

Philadelphia Water Department Rate Board Hearing
April 11, 2016

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CITY OF PHILADELPHIA
PHILADELPHIA WATER DEPARTMENT PRESENTATION
RATE BOARD HEARING
MONDAY, APRIL 11, 2016
START TIME: 10:00 A.M.
END TIME: 12:13 P.M.

- - -

LOCATION:

1515 ARCH STREET, 18TH FLOOR
PHILADELPHIA, PENNSYLVANIA 19102

REPORTED BY:

SHEILA KLOS, REGISTERED PROFESSIONAL REPORTER

HELD BEFORE:

NANCY BROCKWAY, HEARING OFFICER
SONNY POPOWSKY, BOARD MEMBER
BERNARD BRUNWASSER: CHAIRMAN

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1 ---
2 P R O C E E D I N G S .
3 ---
4 HEARING OFFICER: THIS IS A CONTINUATION OF
5 THE HEARING IN THE MATTER OF THE PROPOSED RATE
6 INCREASE BY THE PHILADELPHIA WATER DEPARTMENT FOR
7 FISCAL YEARS 17 AND 18. DO WE HAVE ANY
8 HOUSEKEEPING BEFORE WE GET GOING?
9 MR. DASENT: I DON'T BELIEVE SO.
10 HEARING OFFICER: MR. DASENT.
11 MR. DASENT: WE'D LIKE TO MARK FOR
12 IDENTIFICATION TODAY STATEMENTS 9A AND B, DIRECT
13 TESTIMONY OF BLACK AND VEATCH CORPORATION AND
14 SUPPLEMENTAL TESTIMONY OF BLACK AND VEATCH AND
15 PROFFER OUR WITNESSES, DAVID JAGT AND PRABHA KUMAR
16 FOR CROSS-EXAMINATION.
17 MR. BALLENGER: WE DO HAVE ONE ITEM OF
18 HOUSEKEEPING BEFORE WE START ON OUR SIDE. AND I'M
19 JOINED HERE TODAY BY MR. JERRY MIERZWA,
20 M-I-E-R-Z-W-A. AND HIS TESTIMONY IS ENTERED ON THE
21 RECORD AS PUBLIC ADVOCATE STATEMENT 2. WE ARE
22 GOING TO PROFFER HIM FOR CROSS SOMETIME TODAY, BUT
23 I WANTED TO FIRST GIVE HIM AN OPPORTUNITY TO
24 ADDRESS ONE ERRATA WHICH I BELIEVE IS A NUMERICAL

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1 ISSUE ON SCHEDULE JDM-1 WHICH IS THE LAST PAGE OF
2 HIS DIRECT TESTIMONY WHICH AGAIN HAS BEEN ENTERED
3 ON THE RECORD ALREADY.
4 HEARING OFFICER: THAT'S FINE. THAT WILL
5 OBTAIN THE NEED FOR MR. DASENT TO CROSS HIM ON
6 THAT ISSUE.
7 MR. BALLENGER: YES.
8 MR. MIERZWA: IF YOU LOOK AT SCHEDULE JDM-1
9 UNDER COLUMN 4, THERE IS A SUBTOTAL AT THE VERY
10 BOTTOM OF THE PAGE OF, I'M SORRY, COLUMN 3, A
11 SUBTOTAL AT THE BOTTOM OF THE PAGE OF \$6,003,907.
12 THAT NUMBER SHOULD BE THE SAME NUMBER THAT'S ABOVE
13 IN THE SUBTOTAL IN COLUMN 3 IN THE GROUP ABOVE. SO
14 INSTEAD OF THE \$6,003,907, THAT NUMBER SHOULD BE
15 \$6,209,723. AND THEN IN THE FOURTH COLUMN, THE
16 BOTTOM NUMBER \$197,497 SHOULD BE \$204,267. THEY
17 WERE JUST BAD CELL REFERENCES IN MY MODEL AND NO
18 OTHER NUMBERS ARE AFFECTED BY THIS.
19 MR. BALLENGER: THANK YOU. THAT WAS OUR
20 ONLY ITEM OF HOUSEKEEPING THIS MORNING.
21 HEARING OFFICER: I SEE THAT YOU HAVE
22 PROVIDED A CORRECTED COPY; IS THAT RIGHT?
23 MR. BALLENGER: NO. I WAS JUST PROVIDING
24 THAT SO SHE COULD SEE THE ORIGINAL NUMBERS, BUT WE

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1 DON'T HAVE A SEPARATE ERRATA SHEET.
2 HEARING OFFICER: THAT'S FINE.
3 NOW MR. DASENT.
4 MR. DASENT: PRABHA KUMAR AND DAVE JAGT,
5 DAVE JAGT IS OUR LEAD WITNESS ARE PROFFERED FOR
6 CROSS-EXAMINATION.
7 MR. BALLENGER: THANK YOU.
8 GOOD MORNING, DAVE AND PRABHA. I DON'T
9 HAVE A LOT TO START. WE MAY GET INTO IT A LITTLE
10 MORE LATER. BUT I JUST HAD A COUPLE OF QUESTIONS
11 FOR YOU.
12 I TAKE IT FROM THE REBUTTAL OUTLINE, BUT
13 I'LL ASK AS A QUESTION. ARE YOU AWARE MR. MIERZWA
14 HAS MADE AN ADJUSTMENT TO THE EXTRA CAPACITY
15 FACTORS FOR THE WATER COST OF SERVICE ASSOCIATED
16 WITH CITY-LEASED PROPERTIES AND CITY GOVERNMENT
17 CUSTOMER CLASSES IN HIS TESTIMONY?
18 MR. JAGT: YES, WE ARE AWARE OF THE
19 PROPOSED REVISIONS.
20 MR. BALLENGER: DO YOU AGREE THE
21 METHODOLOGY IS CONSISTENT WITH THE METHODOLOGY
22 DESCRIBED IN THE AMERICAN WATER WORKS ASSOCIATION
23 M1 MANUAL?
24 MR. JAGT: THE METHODOLOGY IS CONSISTENT.

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1 MR. BALLENGER: DO YOU AGREE THAT THE AWWA
2 M1 MANUAL IS AN APPROPRIATE RESOURCE TO UTILIZE FOR
3 THIS PURPOSE OF DETERMINING EXTRA CAPACITY FACTORS,
4 JUST TO BE CLEAR?
5 MR. JAGT: AWWA M1 MANUAL PROVIDES
6 GUIDELINES FOR DEVELOPING THE DATA AND IT PRESENTS
7 ONE APPROACH FOR DOING SO, YES.
8 MR. BALLENGER: NOW, MY UNDERSTANDING, AND
9 PLEASE CORRECT ME IF I'M WRONG, BUT FOR MANY
10 PURPOSES IN A COST OF SERVICE, WOULDN'T YOU AGREE
11 THAT IT'S TYPICAL TO USE ACTUAL HISTORICAL DATA?
12 MR. JAGT: WHEN BEST AVAILABLE, YES.
13 MR. BALLENGER: WHEN AVAILABLE? AM I ALSO
14 CORRECT THAT THE WATER DEPARTMENT HAS NOT CONDUCTED
15 A DEMAND STUDY FOR PURPOSES OF DETERMINING ACTUAL
16 EXTRA CAPACITY FACTORS?
17 MR. JAGT: CORRECT.
18 MR. BALLENGER: DO YOU AGREE, I BELIEVE MR.
19 MIERZWA POINTED THIS OUT IN HIS TESTIMONY. DO YOU
20 AGREE THAT THOSE TYPES OF STUDIES ARE USUALLY VERY
21 TIME-CONSUMING AND EXPENSIVE?
22 MR. JAGT: CORRECT. SUBJECT TO CHECK.
23 MR. BALLENGER: HOW WOULD YOU CHECK?
24 MR. JAGT: PRIOR STUDIES.

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1 MR. BALLENGER: ARE YOU AWARE THAT BACK IN
2 2008, THERE WAS EXTENSIVE DISCUSSION ON THE RECORD
3 IN THE LAST RATE CASE WHERE WE HAD EXTENSIVE
4 DISCUSSION ON THIS ISSUE, THAT THERE WAS EXTENSIVE
5 DISCUSSION ON THE TYPE OF DEMAND STUDY THAT COULD
6 BE UTILIZED? ARE YOU AWARE OF THAT?
7 MR. DASENT: IF YOU REMEMBER.
8 MR. JAGT: I DONT HAVE A RECOLLECTION OF
9 THAT.
10 MR. BALLENGER: ARE YOU AWARE OF THE WATER
11 DEPARTMENT EVER CONDUCTING A DEMAND STUDY?
12 MR. DASENT: EVER IS SUCH A LONG TIME. WE
13 HAVE BEEN IN EXISTENCE SINCE 1789. I THINK IT
14 PREDATES HIM.
15 MR. JAGT: RIGHT. I'M NOT ABLE --
16 MR. BALLENGER: SO IT PREDATES YOUR
17 INVOLVEMENT? AS FAR AS YOU ARE AWARE SINCE YOUR
18 INVOLVEMENT, THERE HAS NEVER BEEN A DEMAND STUDY;
19 IS THAT CORRECT?
20 MS. KUMAR: THE ANSWER IS THAT WE ARE NOT
21 AWARE OF A DEMAND STUDY. WE CANNOT SAY THERE HAS
22 NEVER BEEN A DEMAND STUDY. WE ARE NOT AWARE -- NO.
23 HEARING OFFICER: OFF THE RECORD.
24 (WHEREUPON, A DISCUSSION WAS HELD OFF THE

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1 RECORD.)
2 HEARING OFFICER: BACK ON THE RECORD.
3 MS. KUMAR: WE CANNOT SAY THE DEPARTMENT
4 HAS NEVER DONE A DEMAND STUDY. IN THE LAST RATE
5 CASES THAT WE HAVE BEEN INVOLVED IN, WE ARE NOT
6 AWARE OF THE DEMAND STUDY BEING PROVIDED TO US.
7 MR. BALLENGER: YOU ARE NOT AWARE OF ANY
8 OTHER CONSULTANT FOR THE WATER DEPARTMENT
9 CONDUCTING SUCH A DEMAND STUDY?
10 MS. KUMAR: AGAIN, WE ARE NOT FAMILIAR WITH
11 THAT. WE CAN'T SAY WHETHER IT WAS DONE OR NOT.
12 MR. BALLENGER: ID LIKE TO ASK THIS. TO
13 YOUR KNOWLEDGE, HAS BLACK AND VEATCH EVER UTILIZED
14 THE METHOD MR. MIERZWA RECOMMENDED IN THIS CASE,
15 THE METHODOLOGY DESCRIBED IN THE AWWA M1 MANUAL?
16 MS. KUMAR: I AM GOING TO TAKE AN ANSWER
17 FIRST AND DAVE WILL ADD TO IT.
18 HEARING OFFICER: OFF THE RECORD.
19 (WHEREUPON, A DISCUSSION WAS HELD OFF THE
20 RECORD.)
21 HEARING OFFICER: OFF THE RECORD.
22 MS. KUMAR: THE AWWA M1 MANUAL IS A
23 GUIDANCE MANUAL. IT'S NOT A DESCRIPTIVE PARTICULAR
24 MANUAL. I JUST WANT TO STATE THAT.

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1 MR. JAGT: AND YOU ARE REFERRING TO PWD
2 SPECIFIC OR --
3 MR. BALLENGER: I'M REFERRING TO BLACK AND
4 VEATCH.
5 MR. JAGT: BLACK AND VEATCH, YES, WE HAVE
6 CONDUCTED DEMAND STUDIES USING THE APPROACH IN THE
7 AWWA MANUAL.
8 MR. BALLENGER: SO HAVING UTILIZED THAT
9 METHODOLOGY, WOULD YOU AGREE THAT THAT IS OR COULD
10 BE A REASONABLE METHODOLOGY TO USE?
11 MR. JAGT: IT'S REASONABLE. JUST THE ONE
12 THING I WILL SAY, THERE ARE MANY ASSUMPTIONS THAT
13 GO INTO THAT ANALYSIS THAT REQUIRES FAMILIARITY
14 WITH THE SYSTEM AND/OR AVAILABLE DATA. SO IT IS,
15 IT IS SUBJECT TO A LOT OF ASSUMPTIONS AND AVAILABLE
16 DATA.
17 MR. BALLENGER: IF I MAY JUST CONSULT WITH
18 MY EXPERT ONE MOMENT, PLEASE.
19 (WHEREUPON, A DISCUSSION WAS HELD OFF THE
20 RECORD.)
21 MR. BALLENGER: WITH THAT, I THINK I'M DONE
22 WITH MY CROSS ON THE ORIGINAL TESTIMONY OF BLACK
23 AND VEATCH AND WE CAN GO TO REBUTTAL.
24 HEARING OFFICER: OFF THE RECORD.

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1 (WHEREUPON, A DISCUSSION WAS HELD OFF THE
2 RECORD.)
3 HEARING OFFICER: SO AS WE HAVE DONE IN THIS
4 PROCEEDING, NOW THE DEPARTMENT WITNESSES WILL DO
5 WHATEVER REBUTTAL THE DEPARTMENT HAS. THAT WILL BE
6 CROSSED. AND THE PUBLIC ADVOCATE MAY ASK FOR AN
7 OPPORTUNITY TO RESPOND TO THAT. IF SO AND IF
8 GRANTED, THEN THE DEPARTMENT WILL BE ABLE TO
9 RESPOND TO THAT LIMITED TO THE EXTENT OF THE LAST
10 AFFIRMATIVE TESTIMONY.
11 MR. DASENT: THANK YOU.
12 MR. POPOWSKY: ARE YOU ALSO GOING TO DO
13 REBUTTAL TO MR. ROSENTHAL?
14 MR. DASENT: ON WEDNESDAY, YES.
15 MR. POPOWSKY: WEDNESDAY? I'M SORRY.
16 MR. DASENT: MR. JAGT, MR. MIERZWA
17 RECOMMENDS A MODIFICATION TO THE MAXIMUM DAY AND
18 MAXIMUM HOUR DEMAND FACTORS. DO YOU AGREE WITH HIS
19 ADJUSTMENT?
20 MR. JAGT: NO, WE DO NOT.
21 MR. DASENT: COULD YOU EXPLAIN WHY?
22 MR. JAGT: FOR A FEW REASONS. WE DO NOT
23 AGREE WITH THE PROPOSED REVISIONS TO THE DIVERSITY
24 FACTOR OR THE PT FACTORS FOR THE CITY AND THE

3 (Pages 6 to 9)

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1 CITY-LEASED PROPERTIES. FOR ONE, OUR CURRENT
2 APPROACH IS CONSISTENT WITH THE STUDIES THAT HAVE
3 BEEN DONE IN THE PREVIOUS ANALYSES. WE DID MAKE
4 ADJUSTMENTS FOR AVAILABLE DATA THAT HAS BECOME
5 AVAILABLE SINCE THE PREVIOUS ANALYSES. SO WE
6 REVIEWED THE VOLUME DISTRIBUTION ANALYSES THAT HAS
7 BEEN, THAT BECAME AVAILABLE WITH THIS COST OF
8 SERVICE STUDY. AND THE DEMAND APPEARS, BASED ON
9 THE VOLUME DISTRIBUTION ANALYSIS, AS FLATTER. AND
10 WE ADJUSTED THE PEAKING FACTOR TO REFLECT A FLATTER
11 DEMAND FOR THE CITY AND CITY-LEASED.
12 HEARING OFFICER: FLATTER THAN WHAT?
13 MR. JAGT: THAN PREVIOUS STUDIES.
14 ONE OTHER THING. THERE ARE A FEW OUTCOMES
15 OF THE ANALYSIS BASED ON THE PROPOSED PEAKING
16 FACTORS. WE DID AN UPDATE OF THE DIVERSITY FACTOR
17 ANALYSIS BASED ON THE PEAK HOUR SUGGESTED DEMANDS
18 FOR CITY AND CITY-LEASED AND THE RESULTING
19 DIVERSITY FACTOR. THE DIVERSITY FACTOR, WE TAKE
20 THE SUM OF THE NONCOINCIDENTAL DEMANDS FOR ALL OF
21 OUR CUSTOMER CLASSES. SO WE TAKE THE PEAK HOUR FOR
22 EACH CUSTOMER CLASS AND ADD THEM UP AND GET A TOTAL
23 SYSTEM NONCOINCIDENTAL AND COMPARE THAT THROUGH A
24 SYSTEM COINCIDENTAL DEMAND. THE RATIO YOU SHOULD

