

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

**PHILADELPHIA WATER)
DEPARTMENT) **FY17-2018 RATES****

**PUBLIC ADVOCATE
HEARING EXHIBIT III**

April 5, 2016

Before the Philadelphia Water, Sewer and Storm Water Rate Board
In the Matter of a Proposed Increase in Water and Wastewater Rates
FY 2017- 2018 Rates

ERRATA SHEET
TO DIRECT TESTIMONY OF LAFAYETTE K. MORGAN JR.
March 24, 2016

Page 3 ,	line 16	The word “with” should be deleted
Page 13,	line 7	The word “under” should be “over”
Page 18,	line 7	The number “0.5” should be “0.05”
Page 19,	line 15	The words “water customer revenues by 0.50 percent (Assumptions-6) and sewer customer” should be “water customer revenues by 0.50 percent (Assumptions-6), sewer customer”
	line 16	The words "revenues by 0.79 percent (Assumptions-8) according to what it labels" should be "revenues by 0.79 percent and stormwater customer revenues by 1.0 percent (Assumptions-8) according to what it labels"
Schedules	LKM-1-3	Attached as adjusted.

PHILADELPHIA WATER DEPARTMENT
COMBINED OPERATIONS
 Comparative Summary of Operating Results
 Based on PWD and Public Advocate Positions
 Rate Years Ending June 30, 2017 and 2018

Line No.	Description	FY 2017 Amount Per PWD	FY 2017 Amount Per Public Advocate	Difference	FY 2018 Amount Per PWD	FY 2018 Amount Per Public Advocate	Difference
1	OPERATING REVENUE						
2	Water Service - Existing Rates	\$ 254,550	\$ 258,979	\$ 4,429	\$ 252,888	\$ 258,992	\$ 6,104
3	Wastewater Service - Existing Rates	<u>386,091</u>	<u>390,070</u>	<u>3,978</u>	<u>383,669</u>	<u>388,913</u>	<u>5,244</u>
4	Total Service Revenue - Existing Rates	640,641	649,049	8,408	636,557	647,905	11,348
5							
6	PWD Proposed Rate Increases						
7	FY 2017	34,735	-	(34,735)	34,514	-	(34,514)
8	FY 2018				36,392	-	(36,392)
9	Total Water & Wastewater Service Revenue	675,376	649,049	(26,327)	707,463	647,905	(59,558)
10							
11	Other Operating Revenue	22,293	22,425	132	6,133	8,008	1,875
12	Operating Fund Interest Income	310	333	24	286	258	(27)
13	Rate Stabilization Interest Income	<u>575</u>	<u>575</u>	<u>-</u>	<u>470</u>	<u>470</u>	<u>-</u>
14	Total Revenues	\$ 698,553	\$ 672,382	\$ (26,171)	\$ 714,352	\$ 656,642	\$ (57,710)
