a) of BV-S4, the non-residential appeals primarily relate to GA and IA inaccuracies, and the number of appeals between FY 2013 and FY 2015 reflect a decline. Hence, a continued modest decline is projected for the non-residential appeals. Please see the inset box in that section.

As noted in Section 4.4.2 (b) of BV-S4, the residential appeals/data adjustments related primarily to residential sideyard appeals, and the number of appeals between FY 2013 and FY 2015 reflect a decline. Hence, a continued modest decline is projected for the residential parcels. Please see the inset box in that section.

*Please note that the number of appeals/data adjustments shown each year in Table SW-2, for the residential and non-residential appeals, is the “cumulative” number of estimated appeals (inclusive of those from the preceding years).*

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

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**I-6.** Reference Exhibit BV-E3, Table SW-3 & SW-4: Please provide the source information for the calculation net impact in note 2.

**Response:**

Refer to PWD Statement 9-B: Supplemental Direct Testimony of Black & Veatch Corporation, Stormwater Units of Service Analysis REF#: BV-S4, Section 4.4.2 Stormwater Appeals/Data Adjustments beginning on page 9. As noted on page 9, the source of information is the appeals data obtained from the Philadelphia Water Department.

As referenced in Note 2 of Tables SW-3 and SW-4, the projection of the square footage of GA and IA appeals/data adjustments reflects the net impact of Non-residential appeals and the transition of City owned vacant lots to private ownership. The basis and the approach used in the derivation of the square footage of appeals/data adjustments for the non-residential parcels and the City owned vacant lots are discussed in BV-S4, Section 4.4.2 (b) and Section 4.4.2 (c) respectively.

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**I-7.**    What opportunities other than liens has the department explored to improve retail storm water only collection factors?

**Response:**

The City has coordinated with PWD and WRB to implement a stormwater foreclosure project for properties exceeding \$5,000.00 in delinquency. The City has initiated foreclosures on 158 properties and has received \$804,146.83 in collections at this juncture.

In addition, the foreclosure actions have induced a significant number of property owners to contact PWD and file formal appeals with PWD's stormwater unit to promptly resolve miscellaneous billing and assessment issues.

**Response Provided By:** Michelle Bethel and Mark Harvey, Philadelphia Water Revenue Bureau

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**I-8.** Reference BV-S1 -Appendix 3: Please explain why the 5% escalation rate was applied to power costs when such a rate had not been experienced in 10 years.

**Response:**

Refer to the response provided for PA-EXE-24.

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



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**I-9.** Reference BV-S1 - Appendix 5: Please provide the source material and derivation for the 5.25% and 5.5% interest rates used for future debt series.

**Response:**

Refer to the responses provided for PA-EXE-27 and PA-EXE-116.

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