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1 GET SHOULD BE BETWEEN 1.1 AND 1.4. AND THAT'S PER
2 THE AWWA MANUAL.
3 HEARING OFFICER: DID YOU SAY A SYSTEM
4 NONCOINCIDENTAL OR A SYSTEM COINCIDENTAL?
5 MS. KUMAR: THERE ARE TWO THINGS. THERE IS
6 THE NONCOINCIDENTAL DEMAND AND THE COINCIDENTAL
7 DEMAND. AND RATIO IS CALCULATED BETWEEN THE
8 NONCOINCIDENTAL DEMAND AND THE COINCIDENTAL DEMAND.
9 AND THAT RATIO TYPICALLY IS THE RANGE THAT DAVE
10 JAGT MENTIONED. AND USING THE PROPOSED PEAKING
11 FACTORS FOR THE CITY AND CITY-LEASED PROPERTIES, IT
12 GOES ABOVE THE RANGE.
13 HEARING OFFICER: I HADN'T HEARD THE
14 STATEMENT. I WANT TO MAKE SURE THE RECORD IS
15 CLEAR.
16 MR. JAGT: THIS WAS CONSISTENT WITH A PRIOR
17 PA-EXE THAT WAS PROVIDED.
18 MR. BALLENGER: I BELIEVE IT'S 167.
19 MR. JAGT: 167.
20 THE SAME APPROACH WAS USED AND APPLIED TO;
21 CORRECT. WE SUBSTITUTED THE PROPOSED DEMANDS FOR
22 CITY AND CITY-LEASED PROPERTIES. AND THE RESULTING
23 FACTORS IS 1.48 WHICH WOULD BE ABOVE THE 1.40.
24 MR. DASENT: MR. MIERZWA ALSO RECOMMENDS A

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1 SEPARATE WATER RATE SCHEDULE BE ESTABLISHED FOR
2 CITY-LEASED PROPERTIES AND CITY GOVERNMENT. DO YOU
3 AGREE WITH THAT APPROACH?
4 MS. KUMAR: FOR THIS RATE PROCEEDING, WE DO
5 NOT AGREE WITH THAT APPROACH. THE CITY'S RATE
6 STRUCTURE, THE WATER DEPARTMENT'S RATE STRUCTURE
7 THAT WE HAVE CURRENTLY IS A METER-BASED FACILITIES
8 CHARGE AND A SYSTEM-WIDE DECLINING BLOCK VOLUMETRIC
9 RATE. SO GIVEN THAT, JUST TAKING THESE TWO
10 CLASSES, THE CITY AND CITY-LEASED PROPERTIES AND
11 THEN CREATING A RATIO JUST FOR THOSE CLASSES IS NOT
12 SOMETHING WE AGREE WITH FOR THE RATE PROCEEDING.
13 MR. DASENT: HAS THE DEPARTMENT INDICATED
14 AN INTEREST IN COMPREHENSIVE REVIEW OF ITS RATE
15 STRUCTURE; IF YOU KNOW, MR. JAGT?
16 MS. KUMAR: IF ANY SPECIFIC CUSTOMER TYPE
17 BASED VOLUMETRIC RATE IS SUPPOSED TO BE CONSIDERED
18 AS BEING PROPOSED BY MR. MIERZWA, THEN THE
19 DEPARTMENT WOULD CONSIDER IT IN A MORE HOLISTIC
20 FASHION FOR THE ENTIRE RATE STRUCTURE IN FUTURE
21 PROCEEDINGS.
22 MR. DASENT: THAT'S ALL WE HAVE.
23 MR. BALLENGER: CAN WE TAKE A COUPLE
24 MINUTES?

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1 HEARING OFFICER: OFF THE RECORD.
2 (WHEREUPON, A BREAK WAS TAKEN OFF THE
3 RECORD.)
4 MR. BALLENGER: THANK YOU, MADAM HEARING
5 OFFICER.
6 FIRST, I'D LIKE TO DISTRIBUTE ONE EXHIBIT.
7 AND THIS WOULD BE PUBLIC ADVOCATE HEARING EXHIBIT
8 4, I BELIEVE. SO I'M JUST MARKING THESE BECAUSE I
9 DIDN'T NUMBER THEM IN ADVANCE. BUT THIS IS THE
10 RESPONSE FROM THE DEPARTMENT TO PUBLIC ADVOCATE EXE
11 88A. THIS ONE IS NOT NUMBERED, UNFORTUNATELY.
12 BEFORE WE GET TO THE EXHIBIT ITSELF, I JUST
13 WOULD LIKE TO ASK MR. JAGT. WHEN YOU CALCULATED
14 THE 1.48 THAT YOU JUST REFERENCED WHICH I THINK YOU
15 SAID WAS THE ESTIMATED SYSTEM DIVERSITY FACTOR
16 UTILIZING MR. MIERZWA'S RECOMMENDATIONS; IS THAT
17 RIGHT?
18 MR. JAGT: WE ONLY REVISED THE CITY-LEASED
19 AND THE CITY AS PROPOSED.
20 MR. BALLENGER: DID YOU CONTINUE TO, AS YOU
21 DID IN THE RESPONSE TO PA-EXE 167, DID YOU CONTINUE
22 TO ACCOUNT FOR OR TAKE -- I'M TRYING NOT TO USE THE
23 WORD ACCOUNT TWICE. DID YOU CONTINUE TO CONSIDER
24 LOST AND UNACCOUNTED FOR WATER IN THAT

4 (Pages 10 to 13)

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1 CALCULATION?
2 MR. JAGT: YES. CORRECT.
3 MR. BALLENGER: I'D LIKE TO ASK A
4 TRANSCRIPT REQUEST, IF I MAY, TO SEE HOW YOU
5 DERIVED THAT 1.48. IF YOU COULD PLEASE PROVIDE US
6 A SCHEDULE SHOWING HOW YOU CALCULATED THAT, THAT
7 WOULD BE APPRECIATED.
8 HEARING OFFICER: WHAT ARE YOU UP TO?
9 MR. DASENT: TR9.
10 HEARING OFFICER: YES, 09.
11 MR. DASENT: TR9, TRANSCRIPT REQUEST 9.
12 MR. BALLENGER: I'D LIKE TO ASK WHAT YOU
13 MEAN WHEN YOU SAY THAT THE DEMAND, I THINK THE
14 PHRASE YOU USED WAS THAT THE DEMAND FOR CITY AND
15 CITY-LEASED PROPERTIES APPEARS FLATTER. WHAT DO
16 YOU MEAN WHEN YOU SAY IT APPEARS FLATTER?
17 MR. JAGT: WE SAW LOWER DEMAND. THAT'S AS
18 INDICATED PREVIOUSLY IN PA-EXE 137 -- 76. I'M
19 SORRY, I MISPOKE. 76. I APOLOGIZE. THAT'S
20 PA-EXE 76. DURING THE DISCOVERY, WE WERE ASKED FOR
21 OUR REVISIONS TO THE PEAKING FACTORS AND THE
22 RESPONSE TO THE PA-EXE 76. WE HAVE A COUPLE OF
23 BULLETS THAT ADDRESSED THE ADJUSTMENTS MADE TO
24 CITY-LEASED MAX HOUR AND CITY MAX HOUR DEMAND

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1 FACTOR. AND FOR BOTH, BASED ON THE CURRENT BUILT
2 POPULATION ANALYSIS, THE CITY-LEASED PROPERTY
3 CUSTOMER TYPE HAS A HIGHER DISTRIBUTION OF VOLUMES
4 IN A HIGHER BLOCKS, WHICH MEANT THAT THERE IS MORE
5 VOLUME IN THE HIGHER BLOCKS THAN PREVIOUSLY BEFORE.
6 BUT IT'S AT CONSTANT ACROSS THE BLOCKS. SO
7 WE SEE MORE DEMAND AT ALL LEVELS, MORE VOLUME AT
8 HIGHER LEVELS AND INDICATING A HIGHER DEMAND. AND
9 SUBSEQUENTLY, THE FACT THAT IT'S PROBABLY MORE
10 STEADY DEMAND AND SMALLER DEMAND OVER THE YEAR OR
11 SMALLER PEAKING FOR MAX HOUR OVER THE YEAR. THAT
12 WAS THE SAME FACT FOR THE CITY MAXED HOUR.
13 MR. BALLENGER: IN THE RESPONSE TO PA-EXE
14 88, THE CITY PROVIDED THE MONTHLY SALES FOR EACH
15 CUSTOMER CLASS FOR THE MOST RECENT 36 MONTHS
16 AVAILABLE; IS THAT CORRECT?
17 MR. JAGT: THAT'S CORRECT.
18 MR. BALLENGER: IF WE LOOK AT THAT, WE SEE
19 THE SALES DATA FOR FISCAL YEAR 2012, 2013, 2014 AND
20 ACTUALLY 2015; ISN'T THAT CORRECT?
21 MR. JAGT: CORRECT.
22 MR. BALLENGER: THAT'S ACTUALLY FOUR FISCAL
23 YEARS. AND IN EACH OF THESE FISCAL YEARS, WE SEE
24 THE SALES DATA FOR THE RESIDENTIAL CLASS, THE

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1 CITY-LEASED AND THE CITY GOVERNMENT CLASSES; DO WE
2 NOT?
3 MR. JAGT: CORRECT.
4 MR. BALLENGER: STARTING WITH FISCAL 2012.
5 WOULD YOU AGREE WITH ME THAT FOR THE RESIDENTIAL
6 CLASS, THE MONTH OF MAXIMUM CONSUMPTION WAS
7 SEPTEMBER, 2012? THAT AMOUNT TOTALED \$3,123,235
8 CCF?
9 MR. JAGT: THAT'S CORRECT.
10 MR. BALLENGER: THE LOWEST MONTH OF
11 CONSUMPTION WAS MAY, 2012? THAT TOTALED TO
12 \$2,637,807 CCF?
13 MR. JAGT: CORRECT.
14 MR. BALLENGER: WOULD YOU AGREE WITH ME,
15 SUBJECT TO CHECK, THAT THE 3406 HIGHEST CONSUMPTION
16 FOR THE RESIDENTIAL CLASS WAS ABOUT 1.2 TIMES THE
17 CONSUMPTION OF THE LOWEST MONTH?
18 MR. JAGT: SUBJECT TO CHECK. THERE IS A
19 FEW APPROACHES THAT WERE USED TO COME UP WITH THE
20 MAX AND THE AVERAGES FOR THE MONTHS THAT I WOULD
21 NOT NECESSARILY HAVE USED IN THAT IT ASSUMES THE
22 SAME NUMBER OF DAYS IN EVERY MONTH AND TOOK AN
23 AVERAGE ACROSS ALL THE MONTHS THE SAME. SO PENDING
24 ANALYSIS THAT WAS PRESENTED. SO I MEAN IT'S

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1 REASONABLE, BUT IT'S SUBJECTED TO SOME VARIATION.
2 MR. BALLENGER: I'M JUST TRYING TO REMEMBER
3 MY DAYS OF THE MONTH. MAY HAS 31 AND SEPTEMBER HAS
4 30. AND MAY WAS LOWER THAN SEPTEMBER BY A FACTOR
5 OF 1.2; IS THAT CORRECT?
6 HEARING OFFICER: WE'LL TAKE NOTICE OF THE
7 MONTH, OF THE DAYS IN THE MONTH.
8 MR. BALLENGER: I'M JUST NOT SURE IT
9 IMPACTS ANYTHING.
10 MR. JAGT: A MINOR VARIANCE.
11 MR. BALLENGER: WOULD YOU CONSIDER THE
12 MONTHLY USAGE OF RESIDENTIAL CUSTOMERS THEN TO BE
13 RELATIVELY FLAT BASED ON THE DATA FOR FISCAL YEAR
14 2012?
15 MS. KUMAR: COULD YOU REPEAT YOUR
16 QUESTION?
17 MR. BALLENGER: WOULD YOU CONSIDER BASED ON
18 THE 1.2 MULTIPLE BETWEEN THE HIGHEST AND THE LOWEST
19 MONTHS, THAT THE USAGE OF THE RESIDENTIAL CUSTOMERS
20 WERE RELATIVELY FLAT IN FISCAL 12? YOU USED THE
21 TERM I THINK RELATIVELY FLAT.
22 MR. JAGT: ON A MAXIMUM MONTH BASIS.
23 MR. BALLENGER: CORRECT.
24 (WHEREUPON, A DISCUSSION WAS HELD OFF THE

5 (Pages 14 to 17)

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1 RECORD.)
2 HEARING OFFICER: BACK ON THE RECORD.
3 MR. JAGT: THAT IS CORRECT, THAT THE 1.2 IS
4 RELATIVELY FLAT. BUT I WANT TO POINT OUT THAT THE
5 SYSTEM ITSELF ON A MAX MONTH BASIS IS IN THE RANGE
6 OF 1.07 TO 1.1. SO RESIDENTIAL IS HIGHER THAN THE
7 OVERALL AVERAGE FOR THE SYSTEM.
8 MR. BALLENGER: OKAY.
9 MR. JAGT: THIS IS ON A MAX MONTH BASIS AND
10 DOESN'T TAKE INTO ACCOUNT VARIATIONS FOR MAX DAY
11 AND MAX HOURS OF THE MONTH.
12 MR. BALLENGER: SO IF WE LOOK AT THE
13 CITY-LEASED CLASS, WOULD YOU AGREE THAT DURING
14 FISCAL 12, THE MONTH OF HIGHEST CONSUMPTION WAS
15 JULY, 2011? AND THAT WAS 14,177 CCFS?
16 MR. JAGT: CORRECT.
17 HEARING OFFICER: AND THAT THE MONTH OF
18 LOWEST CONSUMPTION FOR THIS CLASS IN THAT FISCAL
19 YEAR WAS FEBRUARY, 2012 AT 3599 CCFS?
20 MR. JAGT: CORRECT.
21 MR. BALLENGER: WOULD YOU AGREE SUBJECT TO
22 CHECK, THAT COMPARING THE HIGHEST MONTH TO THE
23 LOWEST MONTH, THE HIGHEST MONTH REPRESENTS ABOUT
24 FOUR TIMES THE CONSUMPTION OF THE LOWEST MONTH FOR

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1 THE CITY-LEASED CLASS IN FISCAL 12?
2 MR. JAGT: I WAS LOOKING AT THE DATA TOO
3 MUCH WHILE YOU WERE ASKING. CAN YOU REPEAT YOUR
4 QUESTION?
5 MR. BALLENGER: SURE. I WAS JUST ASKING
6 WHETHER SUBJECT TO CHECK, YOU WOULD AGREE THAT THE
7 HIGHEST MONTH OF AT 14,177 CCFS WAS APPROXIMATELY
8 FOUR TIMES THE CONSUMPTION OF THE LOWEST MONTH AT
9 3599?
10 MR. JAGT: SUBJECT TO CHECK; CORRECT.
11 MR. BALLENGER: THEN LOOKING AT FISCAL 2012
12 FOR CITY GOVERNMENT, THAT'S LINE 14. WOULD YOU
13 AGREE WITH ME THAT THE HIGHEST MONTH WAS THE MONTH
14 OF OCTOBER WHERE IT SHOWS 436,889 CCFS?
15 MR. JAGT: CORRECT.
16 MR. BALLENGER: AND THE LOWEST MONTH WOULD
17 BE APRIL WITH 119,189 CCFS; CORRECT?
18 MR. JAGT: CORRECT.
19 MR. BALLENGER: WOULD YOU ALSO AGREE WITH
20 ME THAT THAT REPRESENTS APPROXIMATELY A MULTIPLE OF
21 3.7 FROM THE LOWEST TO THE HIGHEST SUBJECT TO
22 CHECK?
23 MR. JAGT: SUBJECT TO CHECK; CORRECT.
24 MR. BALLENGER: THEN LOOKING AT FISCAL 13.

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1 FOR THE RESIDENTIAL CUSTOMERS IN FISCAL 13, WOULD
2 YOU AGREE THAT THE HIGHEST MONTH WAS JANUARY WITH
3 THE USAGE OF 3,151,428 CCFS?
4 MR. DASENT: WHICH ONE ARE YOU REFERRING
5 TO?
6 MR. BALLENGER: I'M REFERRING TO 2013, LINE
7 1, GENERAL SERVICE RESIDENTIAL WHERE THE HIGHEST
8 MONTH REPORTED WAS 3,151,428 CCFS?
9 MR. JAGT: CORRECT.
10 MR. BALLENGER: THE LOWEST MONTH OF USAGE
11 FOR RESIDENTIAL CUSTOMERS IN 2013 WOULD BE DECEMBER
12 AT 2,395,237 CCFS? WOULD YOU AGREE WITH THAT?
13 MR. JAGT: CORRECT, SUBJECT TO CHECK.
14 MR. BALLENGER: WOULD YOU AGREE, AGAIN
15 SUBJECT TO CHECK, THAT THAT REPRESENTS A MULTIPLE
16 OF APPROXIMATELY 1.3 FROM THE LOWEST MONTH TO THE
17 HIGHEST MONTH FOR RESIDENTIALS?
18 MR. JAGT: YES, SUBJECT TO CHECK.
19 HEARING OFFICER: BEFORE WE GO FURTHER. SO
20 LOOKING AT PA EXHIBIT 4, HEARING EXHIBIT 4. I TAKE
21 IT WE ARE ON THE BLOCK LABELED 2013?
22 MR. BALLENGER: YES.
23 HEARING OFFICER: THE FIRST LINE, GENERAL
24 SERVICE RESIDENTIAL?