15	OPERATING EXPENSES						
16	Water & Wastewater Operations	\$ (285,741)	\$ (250,740)	\$ 35,000	\$ (293,383)	\$ (257,141)	\$ 36,242
17	Direct Interdepartmental Charges	<u>(172,430)</u>	<u>(168,178)</u>	<u>4,252</u>	<u>(178,074)</u>	<u>(172,541)</u>	<u>5,533</u>
18	Total Operating Expenses	(458,171)	(418,918)	39,252	(471,457)	(429,682)	41,775
19	Transfer From/(To) Rate Stabilization Fund	<u>19,300</u>	<u>19,300</u>	<u>0</u>	<u>39,000</u>	<u>39,000</u>	<u>0</u>
20	Net Revenues After Operations	\$ 259,683	\$ 272,764	\$ 13,081	\$ 281,895	\$ 265,960	\$ (15,935)
21	DEBT SERVICE						
22	Outstanding Bonds	\$ (181,580)	\$ (181,580)	\$ -	\$ (182,769)	\$ (182,769)	\$ -
23	Pennvest Parity Bonds	(12,343)	(12,343)	-	(12,927)	(12,927)	-
24	Projected Future Bonds	<u>(13,791)</u>	<u>(13,791)</u>	<u>-</u>	<u>(27,966)</u>	<u>(27,291)</u>	<u>675</u>
25	Total Senior Debt Service	(207,715)	(207,715)	-	(223,661)	(222,986)	675
26	Total Senior Debt Service Coverage (L20/L25)	1.25 x	1.31 x		1.26 x	1.19 x	
27	Total Debt Service on Bonds	(207,715)	(207,715)	-	(223,661)	(222,986)	675
28	Capital Account Deposit	(21,745)	(21,745)	-	(22,289)	(22,289)	-
29	Total Coverage (L20/(L27+L28))	1.13 x	1.18 x		1.14 x	1.08 x	
30	RESIDUAL FUND						
31	Beginning of Year Balance	\$ 15,255	\$ 42,004	\$ 26,749	\$ 15,132	\$ 55,083	\$ 39,951
32	Interest Income	55	174	120	55	171	116
33	Plus:						
34	End of Year Revenue Fund Balance	30,223	43,304	13,081	35,945	20,685	(15,260)
35	Deposit for Transfer to City General Fund	794	793	(1)	799	797	(2)
36	Less:						
37	Transfer to Construction Fund	(30,400)	(30,400)	-	(35,900)	(35,900)	-
38	Transfer to City General Fund	(794)	(793)	1	(799)	(797)	2
39	Transfer to Debt Service Reserve Fund	-	-	-	-	-	-
40	End of Year Balance	\$ 15,132	\$ 55,083	\$ 39,951	\$ 15,232	\$ 40,039	\$ 24,807
41	RATE STABILIZATION FUND						
42	Beginning of Year Balance	\$ 169,306	\$ 169,306	\$ -	\$ 150,006	\$ 150,006	\$ -
43	Deposit From/(To) Revenue Fund	<u>(19,300)</u>	<u>(19,300)</u>	<u>-</u>	<u>(39,000)</u>	<u>(39,000)</u>	<u>-</u>
44	End of Year Balance	\$ 150,006	\$ 150,006	\$ -	\$ 111,006	\$ 111,006	\$ -