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1 MR. BALLENGER: CORRECT.
2 HEARING OFFICER: THE NUMBERS AT THE TOP
3 REPRESENT CALENDAR MONTHS? SO THE FIRST ONE WOULD
4 BE JULY AND SO FORTH?
5 MR. BALLENGER: CORRECT.
6 HEARING OFFICER: DECEMBER WOULD BE -- GOT
7 IT.
8 MR. BALLENGER: THANK YOU.
9 STAYING ON FISCAL 13 AND LOOKING AT THE
10 CITY-LEASED PROPERTIES. THAT WOULD BE LINE 10.
11 WOULD YOU AGREE THAT THE MONTH OF HIGHEST USE WAS
12 JULY, 2012 AT 10,918 CCFS?
13 MR. JAGT: CORRECT.
14 MR. BALLENGER: THE LOWEST MONTH WOULD BE
15 MARCH, 2013 WITH 3015 CCFS?
16 MR. JAGT: CORRECT.
17 MR. BALLENGER: WOULD YOU AGREE SUBJECT TO
18 CHECK, THAT THAT REPRESENTS A DIFFERENCE OF
19 APPROXIMATELY 3.6 TIMES, A MULTIPLE OF 3.6?
20 MR. JAGT: SUBJECT TO CHECK.
21 MR. BALLENGER: LOOKING AT FISCAL 13, CITY
22 GOVERNMENT, LINE 14. WOULD YOU AGREE WITH ME THAT
23 THE MONTH OF HIGHEST CONSUMPTION IS AUGUST AT
24 321,960 CCFS?

6 (Pages 18 to 21)

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1 MR. JAGT: CORRECT.
2 HEARING OFFICER: AND THE LOWEST USAGE IN
3 FISCAL 13 FOR CITY GOVERNMENT WAS THE MONTH OF MAY,
4 2013 AT 3063 CCFS?
5 MR. JAGT: CITY GOVERNMENT, CITY-LEASED?
6 MR. BALLENGER: CITY GOVERNMENT LINE 14,
7 COLUMN 5, THE COLUMN FROM MAY SHOWS 3063 CCFS FOR
8 THE MONTH OF MAY.
9 MR. JAGT: CORRECT.
10 MR. BALLENGER: WE ARE ASSUMING THAT MAY
11 HAVE REPRESENTED SOME KIND OF BILLING ADJUSTMENT,
12 BUT THAT'S WHAT THE DATA SHOWS.
13 MR. JAGT: CORRECT.
14 MR. BALLENGER: WOULD YOU AGREE THAT THAT'S
15 A MULTIPLE, SUBJECT TO CHECK, OF APPROXIMATELY
16 105?
17 MR. JAGT: SUBJECT TO CHECK.
18 MR. BALLENGER: MOVING ON TO FISCAL 14.
19 FOR THE RESIDENTIAL CUSTOMER CLASS, WOULD YOU AGREE
20 THAT THE HIGHEST MONTH OF CONSUMPTION WAS
21 SEPTEMBER, 2013 WITH 2,905,018 CCFS?
22 MR. JAGT: CORRECT. ONE THING TO NOTE ON
23 THIS IS THAT IT IS BILLED CONSUMPTION. SO IT'S
24 BILLED DURING THAT MONTH. THE BEGINNING OF THE

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1 MONTH THE DEMAND REFLECTS --
2 MR. BALLENGER: THE PRIOR MONTH'S USAGE?
3 MR. JAGT: THE PRIOR MONTH'S USAGE.
4 MR. BALLENGER: IT'S MONTHLY BILLING FOR
5 ALL OF THOSE CUSTOMERS.
6 MR. JAGT: CORRECT.
7 MS. KUMAR: THE CONSUMPTION IS CALCULATED
8 BASED ON THE DAY WHEN IT WAS READ IN THE PRIOR
9 MONTH AND THE DAY WHEN IT WAS READ IN THE CURRENT
10 MONTH. AND THAT IS THE CONSUMPTION REPORTED.
11 MR. BALLENGER: WOULD YOU ALSO AGREE THAT
12 FOR THE RESIDENTIAL CUSTOMER CLASS IN FISCAL 14,
13 THE LOWEST MONTH OF USAGE IS REPORTED AS APRIL,
14 2014 WITH 2,492,531 CCFS?
15 MR. JAGT: CORRECT.
16 MR. BALLENGER: WOULD YOU AGREE SUBJECT TO
17 CHECK, THAT THAT REFLECTS A MULTIPLE OF
18 APPROXIMATELY 1.2?
19 MR. JAGT: SUBJECT TO CHECK.
20 MR. BALLENGER: IN LOOKING AT FISCAL 14
21 CITY-LEASED PROPERTIES. WOULD YOU AGREE THAT THE
22 MONTH OF HIGHEST USAGE FOR THOSE PROPERTIES WAS
23 MARCH, 2014 REFLECTING 10,205 CCFS OF USAGE?
24 MR. JAGT: CORRECT, BILLED CONSUMPTION.

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1 MR. BALLENGER: BILLED CONSUMPTION? AND
2 THE LOWEST MONTH OF BILLED CONSUMPTION FOR THE
3 CITY-LEASED PROPERTIES WOULD BE DECEMBER, 2013 AT
4 3501 CCFS FOR FISCAL 14?
5 MR. JAGT: CORRECT.
6 MR. BALLENGER: WOULD YOU ALSO AGREE
7 SUBJECT TO CHECK, THAT THAT REFLECTS A MULTIPLE OF
8 APPROXIMATELY 2.9?
9 MR. JAGT: SUBJECT TO CHECK.
10 MR. BALLENGER: STAYING IN FISCAL 14 AND
11 LOOKING AT CITY GOVERNMENT. WOULD YOU AGREE THAT
12 THE MONTH OF HIGHEST BILLED CONSUMPTION WAS AUGUST,
13 2013 AT 333,407 CCFS?
14 MR. JAGT: CORRECT.
15 MR. BALLENGER: AND WOULD YOU ALSO AGREE
16 THAT THE MONTH OF LOWEST BILLED CONSUMPTION IS
17 REPORTED AS DECEMBER, 2013, 127,950 CCFS?
18 MR. JAGT: CORRECT.
19 MR. BALLENGER: WOULD YOU AGREE SUBJECT TO
20 CHECK, THAT THAT REFLECTS A MULTIPLE OF
21 APPROXIMATELY 2.6?
22 MR. JAGT: SUBJECT TO CHECK.
23 MR. BALLENGER: WE ONLY HAVE ONE MORE
24 YEAR. I PROMISE IT WON'T TAKE THAT LONG.

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1 FOR FISCAL 15, LOOKING AT THE RESIDENTIAL
2 SERVICE, LINE 1. WOULD YOU AGREE THAT THE MONTH OF
3 HIGHEST REPORTED BILLED CONSUMPTION IS DECEMBER,
4 2014 SHOWING 2,924,016 CCFS?
5 MR. JAGT: CORRECT.
6 MR. BALLENGER: WOULD YOU ALSO AGREE THE
7 MONTH SHOWING THE LOWEST BILLED CONSUMPTION IS
8 FEBRUARY, 2015 AT 2,516,789?
9 MR. JAGT: CORRECT.
10 MR. BALLENGER: WOULD YOU AGREE SUBJECT TO
11 CHECK, THAT THAT REFLECTS A MULTIPLE OF
12 APPROXIMATELY 1.2?
13 MR. JAGT: SUBJECT TO CHECK.
14 MR. BALLENGER: LOOKING AT THE CITY-LEASED
15 PROPERTIES IN THAT SAME FISCAL 2015 PERIOD. WOULD
16 YOU AGREE THAT THE MONTH OF HIGHEST BILLED
17 CONSUMPTION IS JANUARY, 2015 WITH 17,056 CCFS?
18 MR. JAGT: CORRECT.
19 MR. BALLENGER: AND THE MONTH OF LOWEST
20 BILLED CONSUMPTION IS REPORTED AS NOVEMBER, 2014
21 WITH 1617 CCFS?
22 MR. JAGT: CORRECT.
23 MR. BALLENGER: WOULD YOU ALSO AGREE THAT
24 REFLECTS A MULTIPLE OF APPROXIMATELY 10.6?

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1 MR. JAGT: SUBJECT TO CHECK.
2 MR. BALLENGER: FINALLY, FOR FISCAL 15,
3 LOOKING AT THE CITY GOVERNMENT CUSTOMER CLASS.
4 WOULD YOU AGREE THAT THE MONTH OF HIGHEST
5 CONSUMPTION, HIGHEST BILLED USAGE IS REPORTED AS
6 313,783 CCFS AND THAT'S JANUARY, 2014?
7 MR. JAGT: CORRECT.
8 MR. BALLENGER: WOULD YOU ALSO AGREE THAT
9 THE MONTH OF LOWEST USAGE FOR THE CITY GOVERNMENT
10 CLASS, AND I BELIEVE THAT'S ACTUALLY JANUARY,
11 2015. I THINK I MISSPOKE. YES, JANUARY, 2015.
12 I'M SORRY, IT'S JULY. I'M SORRY. IT'S JULY,
13 2014. LET ME REASK THE QUESTION. WOULD YOU AGREE
14 THAT THE MONTH OF HIGHEST CONSUMPTION, HIGHEST
15 BILLED USAGE IS JULY, 2014 WITH 313,783 CCFS FOR
16 THE CITY GOVERNMENT CUSTOMERS?
17 MS. KUMAR: IT'S JULY, 2015.
18 MR. BALLENGER: NO, THIS IS FISCAL 15. SO
19 IT WOULD BE JULY --
20 MS. KUMAR: OKAY. THANK YOU.
21 MR. JAGT: CORRECT.
22 HEARING OFFICER: OFF THE RECORD.
23 (WHEREUPON, A DISCUSSION WAS HELD OFF THE
24 RECORD.)

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1 HEARING OFFICER: WE WILL DO THAT ONE MORE
2 TIME. WOULD YOU AGREE THAT THE MONTH OF HIGHEST
3 BILLED USAGE IN FISCAL 2015 FOR CITY GOVERNMENT
4 CLASS WAS THE MONTH OF JULY SHOWING 313,783 CCFS?
5 MS. KUMAR: THAT IS CORRECT.
6 MR. BALLENGER: WOULD YOU ALSO AGREE THAT
7 THE MONTH OF LOWEST CONSUMPTION IN FISCAL 15 FOR
8 THE CITY GOVERNMENT CLASS WAS THE MONTH OF DECEMBER
9 WHICH SHOWS 127,153 CCFS?
10 MS. KUMAR: THAT'S CORRECT.
11 MR. BALLENGER: WOULD YOU ALSO AGREE THAT
12 THAT, SUBJECT TO CHECK, REFLECTS A FACTOR, A
13 MULTIPLE OF APPROXIMATELY 2.5?
14 MR. JAGT: SUBJECT TO CHECK.
15 MR. BALLENGER: IF I MAY JUST HAVE ONE
16 MINUTE, PLEASE.
17 HEARING OFFICER: OFF THE RECORD.
18 (WHEREUPON, A DISCUSSION WAS HELD OFF THE
19 RECORD.)
20 HEARING OFFICER: BACK ON THE RECORD.
21 MR. BALLENGER: WE DON'T HAVE MUCH MORE.
22 I'D LIKE TO --
23 MR. JAGT: ONE THING I WANT TO POINT OUT
24 REGARDING THE RATIOS WE HAVE BEEN TALKING ABOUT.

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1 THE RATIO OF THE MAX MONTH TO THE MINIMUM MONTH IS
2 A LITTLE UNUSUAL IN ENGINEERING RATE-MAKING
3 PERSPECTIVES. THE TYPICAL RATIO WE LOOK AT IS THE
4 AVERAGE DAY FOR THE YEAR TO THE MAX FOR THE YEAR
5 WHEN WE LOOK AT THE RATIOS BETWEEN CLASSES. SO I
6 JUST WANT TO MAKE SURE WE IDENTIFY THE FACT THAT
7 FOR THE RECORD, IF IT'S PULLED OUT FOR A RATIO OF
8 WHAT'S TYPICALLY USED, WE WOULDN'T NECESSARILY
9 COMPARE IT TO THE MINIMUM. SO I WANT TO BE CAREFUL
10 HOW THAT DATA IS REFERENCED FROM HERE.
11 MR. BALLENGER: OKAY. THAT'S FINE. THANK
12 YOU.
13 A COUPLE OF QUESTIONS. JUST AS FAR AS WHEN
14 IT WOULD ORDINARILY BE APPROPRIATE TO ADDRESS A
15 RESTRUCTURING, WOULD YOU NOT AGREE THAT A
16 RESTRUCTURING OF RATES WOULD BE BEST ADDRESSED IN
17 THE CONTEXT OF A BASE RATE PROCEEDING SUCH AS
18 THIS?
19 MS. KUMAR: IN TERMS OF JUST ESTABLISHING
20 THE PROPOSAL TO ESTABLISH A RATE SCHEDULE FOR CITY
21 AND CITY-LEASED PROPERTIES --
22 HEARING OFFICER: OFF THE RECORD.
23 (WHEREUPON, A DISCUSSION WAS HELD OFF THE
24 RECORD.)

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1 HEARING OFFICER: BACK ON THE RECORD.
2 MS. KUMAR: IN TERMS OF RATE RESTRUCTURING,
3 REALLY WHAT WE ARE SEEING HERE IS THAT RATHER THAN
4 JUST TAKE ONE CUSTOMER TYPE LIKE CITY AND
5 CITY-LEASED AND THEN AS PROPOSED, JUST CREATING A
6 RATE SCHEDULE FOR THAT PARTICULAR CUSTOMER TYPE,
7 RATE SCHEDULE REVIEW NEEDS TO BE DONE HOLISTICALLY
8 FOR INCLUSIVE OF ALL CUSTOMER TYPES SO THAT IT IS A
9 MEANINGFUL RATE RESTRUCTURING RELATIVE TO WHAT THE
10 WATER DEPARTMENT HAS WHICH IS VOLUMETRIC RATE
11 SYSTEM-WIDE. IF THAT'S WHAT IS BEING PROPOSED,
12 THEN IT HAS TO BE HOLISTICALLY REVIEWED, NOT JUST
13 TAKE TWO OF THE CUSTOMER TYPES AND SAY LET'S CREATE
14 A RATE SCHEDULE FOR THAT CUSTOMER TYPE.
15 MR. BALLENGER: WOULD YOU AGREE THAT DOING
16 THAT TYPE OF RESTRUCTURING WOULD BEST BE
17 ACCOMPLISHED IN THE BASE RATE PROCEEDING?
18 MS. KUMAR: COULD YOU EXPLAIN WHAT YOU MEAN
19 BY BASE RATE PROCEEDING?
20 MR. BALLENGER: AS OPPOSED TO -- WELL, JUST
21 IF RESTRUCTURING OF RATES IS CONTEMPLATED, WOULDN'T
22 THE BEST FORUM TO DO THAT BE IN THE CONTEXT OF AN
23 OVERALL RATE PROCEEDING WHERE WE CAN LOOK AT ALL OF
24 THE VARIOUS IMPLICATIONS OF A RESTRUCTURING?

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1 MS. KUMAR: IT'S ALSO WHEN WE TALK ABOUT
2 RATE DESIGN AND RATE STRUCTURING, IT IS NOT JUST A
3 MATHEMATICAL EXERCISE. IT IS REALLY A
4 DECISION-MAKING FROM A POLICY PERSPECTIVE AS WELL,
5 FROM A PROCESS PERSPECTIVE. SO FOR THIS RATE
6 PROCEEDING, CONSISTENT WITH PRECEDING RATE
7 PROCEEDINGS, THE DEPARTMENT HAS THE SYSTEM-WIDE
8 VOLUMETRIC DECLINING BLOCK AS THE RATE DESIGN. SO
9 THAT'S HOW IT WAS FILED AND THAT'S HOW ALL THE
10 ANALYSIS WAS DONE AS FILED. BUT IF SOMETHING NEEDS
11 TO BE PROPOSED FOR JUST A RATE, A SEPARATE RATE
12 CASE, IT HAS TO BE DONE HOLISTICALLY FOR FUTURE
13 PROCEEDINGS.
14 HEARING OFFICER: I DON'T HAVE ANY FURTHER
15 CROSS AT THIS TIME. I'LL TURN IT BACK TO MR.
16 DASENT AS PROPOSED.
17 HEARING OFFICER: WE HAVE SOME QUESTIONS
18 FROM THE BENCH.
19 MR. POPOWSKY: THANK YOU. AND I APOLOGIZE,
20 I DON'T HAVE YOUR RATE SCHEDULES IN FRONT OF ME.
21 WHAT I'M TRYING TO FIGURE OUT IS LOOKING AT THE,
22 FOR EXAMPLE, AT PUBLIC ADVOCATE HEARING EXHIBIT 4.
23 THERE ARE, I GUESS, 14 DIFFERENT CUSTOMER TYPES.
24 IN TERMS OF RATE SCHEDULES, HOW MANY SCHEDULES ARE

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1 THERE ON WHICH THESE 14 APPEAR? MY UNDERSTANDING
2 IS THAT CITY-LEASED AND CITY GOVERNMENT, WHILE THEY
3 ARE A CUSTOMER TYPE, THEY DON'T HAVE THEIR OWN RATE
4 SCHEDULE AS OF NOW.
5 MS. KUMAR: THAT IS CORRECT. THEY DON'T
6 HAVE A RATE SCHEDULE.
7 MR. POPOWSKY: I APOLOGIZE FOR NOT HAVING IT
8 IN FRONT OF ME. CAN YOU TELL ME HOW MANY RATE
9 SCHEDULES THERE ARE THEN?
10 MS. KUMAR: THERE IS ONLY ONE RATE SCHEDULE
11 SYSTEM-WIDE FOR VOLUMETRIC RATE WHICH IS A
12 DECLINING BLOCK.
13 MR. POPOWSKY: THAT'S THE SAME FOR
14 RESIDENTIAL AND FOR GENERAL AND FOR INDUSTRIAL?
15 MS. KUMAR: THAT IS CORRECT.
16 MR. POPOWSKY: THANKS. I'M SORRY. I DIDN'T
17 UNDERSTAND BEFORE. THANK YOU.
18 MR. BRUNWASSER: I HAD A QUESTION. FIRST OF
19 ALL, THE NUMBERS SEEM PRETTY WILD. AND THIS IS
20 SUPPOSED TO BE IN CCF PER MONTH USAGE. IS IT
21 REALLY BASED ON METER READINGS EACH MONTH? IT IS?
22 OKAY.
23 MS. KUMAR: IT IS CORRECT, BASED ON METER
24 READINGS.

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1 MR. BRUNWASSER: AND THEN AGAIN, THE ACTUAL,
2 THESE MAY NOT, THESE NUMBERS MAY NOT CORRESPOND
3 EXACTLY TO THE MONTH, TO THE PHYSICAL MONTH OR THE
4 BILLING DATE?
5 MS. KUMAR: THIS CONSUMPTION DOESN'T
6 NECESSARILY OCCUR IN THE EXACT CALENDAR MONTH. IT
7 COULD SPAN TWO MONTHS, FROM PART OF THE MONTH FROM
8 BEFORE AND PART OF THE MONTH FROM THE NEXT MONTH.
9 MR. BRUNWASSER: I UNDERSTAND. IT JUST DOES
10 SEEM TO APPEAR TO BE SOME ADJUSTMENTS BEING MADE.
11 BUT THAT WOULD NOT BE BASED ON ACTUAL VOLUME I
12 WOULDNT THINK.
13 BUT THERE IS NO EXPLANATION FOR ONE MONTH
14 BEING 1.6 FOR CITY-LEASED PROPERTIES? I'M LOOKING
15 AT 2015. 1.6 IN MONTH 11 IS IN NOVEMBER, I GUESS.
16 AND THEN TWO MONTHS LATER, YOU ARE UP TO 17,056.
17 IT WOULD ALMOST BEG THE QUESTION THAT THAT MAY HAVE
18 BEEN SOME KIND OF ADJUSTMENT THAT SOME READINGS
19 WERE NOT TAKEN PERHAPS IN THOSE SHORT, THOSE MONTHS
20 WITH VERY LOW VOLUME? I MEAN MY THOUGHT IS PERHAPS
21 THERE SHOULD BE A LITTLE BIT FURTHER ANALYSIS ON
22 THE SPECIFICS OF THOSE VERY LOW AND VERY HIGH
23 MONTHS.
24 MS. KUMAR: AGAIN, AS MR. DAVE JAGT POINTED

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1 OUT, THIS IS MONTHLY DATA. BUT WHAT WE ARE REALLY
2 TALKING ABOUT WHEN YOU ARE TALKING RATIOS IS
3 MAXIMUM DAY TO MAXIMUM HOUR. BUT THIS IS TOTAL
4 MONTH CONSUMPTION.
5 MR. BRUNWASSER: RIGHT. RIGHT. I KNOW YOU
6 USE AVERAGE ANNUAL YEAR FOR RATE-MAKING PURPOSES.
7 MR. JAGT: THAT'S CORRECT.
8 MR. BRUNWASSER: THE OTHER QUESTION I HAVE
9 FOR YOU IS THIS, AS YOU SAID, YOU NEED A HOLISTIC
10 APPROACH TO RESTRUCTURING THE WAY THE CITY DOES
11 RATES, THE WAY THE WATER DEPARTMENT DOES RATES.
12 COULD YOU GIVE US A BALLPARK FIGURE FOR WHAT SUCH A
13 STUDY WOULD COST? I MEAN VERY BALLPARK OR A
14 SPREAD BASED ON OTHER STUDIES THAT YOU HAVE DONE,
15 BLACK AND VEATCH HAS DONE?
16 MR. JAGT: I WAS GOING TO SAY THE COST
17 INVOLVED WOULD BE THE TIME AND MATERIAL, TRAVEL
18 TIME FOR THE STUDY. AND OFFHAND, I'M NOT FAMILIAR
19 WITH THE COMPLETE EFFORT TO GIVE AN ANALYSIS.
20 MY COWORKER, ANN BUI.
21 MS. BUI: GOOD MORNING EVERYONE. ANN BUI
22 FROM BLACK AND VEATCH. THE TIME AND COST FOR A
23 RATE DESIGN OVERVIEW OR A RATE STRUCTURE CHANGE
24 REALLY DEPENDS UPON THE AGENCIES OR THE UTILITY

9 (Pages 30 to 33)

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1 THAT YOU ARE LOOKING AT. FOR SOMETHING THE SIZE OF
2 PHILADELPHIA WHICH REQUIRES QUITE A LOT OF
3 INTERPLAY WITH INTERESTED PARTIES, FOR EXAMPLE,
4 STAKEHOLDERS LIKE CLS AND THINGS, YOU ARE LOOKING
5 AT A STUDY THAT IS PROBABLY ON THE ORDER OF ABOUT
6 \$180,000 TO \$250,000 TO CONDUCT GIVEN ALL OF THE
7 OUTREACH AND THINGS YOU LOOK AT AND INTERACTION.
8 IT'S A LOT OF MEETINGS. IT'S A LOT OF WORK NOT
9 JUST ON BEHALF OF THE CITY AND THE DEPARTMENT, BUT
10 ALSO FOR STAKEHOLDERS. WE DO MAKE THEM DO WORK AS
11 WELL.
12 DOES THAT ANSWER THE QUESTION?
13 MR. BRUNWASSER: YES. THAT'S PRETTY MUCH
14 WHERE I WAS HEADING. I JUST WANTED TO GET SOME
15 IDEA OF WHAT THE COST TO THE DEPARTMENT WOULD BE IF
16 THEY THOUGHT IT WAS IMPORTANT ENOUGH TO GO FORWARD
17 WITH THAT.
18 MS. BUI: RIGHT. RIGHT. I TOTALLY
19 UNDERSTAND.
20 MR. BRUNWASSER: THANK YOU.
21 MS. BUI: YOU ARE WELCOME.
22 HEARING OFFICER: I HAVE A COUPLE OF
23 QUESTIONS.
24 MR. JAGT, HOURS AGO, YOU WERE ANSWERING

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1 QUESTIONS FROM MR. BALLENGER. AND I MAY NOT BE
2 ABLE TO GET THIS CLOSE ENOUGH FOR YOU TO EVEN
3 REMEMBER WHAT YOU WERE TALKING ABOUT. BUT YOU WERE
4 DESCRIBING SOME KIND OF MEASURE OF PEAK, I THINK.
5 AND YOU WERE TALKING ABOUT LOOKING AT THE USAGE IN
6 THE HIGH MONTHS AND COMPARING THAT TO THE MAXIMUM.
7 DOES THAT RING A BELL AT ALL?
8 MR. JAGT: WE WERE REFERRING TO THE
9 DIVERSITY FACTOR?
10 HEARING OFFICER: IT COULD BE. I DONT
11 KNOW.
12 MR. JAGT: BASICALLY, WE WERE COMPARING THE
13 SAME PEAK DATA, JUST THE PEAK FOR THE CUSTOMER
14 CLASSES WHICH IS WHEN WE LOOK AT THE SYSTEM OR THE
15 DATA THAT'S AVAILABLE, WE HAVE THE OPERATING DATA
16 WHICH IS ACTUALLY THE RECORDED PEAK OF THE WATER
17 OUTPUT OF THE SYSTEM. SO IT'S THE PEAK AT THE
18 TREATMENT PLANT OR THE PUMPING, THE TREATED WATER
19 PUMPING RECORDS OUT IN THE SYSTEM. THAT WOULD BE
20 REFERRED TO AS THE NONCOINCIDENTAL SYSTEM DEMAND.
21 AND IT WOULD BE AVAILABLE FOR MAX DAY AND MAX
22 HOUR.
23 AND WITH RATE-MAKING PURPOSES, WE COMPARE
24 THAT DATA TO THE TOTAL OF THE CUSTOMER PEAK HOUR

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1 DEMANDS. THESE, THE PEAK DEMANDS FOR A CUSTOMER
2 WHEN WE LOOK AT THEIR DEMANDS ON THE SYSTEM, WE
3 DON'T REFER TO THEM AT A SPECIFIC PERIOD OF TIME.
4 WE TAKE THE PEAK FOR EACH CUSTOMER CLASS. SO WHEN
5 YOU ADD UP THE PEAK FOR EACH CUSTOMER CLASS, IT'S
6 FROM A DIFFERENT, IT COULD BE FROM A DIFFERENT TIME
7 PERIOD BUT IT REPRESENTS ANOTHER SYSTEM
8 NONCOINCIDENTAL DEMAND BECAUSE IT'S NOT ALL AT THE
9 SAME TIME. BUT FOR COST ALLOCATION PURPOSES, IT
10 REFLECTS EACH CUSTOMER'S DEMANDS ON THE SYSTEM.
11 AND IT'S A GOOD BASIS FOR COST ALLOCATIONS BETWEEN
12 CUSTOMER CLASSES.
13 HEARING OFFICER: THANK YOU. MY QUESTION,
14 IF I CAN RECONSTRUCT WHAT I THOUGHT I WAS HEARING,
15 HAS TO DO WITH SOMETHING YOU SAID ABOUT LOOKING AT
16 A SUBSET OF MONTHS, THE HIGHEST USAGE MONTHS OR
17 HIGHEST DEMAND MONTHS FOR A GIVEN CLASS, I GUESS.
18 AND WHEN I HEARD IT, MY REACTION WAS IF YOU ARE
19 TALKING ABOUT USAGE, WHY WOULD YOU DO THE HIGHEST
20 MONTHS INSTEAD OF ALL OF THE MONTHS? AND IF YOU
21 ARE TALKING ABOUT PEAK, ARE YOU DOING SOME KIND OF
22 THREE-MONTH AVERAGE OR SOMETHING FOR CLASSES? I
23 JUST DIDN'T UNDERSTAND. MAYBE WE WILL HAVE TO GO
24 BACK TO THE RECORD. I DIDN'T UNDERSTAND WHAT YOU

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1 WERE SAYING.
2 MR. JAGT: WE ARE TRYING TO DETERMINE A
3 REPRESENTATIVE PEAK FOR THE CUSTOMER CLASS.
4 HEARING OFFICER: EXCUSE ME. I UNDERSTAND
5 WHAT YOU ARE TRYING TO DO. WHAT I'M TRYING TO
6 FIGURE OUT IS -- LET'S GO OFF THE RECORD.
7 (WHEREUPON, A DISCUSSION WAS HELD OFF THE
8 RECORD.)
9 HEARING OFFICER: BACK ON THE RECORD. THANK
10 YOU VERY MUCH.
11 MR. DASENT.
12 MR. DASENT: WE HAVE JUST A FEW QUESTIONS.
13 MR. JAGT, WE WERE REFERRING TO PUBLIC
14 ADVOCATE HEARING EXHIBIT 4 EARLIER TODAY IN
15 QUESTIONING. COULD YOU EXPLAIN THE MEANING OF A
16 CONSUMPTION TABLE IN THIS CONTEXT? IS THE TABLE
17 BASICALLY DRIVEN BY CONSUMPTION OR METER READING OR
18 BOTH?
19 MR. JAGT: THIS TABLE IS DRIVEN BY METER
20 READING FOR EACH OF THE CUSTOMER TYPES AND WOULD BE
21 SUBJECT TO THE TIMING OF THE METER READINGS FOR
22 EACH CUSTOMER, INDIVIDUAL CUSTOMER WITHIN THE
23 TYPE.
24 MR. DASENT: BASED UPON THE FACTORS THAT

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1 YOU TALKED ABOUT THE RELATIONSHIP WITH THE HIGHEST
2 MONTH TO THE LOWEST MONTH AND THE FACTORS THAT I
3 HAVE WRITTEN DOWN IN THE MARGIN HERE, WHAT DO THOSE
4 FACTORS THEN MEAN? ARE THEY BILLING FACTORS?
5 MR. JAGT: CORRECT. THEY WOULD BE A
6 BILLING FACTOR OF THE RATIO OF THE BILLING FROM THE
7 MINIMUM -- OR THE MAXIMUM MONTH OF BILLING TO THE
8 MINIMUM MONTH OF BILLING.
9 MR. DASENT: LET'S LOOK IN 2013, THAT
10 PORTION OF THE TABLE FOR CITY GOVERNMENT. SEE THE
11 LOWEST MONTHS AT 3,063? DOES THAT INDICATE
12 ANYTHING TO YOU IN TERMS OF YOUR COMMENT OF BILLING
13 VERSUS CONSUMPTION? IS THAT AN ANOMALY?
14 MR. JAGT: POTENTIALLY, IT COULD BE. THERE
15 ARE A NUMBER OF EVENTS THAT COULD OCCUR WITH
16 BILLINGS THAT COULD AFFECT YOUR MONTHLY DATA THAT
17 WITHOUT VERY DETAILED REVIEW OF IT, IT WOULD BE
18 HARD, DIFFICULT TO SAY THAT IT'S NOT BEING IMPACTED
19 BY, FOR EXAMPLE, LIKE IF THERE ARE DRIVE-BYS, YOU
20 COULD GET ZERO READS FROM SOME ACCOUNTS IN SOME
21 MONTHS. THAT COULD MAKE IT LOOK ARTIFICIALLY LOW.
22 AND A SUBSEQUENT MONTH YOU MAKE THE ADJUSTMENT OR
23 CORRECTION AND MAKE IT LOOK ARTIFICIALLY HIGH.
24 MR. DASENT: YOU ALSO SPOKE IN TERMS OF MR.