PHILADELPHIA WATER DEPARTMENT
WATER OPERATIONS
 Comparative Summary of Operating Results
 Based on PWD and Public Advocate Positions
 Rate Years Ending June 30, 2017 and 2018

Line No.	Description	FY 2017 Amount Per PWD	FY 2017 Amount Per Public Advocate	Difference	FY 2018 Amount Per PWD	FY 2018 Amount Per Public Advocate	Difference
1	OPERATING REVENUE						
2	Water Service - Existing Rates	\$ 254,550	\$ 258,979	\$ 4,429	\$ 252,888	\$ 258,992	\$ 6,104
3							
4	PWD Proposed Rate Increases						
5	FY 2017	\$ 12,727	\$ -	\$ (12,727)	\$ 12,644	\$ -	\$ (12,644)
6	FY 2018				\$ 13,277	\$ -	\$ (13,277)
7							
8	Other Operating Revenue	11,834	11,904	70	4,726	5,568	843
9		\$ 279,112	\$ 270,883	\$ (8,228)	\$ 283,535	\$ 264,560	\$ (18,975)
10							
11	Operating Fund Interest Income	135	144	8	122	112	(10)
12	Rate Stabilization Interest Income	193	193	-	182	182	-
13	Total Revenues	\$ 279,440	\$ 271,220	\$ (8,220)	\$ 283,839	\$ 264,854	\$ (18,985)
14	OPERATING EXPENSES						
15	Water Operations	\$ (108,477)	\$ (97,082)	\$ 11,395	\$ (110,702)	\$ (99,753)	\$ 10,949
16	Direct Interdepartmental Charges	(70,610)	(69,097)	1,513	(72,880)	(70,886)	1,994
17	Water Treatment Plant Sludge	(10,952)	(10,952)	-	(11,678)	(11,678)	-
18	Total Operating Expenses	\$ (190,039)	\$ (177,130)	\$ 12,909	\$ (195,259)	\$ (182,317)	\$ 12,942
19	Transfer From/(To) Rate Stabilization Fund	(1,900)	(1,900)	-	8,100	8,100	-
20							
21	Net Revenues After Operations	\$ 87,502	\$ 92,190	\$ 4,689	\$ 96,679	\$ 90,637	\$ (6,043)
22	DEBT SERVICE						
23	Outstanding Bonds	\$ (58,467)	\$ (58,467)	\$ -	\$ (58,726)	\$ (58,726)	\$ -
24	Pennvest Parity Bonds	(5,722)	(5,722)	-	(6,065)	(6,065)	-
25	Projected Future Bonds	(5,792)	(5,792)	-	(11,887)	(11,597)	290
26	Total Senior Debt Service	\$ (69,981)	\$ (69,981)	\$ -	\$ (76,679)	\$ (76,389)	\$ 290
27							
28	Total Senior Debt Service Coverage (L21/L26)	1.25	1.32		1.26	1.19	
29							
30	Total Debt Service on Bonds	\$ (69,983)	\$ (69,983)	\$ (0)	\$ (76,680)	\$ (76,390)	\$ 290
31	Capital Account Deposit	(8,929)	(8,929)	-	(9,152)	(9,152)	-
32	Total Coverage (L21/(L30+L30))	1.11	1.17		1.13	1.06	
33							
34	RESIDUAL FUND						
35	Beginning of Year Balance	\$ 6,139	\$ 17,650	\$ 11,511	\$ 6,053	\$ 22,302	\$ 16,249
36	Interest Income	22	72	50	22	70	48
37	Plus:						
38	End of Year Revenue Fund Balance	8,592	13,280	4,689	10,849	5,096	(5,752)
39	Deposit for Transfer to City General Fund	316	315	(1)	318	317	(1)
40	Less:						
41	Transfer to Construction Fund	(8,700)	(8,700)	-	(10,800)	(10,800)	-
42	Transfer to City General Fund	(316)	(315)	1	(318)	(317)	1
43	Transfer to Debt Service Reserve Fund	-	-	-	-	-	-
44	End of Year Balance	\$ 6,053	\$ 22,302	\$ 16,249	\$ 6,124	\$ 16,669	\$ 10,545
45	RATE STABILIZATION FUND						
46	Beginning of Year Water Utility Balance	\$ 52,708	\$ 52,708	\$ -	\$ 54,608	\$ 54,608	\$ -
47	Deposit From/(To) Revenue Fund	1,900	1,900	-	(8,100)	(8,100)	-
48	End of Year Water Utility Balance	\$ 54,608	\$ 54,608	\$ -	\$ 46,508	\$ 46,508	\$ -

PHILADELPHIA WATER DEPARTMENT
WASTEWATER OPERATIONS
 Comparative Summary of Operating Results
 Based on PWD and Public Advocate Positions
 Rate Years Ending June 30, 2017 and 2018