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1 MIERZWA'S RECOMMENDATION TO ESTABLISH A NEW RATE
2 STRUCTURE. IF YOU WERE TO DO THAT OR IF THE
3 DEPARTMENT WERE TO DO THAT, WOULD YOU LOOK AT ALL
4 CUSTOMER TYPES OR JUST CITY PROPERTIES AND
5 CITY-LEASED PROPERTIES?
6 MR. JAGT: RATE ADJUSTMENTS, AS WE SAID
7 BEFORE, SHOULD BE LOOKED AT HOLISTICALLY AND ACROSS
8 ALL CUSTOMER TYPES.
9 MR. DASENT: IS THERE ANY POTENTIAL FOR A
10 FILLING SYSTEM IMPACT TO ANY OF THIS ANALYSIS? IN
11 OTHER WORDS, WOULD YOU HAVE TO REDO THAT AS WELL?
12 MR. JAGT: IF WE DID GET INTO ANY
13 ADJUSTMENTS TO THE BILLING OR THE RATE STRUCTURE
14 ITSELF, WE WOULD HAVE TO TAKE INTO ACCOUNT
15 IMPLEMENTATION ISSUES OR POTENTIAL IMPLEMENTATION
16 ISSUES SUCH AS REVISIONS REQUIRED THROUGH THE
17 BILLING SYSTEM TO IMPLEMENT A SEPARATE SCHEDULE OF
18 RATES.
19 MR. DASENT: IS THIS THE SORT OF THING YOU
20 DO ON AN AD HOC BASIS?
21 MR. JAGT: NO. THERE IS SIGNIFICANT
22 PLANNING OF IT. YOU HAVE TO GO INTO CONSIDERING
23 AND IMPLEMENTING A REVISION OF THE RATE STRUCTURE.
24 MR. DASENT: THANK YOU.

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1 MR. BALLENGER: ONE MINUTE.
2 HEARING OFFICER: OFF THE RECORD.
3 (WHEREUPON, A DISCUSSION WAS HELD OFF THE
4 RECORD.)
5 HEARING OFFICER: BACK ON THE RECORD.
6 MR. BALLENGER: THANK YOU. I HAVE NO
7 FURTHER CROSS-EXAMINATION ON THIS AT THIS POINT.
8 HEARING OFFICER: I DO HAVE A QUESTION. I'M
9 GOING TO ASK THE SAME QUESTION OF MR. MIERZWA WHEN
10 HE COMES. YOU HAVE TESTIFIED NOW A NUMBER OF TIMES
11 THAT IF YOU DO A RATE REDESIGN, IT OUGHT TO BE ON A
12 HOLISTIC BASIS. SO CAN YOU DESCRIBE ALL OF THE
13 REASONS WHY YOU THINK IT MUST BE DONE THAT WAY?
14 WHAT ARE THE HARMS OF NOT DOING IT THAT WAY AND
15 WHAT ARE THE BENEFITS OF DOING IT THAT WAY AS
16 OPPOSED TO LOOKING AT AN INDIVIDUAL GROUP OF
17 CUSTOMERS OR CUSTOMER?
18 MS. KUMAR: SURE. WHEN YOU ARE DOING RATE
19 DESIGN, AGAIN, RATE DESIGN, YOU USE SOMETHING
20 CALLED CRITICAL COST OF PRINCIPLES AND GUIDELINES.
21 BUT IT IS IMPORTANT TO RECOGNIZE THAT RATE DESIGN
22 IS NOT JUST A PRECISE MATHEMATICAL EXERCISES OR A
23 PRECISE SCIENCE. THERE ARE A LOT OF CONSIDERATIONS
24 THAT GO INTO RATE DESIGN AND RATE STRUCTURE SUCH AS

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1 CUSTOMER IMPACT, THE SHIFT THAT CAN HAPPEN. WHEN
2 YOU ARE DOING A RATE RESTRUCTURING, THERE ARE
3 LIKELY TO BE CUSTOMER IMPACT SHIFTS BECAUSE NOW ONE
4 CUSTOMER CLASS MAY BE HAVING TO PAY MORE OR LESS.
5 BECAUSE WE ARE REALLY TAKING A SYSTEM-WIDE
6 VOLUMETRIC RATE AND NOW WE ARE SAYING WE WILL TAKE
7 THAT SYSTEM-WIDE VOLUMETRIC RATE AND MAKE IT INTO A
8 RATE STRUCTURE THAT IS BY CUSTOMER TYPE.
9 SO ANY TIME WHEN YOU DO AN EXERCISE LIKE
10 THAT, THERE ARE LIKELY TO BE SOME SHIFTS AND
11 CUSTOMER IMPACTS THAT WE HAVE TO BE COGNIZANT OF.
12 SO THAT IS WHY WHEN WE SAY WE ARE GOING TO DO A
13 RATE STRUCTURE, YOU HAVE TO LOOK AT HOLISTICALLY.
14 THAT'S ONE FUNDAMENTAL FACTOR THAT HAS TO BE LOOKED
15 AT.
16 AND ALSO WHEN YOU DO THE RATE
17 RESTRUCTURING, YOU HAVE TO STILL MAKE SURE THAT TO
18 THE EXTENT PRACTICAL, THAT EACH CUSTOMER TYPE
19 RECOVERS AS CLOSE TO THEIR COST OF SERVICE
20 ALLOCATION AS POSSIBLE. SO THESE ARE ALL EXERCISES
21 THAT HAVE TO BE DONE WHEN WE ARE TALKING ABOUT A
22 HOLISTICALLY RESTRUCTURE REVIEW.
23 HEARING OFFICER: LET ME FOLLOW UP A LITTLE
24 BIT ON THAT. MY UNDERSTANDING FROM MR. MIERZWAS

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1 TESTIMONY IS THAT THE RESULT OF HIS RECOMMENDATION
2 WOULD BE THAT IF THERE WERE A RATE INCREASE
3 AWARDED, THAT THE PARTICULAR CLASS THAT WE HAVE
4 BEEN TALKING ABOUT WOULD GET AN 8.5 PERCENT RATE
5 INCREASE WHICH WOULD BE HIGHER THAN THE FIRST YEAR
6 OF THE TOTAL RATE INCREASE REQUESTED BY THE
7 DEPARTMENT AS I UNDERSTAND IT. IN OTHER WORDS,
8 THAT CLASS WOULD BE PAYING MORE THAN IT OTHERWISE
9 WOULD HAVE BEEN PAYING.
10 SO I THINK WE HAVE THE CLASS IN FRONT OF US
11 THAT WOULD HAVE THE RATE IMPACT. EVERYBODY ELSE
12 WOULD BENEFIT PRESUMABLY FROM THE ADDITIONAL
13 REVENUES COMING FROM THAT PARTICULAR CLASS.
14 MR. JAGT: THAT'S CORRECT TO SOME EXTENT.
15 THE ONE THING IS WHILE IT'S 8 PERCENT FOR THAT
16 CUSTOMER CLASS OR THESE TWO CUSTOMER CLASSES, THEY
17 REPRESENT A SMALLER PORTION OF THE TOTAL. SO THAT
18 ON THE BENEFIT TO THE ENTIRE CLASS LIKE THE WHOLE
19 RETAIL CLASSES IS MUCH LOWER.
20 HEARING OFFICER: I WASN'T -- MY POINT WAS
21 MORE THAT IF YOU ARE LOOKING AT RATE IMPACTS, YOU
22 ARE USUALLY CONCERNED ABOUT INCREASES IN BILLS
23 RELATIVE TO OTHER CUSTOMERS. AND WE'VE GOT THAT
24 RIGHT IN FRONT OF US NOW. WE KNOW WHAT THE

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1 RECOMMENDATION IS ABOUT WHO WOULD HAVE TO PAY MORE.
2 AND IT MAY BE THAT IT'S A VERY SMALL AMOUNT
3 RELATIVE TO THE SYSTEM. IT MAY BE THAT IT REALLY
4 HAS NO BENEFIT TO OTHER CUSTOMERS. I WASN'T
5 FOCUSING ON THAT SO MUCH AS ON THE WORRY THAT WE
6 ARE TALKING ABOUT AN INCREASE. WE WOULDN'T BE
7 TALKING ABOUT AN INCREASE TO ANYBODY ELSE IN THIS
8 CASE; WOULD WE? THE RESULT OF ADOPTING MR.
9 MIERZWA'S RECOMMENDATION WOULD NOT BE TO INCREASE
10 ANYBODY ELSE'S RATES?
11 MR. DASENT: IT WOULD BE HIGHER, MADAM
12 HEARING OFFICER. IT'S OBVIOUS. IT'S 8 PERCENT.
13 HEARING OFFICER: WE DIDN'T HEAR THAT, MR.
14 DASENT.
15 MR. JAGT: IT WOULD BE A HIGHER INCREASE
16 FOR CITY-LEASED AND CITY AS PROPOSED AND A SLIGHTLY
17 LOWER INCREASE FOR THE REMAINDER OF THE CLASS
18 POTENTIALLY.
19 HEARING OFFICER: RIGHT.
20 MS. BUI: JUST TO CLARIFY ONE OTHER POINT.
21 IT REALLY DEPENDS BECAUSE WE HAVE TO RUN THE
22 NUMBERS IN ORDER TO DO THAT. THIS IS ANN BUI,
23 BLACK AND VEATCH. WE WOULD HAVE TO RUN THE
24 NUMBERS. AGAIN, YOU MIGHT BE SPEAKING ABOUT AN 8.5

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1 PERCENT INCREASE JUST TO -- I DON'T HAVE IT RIGHT
2 IN FRONT OF ME, BUT AS YOU POINTED OUT, MADAM
3 HEARING OFFICER. BUT IT'S 8.5 ON WHAT? YOU HAVE
4 TO KIND OF LOOK AT THE DOLLAR AMOUNT AS WELL TO SEE
5 WHAT THAT IS.
6 HEARING OFFICER: OFF THE RECORD.
7 (WHEREUPON, A DISCUSSION WAS HELD OFF THE
8 RECORD.)
9 HEARING OFFICER: BACK ON THE RECORD. I DO
10 REMEMBER MY OTHER QUESTION.
11 MR. BALLENGER: GOOD.
12 MR. JAGT: WE'LL CAPTURE YOUR QUESTION
13 WHILE YOU REMEMBER IT.
14 HEARING OFFICER: IN OUR, IN THE COLLOQUIES
15 ON REVENUE REQUIREMENTS, IT'S MY MEMORY WHICH AGAIN
16 MAY BE FAULTY, WE WILL HAVE TO CHECK THE
17 TRANSCRIPT, THAT YOU FOLKS FROM BLACK AND VEATCH
18 SEVERAL TIMES SAID THAT MR. MORGAN WAS OFF BASE
19 BECAUSE HE DIDN'T FOLLOW AWWA M1. AND NOW IN THIS
20 COST ALLOCATION AND RATE DESIGN TESTIMONY, YOU ARE
21 SAYING, OH, AWWA M1 IS JUST A GUIDELINE. THAT
22 SOUNDS INCONSISTENT. PLEASE EXPLAIN.
23 MS. KUMAR: EVEN WHEN WE WERE TALKING ABOUT
24 MR. MORGAN'S TESTIMONY, WE ALWAYS SAID AWWA MANUAL

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1 IS A GUIDELINE. THE AWWA MANUAL IS A GENERAL
2 GUIDELINE MANUAL THAT YOU USE FOR PRINCIPLES BUT
3 NOT ACTUAL NUMBERS BECAUSE THAT, ALL THE NUMBERS
4 THAT ARE CITED IN AN AWWA MANUAL ARE EXAMPLES. SO
5 THE MANUAL SAYS THESE ARE THE PRINCIPLES THAT YOU
6 USE FOR DOING COST OF SERVICE AND FOR DOING THE
7 REVENUE REQUIREMENTS. AND SO THEN THEY CITE A
8 RANGE THAT YOU TYPICALLY, AS A REASONABLE RANGE
9 THAT YOU FALL IN.
10 BUT AGAIN, EVERY SINGLE NUMBER OR EVERY
11 SINGLE CLASS OR EVERY SINGLE FACTOR, THEY ARE NOT
12 TYPICAL. THAT'S WHAT WE MEAN. IT'S NOT LIKE WE
13 ARE USING AWWA GUIDELINE FOR ONE AND NOT THE
14 OTHER. AWWA ARE THE GUIDELINES FOR ALL ASPECT
15 REVENUE REQUIREMENTS AND COST OF SERVICE AND RATE
16 DESIGN. ALL WE ARE SAYING IS IT'S NOT DESCRIPTIVE
17 IN TERMS OF SPECIFIC NUMBERS. IT GIVES THEM A
18 RANGE THAT IS APPLICABLE FOR MUNICIPALS.
19 HEARING OFFICER: MY UNDERSTAND WAS THAT
20 WHEN WE WERE TALKING REVENUE REQUIREMENTS, THE
21 TESTIMONY WAS TO THE EFFECT THAT MR. MORGAN'S
22 PRINCIPLES WERE WRONG, THAT THEY WERE NOT
23 FOLLOWING, HIS METHODS AND PRINCIPLES DID NOT
24 FOLLOW AWWA.

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1 MS. KUMAR: JUST TO EXPLAIN. AGAIN,
2 DEPENDING WHAT SPECIFIC THING WE ARE TALKING ABOUT
3 MR. MORGAN BECAUSE THERE WERE A LOT OF THINGS WE
4 TALKED ABOUT IN MR. MORGAN'S TESTIMONY, PROPOSED
5 RECOMMENDATIONS.
6 I THINK THE KEY THING WE WERE POINTING OUT
7 WAS NOT JUST A LITTLE BIT OF THIS ISSUE. FROM MY
8 OPINION, I THINK ONE OF THE THINGS, WE WERE TALKING
9 ABOUT MEETING THE BOND COVENANT. SOME OF THE
10 THINGS THAT HE WAS DOING WAS NOT REALLY ALIGNING,
11 AT LEAST AS SHOWN IN HIS LKM-1 SCHEDULE. SO THAT'S
12 WHAT WE WERE TALKING ABOUT ALSO.
13 HEARING OFFICER: DOES ANYBODY ELSE FROM
14 BLACK AND VEATCH WANT TO CHIME IN?
15 MS. BUI: IN ADDITION TO THAT, PRABHA IS
16 CORRECT WITH RESPECT TO THE BOND COVENANTS. WE
17 WERE ALSO REFERRING WITH RESPECT TO THE BEST
18 MANAGEMENT PRACTICES OF USING MULTI-YEAR BUDGETING
19 AND PROJECTIONS AND MOVING FORWARD FROM A FINANCIAL
20 PLANNING PERSPECTIVE WHICH HE SPECIFICALLY, MR.
21 MORGAN SPECIFICALLY HAD SOME QUESTIONS ABOUT.
22 THAT'S ABOUT ALL THAT I CAN RECALL RIGHT OFF THE
23 TOP OF MY HEAD WHICH GIVEN IT'S REALLY CLOGGED UP,
24 IS AN ISSUE GOING THROUGH.