Line No.	Description	FY 2017	FY 2017	Difference	FY 2018	FY 2018	Difference	
		Amount Per PWD	Amount Per Public Advocate		Amount Per PWD	Amount Per Public Advocate		
OPERATING REVENUE								
1	Water Service - Existing Rates	\$ 386,091	\$ 390,070	\$ 3,978	\$ 383,669	\$ 388,913	\$ 5,244	
2	<u>PWD Proposed Rate Increases</u>							
3	FY 2017	22,007	-	(22,007)	21,869	-	(21,869)	
4	FY 2018				23,116	-	(23,116)	
5								
6	Total Wastewater Service Revenue	408,098	390,070	(18,029)	428,654	388,913	(39,741)	
7								
8	Other Operating Revenue	10,459	10,521	62	1,407	2,440	1,033	
9								
10	Operating Fund Interest Income	174	189	15	164	147	(17)	
11	Rate Stabilization Interest Income	<u>382</u>	<u>382</u>	-	<u>288</u>	<u>288</u>	-	
12	Total Revenues	\$ 419,113	\$ 401,162	\$ (17,951)	\$ 430,513	\$ 391,788	\$ (38,725)	
13	OPERATING EXPENSES							
14	Wastewater Operations	\$ (177,263)	\$ (153,658)	\$ 23,605	\$ (182,681)	\$ (157,388)	\$ 25,293	
15	Direct Interdepartmental Charges	(101,820)	(99,081)	2,739	(105,194)	(101,655)	3,539	
16	Water Treatment Plant Sludge	<u>10,952</u>	<u>10,952</u>	-	<u>11,678</u>	<u>11,678</u>	-	
17	Total Operating Expenses	(268,132)	(241,788)	26,344	(276,197)	(247,365)	28,833	
18	Transfer From/(To) Rate Stabilization Fund	<u>21,200</u>	<u>21,200</u>	-	<u>30,900</u>	<u>30,900</u>	-	
19	Net Revenues After Operations	\$ 172,181	\$ 180,574	\$ 8,393	\$ 185,216	\$ 175,323	\$ (9,892)	
20	DEBT SERVICE							
21	Outstanding Bonds	\$ (123,113)	\$ (123,113)	\$ -	\$ (124,043)	\$ (124,043)	\$ -	
22	Pennvest Parity Bonds	(6,621)	(6,621)	-	(6,862)	(6,862)	-	
23	Projected Future Bonds	<u>(7,999)</u>	<u>(7,999)</u>	-	<u>(16,079)</u>	<u>(15,694)</u>	<u>385</u>	
24	Total Senior Debt Service	\$ (137,733)	\$ (137,733)	\$ -	\$ (146,983)	\$ (146,598)	\$ 385	
25	Total Senior Debt Service Coverage (L19/L24)	1.25 x	1.31 x		1.26 x	1.19 x		
26	Subordinate Debt Service	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
27	Total Debt Service on Bonds	\$ (137,733)	\$ (137,733)	\$ -	\$ (146,983)	\$ (146,598)	\$ 385	
28	Capital Account Deposit	(12,817)	(12,817)	-	(13,137)	(13,137)	-	
29	Total Coverage (L19/(L27+L28))	1.14 x	1.19 x		1.15 x	1.09 x		
30	RESIDUAL FUND							
31	Beginning of Year Balance	\$ 9,116	\$ 24,354	\$ 15,239	\$ 9,079	\$ 32,781	\$ 23,701	
32	Interest Income	33	103	70	33	101	68	
33	Plus:							
34	End of Year Revenue Fund Balance	21,631	30,024	8,393	25,096	15,588	(9,508)	
35	Deposit for Transfer to City General Fund	478	478	(1)	482	480	(1)	
36	Less:							
37	Transfer to Construction Fund	(21,700)	(21,700)	-	(25,100)	(25,100)	-	
38	Transfer to City General Fund	(478)	(478)	1	(482)	(480)	1	
39	Transfer to Debt Service Reserve Fund	-	-	-	-	-	-	
40	End of Year Balance	\$ 9,079	\$ 32,781	\$ 23,701	\$ 9,108	\$ 23,370	\$ 14,262	
41	RATE STABILIZATION FUND							
42	Beginning of Year Balance for Sewer Utility	\$ 116,598	\$ 116,598	\$ -	\$ 95,398	\$ 95,398	\$ -	
43	Deposit From/(To) Revenue Fund	<u>(21,200)</u>	<u>(21,200)</u>	-	<u>(30,900)</u>	<u>(30,900)</u>	-	
44	End of Year Sewer Utility Balance	\$ 95,398	\$ 95,398	\$ -	\$ 64,498	\$ 64,498	\$ -	