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1 WITH RESPECT TO COST OF SERVICE, PRABHA IS
2 CORRECT. THERE ARE NO SPECIFIC NUMBERS IN THERE.
3 AGAIN, THE MANUAL IS A GUIDELINE. IT GIVES YOU
4 PRINCIPLES. THERE ARE SPECIFIC EXAMPLES SO THAT
5 YOU COULD FOLLOW THAT FOR PEOPLE WHO ARE NEW TO THE
6 RATE-MAKING METHODOLOGY WORLD AND HOW TO CONDUCT
7 SOMETHING. THERE ARE A FEW AREAS IN THERE FOR
8 WHICH TABLED NUMBERS ARE PROVIDED WITH RESPECT TO,
9 FOR EXAMPLE, METER SIZING AND THE RATIOS THERE.
10 BUT AGAIN, THAT REFERS BACK TO ANOTHER AWWA MANUAL
11 WHICH IS VERY TECHNICAL WHEN IT COMES TO METER
12 SIZES.
13 HEARING OFFICER: IF I MAY INTERRUPT. THAT
14 REALLY IS NOT RELEVANT TO THE CONCERN THAT I HAVE
15 ABOUT THE DIFFERENCE. I NEVER TOOK BLACK AND
16 VEATCH TO BE SAYING THAT IT HAD TO DO WITH THE
17 PARTICULAR NUMBERS. I UNDERSTAND. AND FULL
18 DISCLOSURE. I MYSELF HAVE DONE A WATER COST OF
19 SERVICE STUDY. NOW, IT'S 20 YEARS AGO, A DIFFERENT
20 MANUAL PROBABLY.
21 WHAT I'M TRYING TO FIGURE OUT IS WHETHER OR
22 NOT SINCE PRABHA WAS FOCUSING ON THE NUMBERS ISSUE,
23 WHETHER THERE IS STILL SOMETHING TO BE ASKED ABOUT
24 THE PRINCIPLES? BECAUSE WHAT I'M HEARING IS NOW,

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1 WELL, WE WERENT SO MUCH CONCERNED ABOUT AWWA AS WE
2 WERE CONCERNED ABOUT THESE OTHER FACTORS.
3 COVERAGE, FOR EXAMPLE, BOND COVERAGE.
4 SO I'M STILL UNCLEAR ABOUT THE EXTENT TO
5 WHICH THE MANUAL IS TO BE, THE PRINCIPLES IN THE
6 MANUAL, THE METHODS IN THE MANUAL ARE TO BE
7 FOLLOWED BOTH IN REVENUE REQUIREMENTS AND IN COST
8 ALLOCATION RATE DESIGN.
9 MR. DASENT: MADAM HEARING OFFICER, WE WILL
10 BRIEF THIS POINT IN TERMS OF OUR EMPHASIS ON THE
11 AWWA MANUAL AND INDUSTRY PRACTICES AND THE FACT
12 THAT THE RATE BOARD'S ORDINANCE THAT ESTABLISHES
13 THE RATE BOARD DEFINES THE PARAMETERS OF YOUR
14 AUTHORITY AND INDICATES IT'S APPROPRIATE TO LOOK AT
15 INDUSTRY PRACTICES, PEER ANALYSIS, REASONABLE
16 PROJECTIONS OVER A PERIOD OF YEARS AND A NUMBER OF
17 OTHER FACTORS. SO WE BELIEVE THE PRINCIPLES OF THE
18 AWWA AND WEF MANUALS ARE APPLICABLE HERE AND WILL
19 HELP GUIDE US IN THE OVERALL RATE-MAKING
20 FRAMEWORK.
21 HEARING OFFICER: YES. I UNDERSTAND THAT
22 AND I WAS SUGGESTING OTHERWISE.
23 OFF THE RECORD.
24 (WHEREUPON, A DISCUSSION WAS HELD OFF THE

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1 RECORD.)
2 HEARING OFFICER: THERE HAS BEEN A
3 SUGGESTION THAT BECAUSE WE ARE REFERRING BACK TO
4 EXAMINATION OF BLACK AND VEATCH AND MR. MORGAN ON
5 CERTAIN PRINCIPLES, THAT WE OUGHT TO GO OVER THAT
6 GROUND AGAIN BECAUSE BLACK AND VEATCH HAS HAD A
7 CHANCE NOW TO MAKE ITS POINTS AGAIN.
8 MY OWN VIEW IS THAT WAS EXTENSIVELY
9 DISCUSSED. WE WILL, WE THE BOARD, THE BOARD WILL
10 SURELY LOOK AT THE ENTIRE TRANSCRIPT AND WILL NOT
11 IGNORE THE POINTS THAT WERE MADE IN THE EARLIER
12 COLLOQUY.
13 MR. BALLENGER: THANK YOU, MADAM HEARING
14 OFFICER.
15 HEARING OFFICER: ANY MORE FROM THE BENCH?
16 MR. BRUNWASSER: ONE OF THE BOARD'S
17 PURPOSES, OBVIOUSLY, IS TO, IF NOT THE KEY PURPOSE,
18 IS TO LOOK OUT FOR THE WELFARE OF THE RATE PAYER IN
19 ALL OF THIS. WOULD YOU SAY, THIS IS DIRECTED AT
20 BLACK AND VEATCH AND POSSIBLY AT THE DEPARTMENT,
21 THAT THE DEPARTMENT HAS SPENT MANY MILLIONS OF
22 DOLLARS TO MOVE TO A PARCEL-BASED STORMWATER
23 CHARGE?
24 MS. KUMAR: THAT IS CORRECT.

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1 MR. BRUNWASSER: THIS IS, THIS CHARGE REALLY
2 WAS REVENUE NEUTRAL AT LEAST IN CONCEPT. WOULD YOU
3 AGREE?
4 MS. KUMAR: COULD YOU EXPLAIN? WHEN THE
5 STORMWATER PARCEL-BASED, WHEN THE WATER DEPARTMENT
6 TRANSITIONED TO THE PARCEL-BASED CHARGE?
7 MR. BRUNWASSER: YES. IN OTHER WORDS, WAS
8 THE MOVE FROM EQUIVALENT METERS TO PARCEL-BASED
9 STORMWATER CHARGE, WAS THAT DONE TO INCREASE
10 REVENUE IN THE STORMWATER CATEGORY OVER AND ABOVE
11 COST OF SERVICE? OR WAS IT TO RAISE THE SAME LEVEL
12 OF REVENUE THAT THE FORMER SYSTEM, THE FORMER WAY
13 OF DOING THINGS DID?
14 MS. KUMAR: THE DRIVE BEHIND THAT WAS
15 REALLY THE EQUITY OF COST RECOVERY, TO BASICALLY
16 RECOVER THE COST OF SERVICE BUT FROM A MORE
17 EQUITABLE BASIS OF CHARGE BECAUSE STORMWATER DID
18 NOT HAVE ANY DIRECT BEARING TO WATER USAGE.
19 MR. BRUNWASSER: CORRECT. NOW, MY
20 UNDERSTANDING WITH ANOTHER ITERATION THAT'S BEING
21 SORT OF OFFERED OR SPOKEN ABOUT DOING THIS COST,
22 THIS NEW STUDY OF COST ALLOCATION AND RATE DESIGN
23 AND THAT COSTING PERHAPS IN THE NEIGHBORHOOD OF
24 \$180,000 TO \$250,000. THE DEPARTMENT HAS SPENT AN

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1 ENORMOUS AMOUNT OF MONEY THAT HAS NOT RESULTED IN
2 ADDITIONAL REVENUE. AND A STUDY LIKE THIS WOULD
3 AGAIN, JUST WOULD ALSO NOT RESULT IN ADDITIONAL
4 REVENUE.
5 SO I WOULD CAUTION THAT THE DEPARTMENT
6 KEEPS SPENDING A LOT OF REVENUE IN THE FUTURE ON
7 REALLY JUST HOW TO CUT UP THE PIE AS OPPOSED TO
8 BRINGING IN MORE REVENUE TO THE SYSTEM. SO THERE
9 IS MORE EXPENSE GOING OUT, BUT NO INCREASE IN
10 REVENUE WHEN WE DO A LOT OF, WHEN THE DEPARTMENT
11 DOES A LOT OF STUDIES AS FAR AS NET IMPROVEMENT TO
12 THE DEPARTMENT, TO THE DEPARTMENT'S COFFERS.
13 YES, THE DEPARTMENT SHOULD GO FOR EQUITY.
14 THE SCIENCE, THE SCIENCE BECAME SOMEWHAT
15 AFFORDABLE, AND YET IT DID COST MILLIONS OF DOLLARS
16 TO GO TO A MORE EQUITABLE SYSTEM. I JUST CAUTION
17 ABOUT CONSTANTLY SEEKING MORE AND MORE EQUITY
18 WITHOUT, WITHOUT RAISING THE REVENUES TO PAY FOR
19 THAT EQUITY.
20 THAT'S ALL I HAVE.
21 HEARING OFFICER: MR. DASENT, DID YOU HAVE
22 ANYTHING FURTHER AFTER THE QUESTIONS FROM PUBLIC
23 ADVOCATE AND THE BENCH?
24 MR. DASENT: I HAVE SOME QUESTIONS FOR MR.

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1 MIERZWA. I AM ASKING FOR A BRIEF RECESS AND WE CAN
2 GO BACK TO CROSS-EXAMINATION.
3 HEARING OFFICER: IT'S ALMOST 11:30. WE'LL
4 PAUSE FOR 15 MINUTES AND THEN WE'LL SEE HOW MUCH
5 TIME IT'S GOING TO TAKE AND WHETHER WE SHOULD TAKE
6 A LUNCH BREAK AT SOME POINT. OFF THE RECORD.
7 (WHEREUPON, A BREAK WAS TAKEN OFF THE
8 RECORD.)
9 HEARING OFFICER: MY UNDERSTANDING IS THAT
10 THE NEXT ORDER OF BUSINESS IS THE PRESENTATION OF
11 MR. MIERZWA'S TESTIMONY AND CROSS OF HIM.
12 MR. DASENT: YES. THANK YOU.
13 HEARING OFFICER: WE HAVEN'T HAD HIS
14 PRESENTATION YET.
15 MR. BALLENGER: I THINK WE WERE GOING TO GO
16 STRAIGHT TO CROSS JUST WITH THE CAVEAT THAT I PUT
17 FORWARD THAT MR. MIERZWA HAS NOTED TWO NUMBERS ON
18 JDM-1 AT THE BEGINNING OF THE PROCEEDINGS TODAY.
19 BUT OTHERWISE, MR. MIERZWA'S TESTIMONY IS ON THE
20 RECORD AND HE IS PREPARED FOR CROSS-EXAMINATION AT
21 THIS TIME. THANK YOU.
22 HEARING OFFICER: THANK YOU.
23 MR. DASENT: THANK YOU. GOOD MORNING, MR.
24 MIERZWA. I STILL THINK IT'S MORNING.

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1 MR. MIERZWA: GOOD MORNING.
2 MR. DASENT: LET ME REFER YOU TO TABLE 3 IN
3 YOUR TESTIMONY.
4 MR. MIERZWA: I HAVE IT.
5 MR. DASENT: THERE, YOU REFER TO VARIOUS
6 CUSTOMER TYPES ON THE PWD SYSTEM. I BELIEVE IT
7 SHOWS, IN FACT, THE INDICATED COST OF SERVICE IN
8 THAT PARTICULAR TABLE.
9 MR. MIERZWA: YES, IT DOES.
10 MR. DASENT: SOME CUSTOMERS ARE OVER, SOME
11 CUSTOMERS ARE CONSISTENT AND SOME CUSTOMERS ARE
12 UNDER THE RECOVERY IN TERMS OF THEIR COST OF
13 SERVICE RESPONSIBILITIES; IS THAT TRUE?
14 MR. MIERZWA: YES, IT IS.
15 MR. DASENT: THOSE ARE THE VARIOUS TYPES
16 THAT WOULD BE SUBJECT TO THE DEPARTMENT'S RATE
17 STRUCTURE AT THIS TIME; AM I RIGHT?
18 MR. MIERZWA: YES.
19 MR. DASENT: LET ME REFER YOU TO YOUR
20 SCHEDULE JDM-1. NOW, COULD YOU DESCRIBE -- FIRST
21 OF ALL, BEFORE WE GET THERE, IT'S ALSO REFERENCED
22 THERE, CITY-LEASED PROPERTIES. WHAT TYPES OF
23 ACCOUNTS ARE IN THE CITY-LEASED PROPERTIES; DO YOU
24 KNOW?

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1 MR. MIERZWA: NO, I DID NOT.
2 MR. DASENT: HOW DID YOU DETERMINE THE USAGE
3 CHARACTERISTICS AND PERIODS OF DEMAND FOR THIS
4 CUSTOMER TYPE?
5 MR. MIERZWA: I LOOKED AT THEIR SALES
6 LEVELS FROM, I BELIEVE IT'S A DISCOVERY REQUEST
7 PA-EXE 88.
8 MR. DASENT: DID YOU ASSUME SIX DAYS, SEVEN
9 DAYS OF BUSINESS OPERATIONS FOR THIS PARTICULAR
10 GROUP?
11 MR. MIERZWA: I ASSUMED SIX DAYS WHICH IS
12 WHAT THE AWWA MANUAL SUGGESTED.
13 MR. DASENT: FOR CITY-LEASED PROPERTIES?
14 MR. MIERZWA: IN FACT, I ASKED, I BELIEVE
15 IN A DISCOVERY REQUEST, WHAT WEEKLY ADJUSTMENT
16 SHOULD BE DONE FOR VARIOUS, VARIOUS CLASSES ON YOUR
17 SYSTEM, AND YOU FOLKS DIDN'T PROVIDE AN ANSWER.
18 MR. DASENT: IF ANY OF THE ACCOUNTS IN
19 CITY-LEASED PROPERTIES WERE RESTAURANTS THAT WERE
20 OPEN SEVEN DAYS A WEEK, WOULD IT CHANGE YOUR
21 ANALYSIS IN ANY WAY?
22 MR. MIERZWA: IT COULD.
23 MR. DASENT: COULD YOU DESCRIBE THE
24 CUSTOMER TYPE CITY GOVERNMENT? WHAT TYPES OF

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1 ACCOUNTS ARE IN THAT PARTICULAR CATEGORY OR
2 CUSTOMER TYPE?
3 MR. MIERZWA: I DIDN'T LOOK AT THE CUSTOMER
4 TYPES.
5 MR. DASENT: DID YOU ASSUME FIVE, SIX OR
6 SEVEN DAYS OF OPERATIONS?
7 MR. MIERZWA: SIX.
8 MR. DASENT: WOULD IT MAKE A DIFFERENCE IF
9 SOME OF THESE ACCOUNTS WERE MADE UP OF FIRE
10 STATIONS, POLICE STATIONS, REC CENTERS THAT WERE
11 OPEN EVERY DAY OF THE WEEK?
12 MR. MIERZWA: IT COULD.
13 MR. DASENT: HOW DID YOU DETERMINE THEN,
14 THE USAGE CHARACTERISTICS OF PERIOD OF DEMAND FOR
15 THESE CUSTOMERS?
16 MR. MIERZWA: I LOOKED AT, SINCE I ASKED
17 FOR WHAT INFORMATION THEY HAD AVAILABLE AND YOU
18 DIDN'T HAVE ANY, I WENT WITH WHAT THE AWWA MANUAL
19 HAD.
20 MR. DASENT: WHEN I REFERRED TO THE AWWA, I
21 LOOKED AT AN OLDER VERSION OF IT.
22 MR. MIERZWA: EXCUSE ME. I SHOULD POINT
23 OUT THAT ALSO ONE OF THE RESPONSES -- GIVE ME A
24 SECOND HERE.

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1 HEARING OFFICER: WHILE HE IS LOOKING FOR
2 THAT. MR. DASENT, YOU HANDED OUT A PIECE OF PAPER
3 THAT I PRESUME YOU WANTED TO USE AS AN EXHIBIT.
4 AND IT LOOKS TO ME, TELL ME IF IT IS DIFFERENT
5 FROM, IT SAYS SCHEDULE JDM-1. TELL ME IF IT'S
6 DIFFERENT FROM THE SCHEDULE JDM-1 THAT'S ATTACHED
7 FROM THE TESTIMONY.
8 MR. DASENT: IT IS NOT. I JUST WANTED TO
9 MAKE IT HANDY FOR EVERYONE IN THE ROOM TO FOLLOW
10 OUR DISCUSSION.
11 MR. MIERZWA: OKAY. I HAVE REFRESHED MY
12 MEMORY. AND I DONT HAVE ANYTHING TO ADD AT THIS
13 TIME.
14 MR. DASENT: LET ME REFER YOU TO JDM-1. ON
15 THAT PARTICULAR SCHEDULE WHICH IS BEFORE US, DOES
16 IT SHOW THE CALCULATION OF EXTRA CAPACITY DEMAND
17 FACTORS YOU UTILIZE AS A BASIS FOR YOUR PROPOSED
18 ADJUSTMENT? I FOLLOWED IT TO BE THAT. IS IT AS
19 DESCRIBED, THE CALCULATION OF EXTRA CAPACITY DEMAND
20 FACTORS THAT YOU USE IN YOUR TESTIMONY?
21 MR. MIERZWA: I CALCULATE EXTRA CAPACITY
22 DEMAND FACTORS FOR EACH OF THESE CLASSES. BUT IN
23 THE END, THE TESTIMONY IS NOT TO SPECIFICALLY USE
24 THESE FACTORS. IT'S JUST TO POINT OUT HOW LOW THE

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1 FACTORS WERE. THE FACTORS THAT WE USE FOR THE
2 CITY-LEASED OR CITY GOVERNMENT WERE WAY BELOW
3 SOMETHING REASONABLE. SO I DON'T ACTUALLY USE
4 THESE FACTORS. IF I DID, THE COST OF SERVICE
5 STUDIES WOULD HAVE INDICATED AN INCREASE OF ABOUT
6 60 PERCENT FOR THESE TWO CITY CLASSES. AND I HAVE
7 NOT PROPOSED THAT.
8 MR. DASENT: REFERRING TO SCHEDULE JDM-1.
9 IT TOLD, IT LEADS US TO THE CONCLUSION THAT SOME
10 CHANGE IS NECESSARY TO SUPPORT COST OF SERVICE
11 ADJUSTMENTS THAT YOU RECOMMENDED IN THIS CASE; AM I
12 RIGHT?
13 MR. MIERZWA: YES.
14 MR. DASENT: LET'S LOOK AT THE VARIOUS
15 COLUMNS IN SCHEDULE JDM-1. THE FIRST COLUMN I
16 UNDERSTAND IS BASED UPON ACTUAL CONSUMPTION DATA;
17 AM I RIGHT?
18 MR. MIERZWA: YOU ARE CORRECT.
19 MR. DASENT: IF I LOOK AT 2, THAT WOULD BE
20 THE SAME ANSWER OR IT WAS A CALCULATION BASED UPON
21 ACTUAL DATA?
22 MR. MIERZWA: YES.
23 MR. DASENT: AND 3 AND 4 LIKEWISE ARE
24 EITHER BASED UPON OR CALCULATED ON ACTUAL 2002

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1 OPERATING AND BILLING RECORDS?
2 MR. MIERZWA: 2012.
3 MR. DASENT: 2012. THANK YOU.
4 MR. MIERZWA: YES.
5 MR. DASENT: COLUMN 5 IS CALCULATED BASED
6 UPON COLUMNS 4 AND 2, COMPARING THE AVERAGE DAY FOR
7 THE YEAR TO THE AVERAGE DAY OF THE HIGHEST MONTHLY;
8 AM I RIGHT?
9 MR. MIERZWA: YES, IT IS.
10 MR. DASENT: NOW WE GET TO COLUMN 6.
11 WHAT'S THE SOURCE OF THAT INFORMATION?
12 MR. MIERZWA: IT'S A CALCULATION THAT I DID
13 ACCORDING TO THE AWWA MANUAL. IT'S THE --
14 HEARING OFFICER: SO THE RECORD IS CLEAR.
15 ARE YOU REFERRING TO THE COLUMN TITLED SYSTEM MAX
16 DAYS/MAX MONTH AV DAY RATIO?
17 MR. DASENT: THAT'S CORRECT.
18 HEARING OFFICER: THANK YOU.
19 MR. MIERZWA: IT'S THE AVERAGE DAY IN THE
20 -- IM SORRY. IT'S THE SYSTEM MAX DAY DIVIDED BY
21 THE MAXIMUM MONTH AVERAGE DAY FOR THAT YEAR.
22 MR. DASENT: THAT'S NOT FROM AWWA? THAT'S
23 FROM THE SYSTEM INFORMATION YOU HAD?
24 MR. MIERZWA: THE PROCEDURE IS AWWA. THE

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1 NUMBERS ARE FROM INFORMATION YOU FOLKS PROVIDED.
2 MR. DASENT: NOW, IF THE SYSTEM MAX DAY FOR
3 2012 WAS 1.3 AS OPPOSED TO -- AND THE MAXIMUM MONTH
4 WAS 1.05, THAT WOULD CHANGE YOUR CALCULATION;
5 WOULDN'T IT, SUBJECT TO CHECK?
6 MR. MIERZWA: IF YOU ARE GOING TO USE
7 DIFFERENT NUMBERS, YOU GET A DIFFERENT
8 CALCULATION. I DON'T KNOW WHERE YOU ARE TAKING
9 THOSE NUMBERS FROM.
10 MR. DASENT: IF THE ACTUAL NUMBER AS
11 OPPOSED TO 1.4, WOULD BE CALCULATED BASED UPON A
12 MAX DAY OF 1.3 MULTIPLIED BY -- DIVIDED BY, IM
13 SORRY, 1.05, THAT WOULD YIELD A DIFFERENT NUMBER, A
14 LOWER NUMBER?
15 MR. MIERZWA: I DON'T KNOW WHY YOU WOULD
16 USE THOSE NUMBERS.
17 MR. DASENT: IF THEY WERE THE ACTUAL
18 NUMBERS, WOULD YOU AGREE SUBJECT TO CHECK?
19 MR. MIERZWA: I THOUGHT I USED ACTUAL
20 NUMBERS HERE.
21 MR. DASENT: I KNOW YOU DID. BUT IF THE
22 NUMBERS WERE DIFFERENT THAN YOU PORTRAY IN THIS
23 TABLE AND IT WAS 1.3 DIVIDED BY 1.05, THAT WOULD
24 YIELD A DIFFERENT NUMBER AND A LOWER NUMBER?

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1 MR. MIERZWA: IF YOU USE DIFFERENT NUMBERS
2 --
3 MR. BALLENGER: THIS IS A CONSTRUCTIVE
4 NOTICE OF MATH. AGAIN, I THINK WE KIND OF WENT
5 AROUND THIS ON THE DEPARTMENT'S WITNESS.
6 MR. DASENT: I THINK MORE SIGNIFICANTLY,
7 THE 1.3 TIMES IS THE MAXIMUM DAY AS OPPOSED TO SOME
8 OTHER NUMBER THAT HE REFERS TO IN HIS TABLE.
9 THAT'S, I THINK, SUBSTANTIVE AND MAKES A DIFFERENCE
10 IN HIS CALCULATION. AND IF ALL OF THIS YIELDS TO
11 SOME INDICATION THAT THERE SHOULD BE A CHANGE IN
12 RATE STRUCTURE, THE NUMBERS OUGHT TO BE RIGHT.
13 HEARING OFFICER: YOU WILL HAVE A CHANCE TO
14 DEBATE THE NUMBERS THAT WENT INTO THE MATH, THAT
15 WENT INTO THE CALCULATION. JUST OFF THE TOP OF MY
16 HEAD, IM GETTING 1.2 AND SOMETHING BY DIVIDING 1.3
17 BY 1.05 ROUGHLY.
18 MR. DASENT: LETS REFER TO COLUMN 7. THAT
19 IS BASED UPON ACTUAL DATA OR AWWA MANUAL APPENDIX A
20 INFORMATION?
21 HEARING OFFICER: WEEKLY USAGE ADJUSTMENT?
22 MR. MIERZWA: IT'S AWWA APPENDIX A
23 INFORMATION WHICH I USE BECAUSE WHEN ASKED, YOU
24 DIDNT PROVIDE ANYTHING.

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1 MR. DASENT: SO IT'S A PROXY FOR ACTUAL
2 DEMAND DATA IN THE ABSENCE OF A DEMAND STUDY?
3 MR. MIERZWA: YES.
4 MR. DASENT: IN MOST INSTANCES, YOU USE 1.17
5 FOR YOUR WEEKLY USAGE ADJUSTMENT VALUE; AM I
6 CORRECT?
7 MR. MIERZWA: YOU ARE CORRECT.
8 MR. DASENT: SOMETIMES YOU USE OTHER VALUES
9 FOR RESIDENTIAL, FOR EXAMPLE, PUBLIC HOUSING AND
10 SENIOR CITIZENS?
11 MR. MIERZWA: YES. I USED NUMBERS FROM THE
12 1.1 -- IM SORRY, THE 1.35 IS RESIDENTIAL, WHAT WAS
13 USED IN THE AWWA MANUAL FOR RESIDENTIALS. 1.17 WAS
14 FROM THE AWWA MANUAL WHICH WAS USED FOR COMMERCIAL
15 AND INDUSTRIAL CUSTOMERS. THE 1.26 IS AN AVERAGE
16 OF THE 1.35 AND 1.17 NUMBERS BECAUSE ON YOUR DATA
17 REQUEST, YOU SAID THAT THAT CLASS HAD DEMANDS IN
18 BETWEEN RESIDENTIAL AND COMMERCIAL CLASSES. AND
19 YOU USED AN AVERAGE, I BELIEVE.
20 MR. DASENT: WHY WAS IT APPROPRIATE TO
21 ADJUST THAT NUMBER FROM AWWA JUST TO TRACK BETTER
22 THE ACTUAL DEMAND CHARACTERISTICS?
23 MR. BALLENGER: I BELIEVE HE MAY HAVE JUST
24 ANSWERED THE QUESTION ALREADY.

16 (Pages 58 to 61)

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1 MR. DASENT: I THINK HE DID.
2 MR. MIERZWA: YEAH. IN EXE 76, YOU
3 INDICATED THAT THE PUBLIC HOUSING CLASS HAD IN
4 BETWEEN THE RESIDENTIAL AND COMMERCIAL CLASS
5 CHARACTERISTICS. SO I USED THE AVERAGE.
6 MR. DASENT: CITY-LEASED PROPERTIES AND
7 CITY GOVERNMENT, ARE THEY THE SAME AS THE C&I OR
8 INDUSTRIAL VALUES THAT YOU TAKE FROM THE AWWA
9 MANUAL?
10 MR. MIERZWA: YES, THEY ARE.
11 MR. DASENT: HOW DO YOU KNOW THAT? BASED
12 UPON OUR COLLOQUY A MOMENT AGO, YOU DONT KNOW VERY
13 MUCH OR DIDNT SEEM TO EXPRESS MUCH OF A KNOWLEDGE
14 OF WHAT MADE UP CITY-LEASED PROPERTIES, FOR
15 EXAMPLE.
16 MR. MIERZWA: I USED WHAT WAS IN THE AWWA
17 MANUAL SINCE YOU DIDNT PROVIDE ANY ALTERNATIVES.
18 MR. DASENT: YOU DIDNT ADJUST, MAKE ANY
19 ADJUSTMENT FOR IT BASED UPON THE NATURE OF THIS
20 CUSTOMER GROUP OR TYPE AND THEIR DEMAND OR PERIODS
21 OF DEMAND OR USAGE CHARACTERISTICS?
22 MR. MIERZWA: I JUST USED WHAT THE AWWA
23 MANUAL HAD SINCE I HAD NO ALTERNATIVES.
24 MR. DASENT: YOU ASSUME SIX DAYS OF WATER

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1 USAGE AND ASSOCIATED PERIODS OF DEMAND; AM I
2 RIGHT?
3 MR. MIERZWA: THAT'S WHAT THE AWWA MANUAL
4 USED.
5 MR. DASENT: DOESNT THE AWWA MANUAL
6 CAUTION THE ANALYST TO LOOK AT USAGE
7 CHARACTERISTICS FOR A PARTICULAR UTILITY?
8 MR. MIERZWA: YES. AND I ASKED FOR
9 INFORMATION AND RECEIVED NONE.
10 MR. DASENT: BASED UPON YOUR PUBLIC HOUSING
11 ADJUSTMENT, OBVIOUSLY YOU RECEIVED SOME
12 INFORMATION?
13 MR. MIERZWA: YOU ARE CORRECT. YOU DID
14 PROVIDE INFORMATION ON PUBLIC HOUSING.
15 MR. DASENT: NO ADJUSTMENT, THOUGH, WAS
16 MADE FOR CITY-LEASED PROPERTY OR CITY GOVERNMENT?
17 MR. MIERZWA: THERE IS NO INFORMATION TO
18 BASE AN ADJUSTMENT ON.
19 MR. DASENT: REFER TO COLUMN 10 OF JDM-1,
20 THE TOP HALF OF THE COLUMN. THAT'S CALCULATED OR
21 YOU MAKE A SERIES OF CALCULATIONS TO DERIVE THE
22 MAXIMUM DAY UTILIZING SYSTEM DATA INCLUDES HISTORIC
23 PEAKING FACTORS. YOU INDICATE YOU DONT ACTUALLY
24 USE THIS, BUT IT'S INDICATIVE OF THE CHANGE THAT

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1 YOU BELIEVE IS NECESSARY TO OUR RATE STRUCTURE?
2 MR. MIERZWA: YES.
3 HEARING OFFICER: FOR CLARITY ON THE
4 TRANSCRIPT. 10 IS THE CHANGE BETWEEN THE
5 CALCULATED AND THE DEPARTMENT MAXIMUM DAY FACTORS.
6 DO I UNDERSTAND THAT CORRECTLY?
7 MR. DASENT: YES. WELL, MR. MIERZWA --
8 MR. MIERZWA: YES, 10 IS THE DIFFERENCE
9 BETWEEN COLUMNS 9 AND 8.
10 HEARING OFFICER: THANK YOU.
11 MR. DASENT: LET'S REFER TO THE BOTTOM HALF
12 OF THE CHART. YOUR ERRATA DEALS WITH THE VERY
13 LINE, BOTTOM LINE INDICATING CHANGES THAT WERE
14 NECESSARY. BUT REFERRING TO CITY-LEASED PROPERTIES
15 AND THE CONSUMPTION ASSOCIATED WITH IT. IT'S
16 ABOUT .1 PERCENT OF OVERALL CONSUMPTION SHOWN ON
17 THAT TABLE SUBJECT TO CHECK?
18 MR. MIERZWA: SUBJECT TO CHECK.
19 MR. DASENT: CITY GOVERNMENT IS MAYBE 4
20 PERCENT OF THE TOTAL CONSUMPTION OF 63,497,344?
21 MR. MIERZWA: SUBJECT TO CHECK.
22 MR. DASENT: MOVING TO THE RIGHT TABLE,
23 SIDE OF THE TABLE, COLUMN 7. WHERE THAT DID THAT
24 1.66 NUMBER COME FROM? IS THAT AN AWWA NUMBER

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1 AGAIN?
2 MR. MIERZWA: YES, IT IS.
3 HEARING OFFICER: IT'S THE RATIO OF MAXIMUM
4 HOUR TO MAXIMUM DAY.
5 MR. DASENT: THANK YOU.
6 IS THAT A PROXY FOR ACTUAL DEMAND?
7 MR. MIERZWA: YES, IT IS.
8 MR. DASENT: NOW, IN LOOKING AT THOSE
9 NUMBERS, I DONT KNOW TOO MUCH ABOUT HOW THESE
10 THINGS WORK. BUT IF I LOOKED AT 1.33 FOR
11 INDUSTRIAL, I SEE THAT'S DIFFERENT FROM THE REST?
12 MR. MIERZWA: YES, IT IS.
13 MR. DASENT: THE OTHERS ARE ALL THE SAME,
14 WHETHER SENIORS OR RESIDENTIAL OR COMMERCIAL OR
15 FIRE OR HOSPITALS AND UNIVERSITIES?
16 MR. MIERZWA: THOSE ARE THE NUMBERS THAT
17 ARE REFERENCED IN THE MANUAL FOR THOSE CLASSES.
18 AND ALL OF THE CLASSES HAVE 1.66 EXCEPT FOR THE
19 INDUSTRIAL IN THE AWWA MANUAL. AND SINCE I HAD
20 NOTHING ELSE, NO OTHER INFORMATION TO BASE THE
21 FACTORS ON, I USED WHAT WAS IN THE MANUAL.
22 MR. DASENT: I UNDERSTAND. BUT AGAIN, IN
23 THE AWWA MANUAL, AND I GOT AN OLDER COPY, THE
24 PRINCIPLES SEEM TO BE PRETTY CONSTANT. IT SAYS,

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1 THESE ADJUSTMENTS AND FACTORS ARE ASSUMED FOR
2 PURPOSES OF THIS EXAMPLE. IN OTHER WORDS, IT'S AN
3 ILLUSTRATION TO HELP THE ANALYST FOLLOW?
4 HEARING OFFICER: WHAT PAGE ARE YOU
5 REFERENCING?
6 MR. DASENT: I'M ON PAGE 298 OF AN OLDER
7 VERSION OF THE AWWA MANUAL M1. IT TRACKS THE BASIC
8 PRINCIPLES THAT HAVE BEEN FROM THE MEMORIAL
9 PERIOD.
10 HEARING OFFICER: I UNDERSTAND. WHAT I'M
11 TRYING TO FIGURE OUT IS WHAT I WANT TO DO ABOUT THE
12 MANUAL FOR THE PURPOSES OF THE BOARD. AND IF SO,
13 IF, FOR EXAMPLE, WE TAKE NOTICE OF THE MANUAL WHICH
14 I'M INCLINED TO DO, WE WANT TO DO THE MOST CURRENT
15 MANUAL. SO THAT'S WHY I WANT TO MAKE SURE THE
16 TRANSCRIPT REFLECTS THE CURRENT MANUAL.
17 MR. DASENT: I CAN GIVE YOU THE EXACT PAGE
18 FOR THE CURRENT MANUAL. BUT FOR PURPOSES OF THIS
19 CROSS-EXAMINATION AND THE PRINCIPLES THAT WE ARE
20 TRYING TO CONVEY, I WANT TO MAKE THE POINT, AND MR.
21 MIERZWA I TAKE IT YOU WOULD AGREE, THAT THE MANUAL
22 EMPHASIZES THAT THESE ADJUSTMENT FACTORS ARE
23 ASSUMED FOR PURPOSES OF THIS EXAMPLE, THE EXAMPLE
24 THAT THEY ARE TRYING TO CONVEY SHOWING DEMAND

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1 CHARACTERISTICS IN THE ABSENCE OF ACTUAL DEMAND
2 DATA. ISN'T THAT TRUE? IT'S AN EXAMPLE?
3 THE WITNESS: YES, IT IS AN EXAMPLE IN AN
4 AWWA MANUAL. I DON'T THINK THE MANUAL WOULD USE
5 NUMBERS THAT WEREN'T REPRESENTATIVE OF SOMETHING
6 TYPICAL FOR THOSE CLASSES.
7 MR. DASENT: THESE GENERIC NUMBERS FOR THIS
8 MANUAL THAT WOULD BE USED NATIONALLY, PERHAPS EVEN
9 WIDER, ARE THERE FOR YOUR USE TO ILLUSTRATE THE
10 POSSIBLE PARAMETERS OF A REASONABLE COMPUTATION OF
11 DEMAND DATA IN THE ABSENCE OF ACTUAL DEMAND DATA?
12 MR. MIERZWA: THAT WAS A LONG QUESTION.
13 COULD YOU REPHRASE THAT?
14 MR. DASENT: IN THE ABSENCE OF ACTUAL
15 DEMAND DATA, THESE GENERIC NUMBERS ARE USED TO
16 OFFER THE ANALYST SOME GUIDANCE AS TO WHAT HE MIGHT
17 DO?
18 MR. MIERZWA: THEY ARE TYPICAL NUMBERS FOR
19 THOSE CLASSES.
20 MR. DASENT: THEY ALSO INDICATE WHILE THEY
21 ARE REASONABLE ASSUMPTIONS, CONSIDERATION SHOULD BE
22 GIVEN TO THE PARTICULAR USAGE CHARACTERISTICS AND
23 PERIODS OF DEMAND FOR VARIOUS CUSTOMER CLASSES. DO
24 YOU REMEMBER THAT, SEEING THAT IN READING THE

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1 MANUAL?
2 MR. MIERZWA: YES, I DO.
3 MR. DASENT: INDIVIDUAL UTILITIES SHOULD BE
4 LOOKED AT WHEN ANALYZING AND DETERMINING APPLICABLE
5 CLASS CAPACITY FACTORS?
6 MR. MIERZWA: YES. I SOUGHT THAT
7 INFORMATION, AND YOU FOLKS DIDN'T HAVE IT. SO I
8 HAD TO USE SOMETHING ELSE. I HAD TO USE
9 SOMETHING.
10 MR. DASENT: IN USING SOMETHING, THIS PROXY,
11 THESE TWO GENERIC EXAMPLES, FOR EXAMPLE, IN COLUMN
12 7 ABOVE AND COLUMN 7 BELOW, THEY AFFECT YOUR
13 ULTIMATE INDICATION OF COST OF SERVICE OR
14 INDICATION OF WHAT ADJUSTMENT SHOULD BE MADE TO THE
15 RATE STRUCTURE IN THIS CASE; AM I RIGHT, BASED UPON
16 YOUR APPLICATION OF THOSE NUMBERS AND THOSE COLUMNS
17 IN CALCULATING MAX DAY FACTORS AND MAX HOUR
18 FACTORS?
19 MR. MIERZWA: I PRESENTED THIS TO SHOW HOW
20 FAR THE CITY, TWO CITY COUNTS WERE FROM AN
21 ESTIMATED CAPACITIES FACTOR. I DID NOT USE THESE
22 IN THE COST OF SERVICE STUDY. LIKE I SAID, IF I
23 DID USE THESE, CITY CLASSES WOULD BE GETTING ABOUT
24 A 60 PERCENT INCREASE.

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1 MR. DASENT: IN LOOKING AT THIS DATA AND
2 APPLYING IT, TAKING INTO ACCOUNT THERE ARE VARIOUS
3 CUSTOMER TYPES, YOU CAME TO THE CONCLUSION THAT
4 THESE TWO CUSTOMER TYPES OUT OF THE WHOLE UNIVERSE
5 SHOULD BE CHANGED AD HOC IN THIS CASE?
6 MR. MIERZWA: I LOOKED AT WHICH CUSTOMER
7 CLASSES HAD THE BIGGEST DEVIATION. AND IF YOU LOOK
8 AT COLUMN 10 ON SCHEDULE JDM-1 UNDER ON THE TOP
9 HALF, THE CITY, TWO CITY CLASSES HAD DEVIATIONS OF
10 OVER 100 PERCENT. THOSE WERE THE ONLY TWO CLASSES
11 WITH DEVIATIONS OVER 100 PERCENT FOR MAXIMUM HOUR.
12 THAT'S HOW I SELECTED THOSE TWO CLASSES.
13 MR. DASENT: BASED UPON YOUR ANALYSIS OR
14 REVIEW, DID YOU SEE ANY OTHER CHANGES THAT MIGHT BE
15 MADE TO THE RATE STRUCTURE INASMUCH AS IT'S A
16 UNIFORM RATE STRUCTURE? WOULD IT TAKE AN ANALYSIS
17 THAT LOOKED AT ALL CUSTOMER TYPES TO MAKE A
18 REASONABLE DECISION FOR THE FUTURE AS TO WHAT THESE
19 RATES SHOULD LOOK LIKE IN A REASONABLE WAY?
20 MR. MIERZWA: I AM NOT FOLLOWING YOUR
21 QUESTION.
22 MR. DASENT: WOULD YOU LOOK AT ALL CUSTOMER
23 TYPES IN MAKING A DETERMINATION OF CHANGES IN RATE
24 STRUCTURE IF YOU WERE RUNNING THE UTILITY?

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1 MR. MIERZWA: IF YOU WERE GOING TO -- YOU
2 CAN CHANGE THE RATES FOR THE CITY. THERE IS NO
3 REASON YOU NEED TO CHANGE THE RATES FOR EVERYBODY
4 ELSE AT THIS TIME.
5 MR. DASENT: IN MAKING AN ANALYSIS OF A
6 CHANGE IN RATE STRUCTURE, IN INSTITUTING A NEW
7 RATE, WOULD YOU LOOK AT THE WHOLE SYSTEM OR WOULD
8 YOU JUST LOOK AT TWO CUSTOMER TYPES?
9 MR. MIERZWA: I'M NOT PROPOSING A CHANGE TO
10 THE OTHER CLASSES.
11 HEARING OFFICER: JUST SO THE RECORD IS
12 CLEAR, AND I'M GOING TO HAVE TO SUMMARIZE THIS AT
13 SOME POINT. THE TWO CLASSES THAT YOU SELECTED
14 HAVING A CHANGE OR A DIFFERENTIAL OF MORE THAN 100
15 PERCENT, YOU ARE TALKING ABOUT THE TOP BLOCK, THE
16 MAXIMUM DAY FACTOR?
17 MR. MIERZWA: YES.
18 HEARING OFFICER: NOT THE MAXIMUM HOUR
19 FACTOR WHERE THERE ARE THREE CLASSES?
20 MR. MIERZWA: THAT'S CORRECT. I DID NOT
21 ADJUST BASED ON MAXIMUM HOUR.
22 HEARING OFFICER: I JUST WANTED TO KNOW WHAT
23 I WAS DOING WHEN I WROTE IT UP.
24 MR. DASENT: THANK YOU, MR. MIERZWA. I

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1 THINK THAT'S IT.
2 MR. BALLENGER: IF WE COULD JUST HAVE A
3 SHORT RECESS TO SEE IF WE HAVE REDIRECT AND REPORT
4 BACK.
5 HEARING OFFICER: OFF THE RECORD.
6 (WHEREUPON, A BREAK WAS TAKEN OFF THE
7 RECORD.)
8 HEARING OFFICER: BACK ON THE RECORD.
9 MR. POPOWSKY: MR. BALLENGER, COULD I ASK MY
10 QUESTION BEFORE YOU DO YOUR REDIRECT?
11 MR. BALLENGER: OF COURSE.
12 MR. POPOWSKY: I JUST WANTED, MR. MIERZWA, I
13 JUST WANTED TO MAKE SURE I UNDERSTOOD YOUR
14 RECOMMENDATION ON PAGE 16. YOU SAY THAT, THIS IS
15 LINES 13 AND 14, COMBINE THE INCREASE TO THE TWO
16 CITY CLASSES INDICATED BY PWD'S CLASS COST OF
17 SERVICE STUDY IS 8.5 PERCENT; IS THAT CORRECT?
18 MR. MIERZWA: YES.
19 MR. POPOWSKY: WHEN YOU SAY INDICATED, I
20 DIDN'T UNDERSTAND THE WORD "INDICATED". THAT'S NOT
21 WHAT THE CITY PROPOSED, THAT'S NOT WHAT THE
22 DEPARTMENT PROPOSED?
23 MR. MIERZWA: I'M SORRY. THAT'S WHAT THE
24 DEPARTMENT PROPOSED FOR INCREASES, AN AVERAGE OF

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1 8.5 PERCENT. IT'S NOT WHAT THE STUDY SHOWED.
2 MR. POPOWSKY: OKAY. THAT WAS NOT WHAT WAS
3 IN -- THAT WAS WHAT THE CITY PROPOSED. AND THE 8.5
4 PERCENT WOULD BE IN THE FIRST YEAR; IS THAT
5 CORRECT, OR OVER TWO YEARS?
6 MR. MIERZWA: WHATEVER THE RATE YEAR IS IN
7 THE STUDY.
8 MR. POPOWSKY: SO WE ARE TALKING ABOUT
9 FISCAL YEAR 2017 WITHOUT ADDRESSING FISCAL YEAR
10 2018?
11 MR. MIERZWA: THAT'S CORRECT.
12 MR. POPOWSKY: YOUR PROPOSAL THEN IS
13 WHATEVER INCREASE IS GRANTED, IF THERE IS AN
14 INCREASE GRANTED BY THE BOARD, THAT THE 8.5 PERCENT
15 PROPOSED BY THE DEPARTMENT WOULD REMAIN IN EFFECT
16 WHILE EVERYTHING ELSE WOULD BE SCALED BACK FROM THE
17 PROPOSAL?
18 MR. MIERZWA: THAT'S CORRECT.
19 MR. POPOWSKY: SO YOU ARE NOT PROPOSING A
20 HIGHER INCREASE THAN WHAT THE DEPARTMENT
21 PROPOSED? YOU ARE PROPOSING THAT THAT INCREASE BE
22 GRANTED EVEN IF THE OTHER CLASSES GET LESS?
23 MR. MIERZWA: THAT'S CORRECT.
24 MR. POPOWSKY: COULD I JUST THEN, BECAUSE

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1 THIS IS WHAT I DIDN'T UNDERSTAND IN THE FIRST
2 PART. THERE ARE MULTIPLE RATE CLASSES OR RATE
3 SCHEDULES BASED ON METER SIZE; IS THAT CORRECT?
4 MR. DASENT: ONE RATE STRUCTURE.
5 MR. POPOWSKY: I'M SAYING THE DIFFERENT
6 CUSTOMER -- WHEN I HAD ASKED, THERE WAS ONLY ONE
7 RATE SCHEDULE. SO IF YOU HAVE A 5/8 INCH METER,
8 YOU PAY ONE RATE AND IF YOU HAVE A LARGER METER,
9 YOU MAY PAY ANOTHER RATE? JUST SO I UNDERSTAND,
10 THAT'S THE ONLY DIFFERENCE THEN AMONG CUSTOMERS?
11 IF IT'S OKAY, I WOULD ASK WHOEVER COULD EXPLAIN
12 THIS TO ME. IS THAT THEN, AND I APOLOGIZE FOR NOT
13 MAKING THIS CLEAR IN MY OWN MIND EARLIER, IS THAT
14 THE ONLY DIFFERENCE THEN BETWEEN THE DIFFERENT RATE
15 CLASSES?
16 MS. KUMAR: THAT IS CORRECT. WHEN YOU TALK
17 ABOUT METER SIZES, THE ONLY DIFFERENCE IS WHETHER
18 IT'S A 5/8 INCH METER OR 3/4 OR ONE INCH. SO THERE
19 IS NO DISTINCTION WHETHER IT'S A 5/8 RESIDENTIAL OR
20 5/8 COMMERCIAL. SO THAT IS FOR THE METER-SIZED
21 BASE CHARGES. AND SIMILARLY FOR THE VOLUMETRIC AS
22 WE SAID BEFORE, IT'S SYSTEM-WIDE DECLINING BLOCK.
23 MR. POPOWSKY: MR. MIERZWA, THEN IN ORDER TO
24 CARRY OUT YOUR PROPOSAL THEN, WE WOULD NEED TO

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<p style="text-align: right;">Page 74</p> <p>1 CREATE A SEPARATE SCHEDULE; IS THAT CORRECT, THEN 2 FOR THE CITY-LEASED AND THE CITY -- 3 MR. MIERZWA: AT LEAST FOR VOLUMETRIC 4 CHARGES. 5 MR. POPOWSKY: THAT WOULD BE DIFFERENT? 6 MR. MIERZWA: YES. 7 MR. POPOWSKY: I THINK I UNDERSTAND THAT. 8 THANK YOU. 9 MR. BALLENGER: WE WERE TAKING A MOMENT TO 10 PREPARES FOR POSSIBLE REDIRECT. IF WE MAY 11 CONTINUE, MADAM HEARING OFFICER? 12 HEARING OFFICER: YOU MAY. 13 MR. BALLENGER: THANK YOU. 14 (WHEREUPON, A DISCUSSION WAS HELD OFF THE 15 RECORD.) 16 HEARING OFFICER: MR. BALLENGER, BEFORE YOU 17 GO ON REDIRECT, I HAVE ANOTHER QUESTION. ACTUALLY, 18 THIS IS ANOTHER ONE THAT PERHAPS IS BETTER ANSWERED 19 BY THE DEPARTMENT. AND IT FOLLOWS ON TO BOARD 20 MEMBER POPOWSKY'S OBSERVATIONS. 21 AGAIN, TAKING FROM JDM-1, YOU HAVE, IT 22 LOOKS LIKE 14 CLASSES OF CUSTOMERS. WHY, IF THE 23 VOLUMETRIC CHARGES ARE THE SAME AND METER-BASED 24 CHARGES ARE THE SAME REGARDLESS OF TYPE OF</p>	<p style="text-align: right;">Page 76</p> <p>1 WHILE WE DON'T HAVE A SPECIFIC RATE DESIGN FOR EACH 2 CUSTOMER TYPE, THE FOUR-BLOCK RATE DESIGN IS 3 DESIGNED TO BALANCE THE COST RECOVERY FROM THE 4 CUSTOMER TYPES WITHIN REASON. 5 HEARING OFFICER: CAN YOU SAY MORE ABOUT 6 THAT? OTHERWISE, MY QUESTION IS WHY, IT STILL 7 DOESN'T -- 8 MR. MIERZWA: CAN I HELP HIM FOR A SECOND 9 TO ANSWER YOUR QUESTION? 10 HEARING OFFICER: IS THAT ALL RIGHT WITH 11 YOU, MR. DASENT? 12 MR. DASENT: YES. 13 HEARING OFFICER: TURN TO MR. MIERZWA FOR A 14 MINUTE. 15 MR. MIERZWA: THEY HAVE GOT FOUR DECLINING 16 BLOCKS. AND RESIDENTIAL CUSTOMERS WOULD BE 17 GENERALLY USING IN THE FIRST BLOCK. SO TO MATCH 18 COST OF SERVICE WITH THE RESIDENTIAL CUSTOMERS, YOU 19 WOULD ADJUST THE FIRST BLOCK RATES, AND MAYBE SOME 20 OF THE BIGGER INDUSTRIAL CUSTOMERS ARE DOWN BELOW 21 IN THE FOURTH BLOCK. SO YOU ADJUST THE FOURTH 22 BLOCK RATE TO RECOVER THEIR COST OF SERVICE. DOES 23 THAT HELP? 24 HEARING OFFICER: NO.</p>
<p style="text-align: right;">Page 75</p> <p>1 CUSTOMER, FOR EXAMPLE, DO YOU HAVE 14 CLASSES OF 2 SERVICE? WHAT'S THE POINT OF THOSE? 3 MR. JAGT: CAN YOU REPEAT THE QUESTION, 4 PLEASE? 5 HEARING OFFICER: I'M TRYING TO UNDERSTAND. 6 AGAIN, MY UNDERSTANDING NOW IS THAT VOLUMETRIC 7 CHARGES ARE IDENTICAL FOR ALL CUSTOMERS REGARDLESS 8 OF CLASS. AND I GUESS DEMAND-RELATED CHARGES ARE 9 THE SAME FOR ALL METER SIZES? ANY METER SIZE HAS 10 ONE SET OF NONVOLUMETRIC CHARGES? 11 MR. JAGT: CORRECT. 12 HEARING OFFICER: SO WHY DO YOU HAVE 14 13 CLASSES? 14 MR. JAGT: WE STILL GROUP THE CUSTOMER, THE 15 CUSTOMERS IN THE SYSTEM WITHIN TYPES TO GROUP THEM 16 BASED ON, BECAUSE A REPRESENTATIVE EXAMPLE OF HOW 17 EACH CUSTOMER TYPE USES THE SYSTEM. AND WE DEVELOP 18 THE COST OF SERVICE TO SERVE EACH CUSTOMER TYPE. 19 AND WHILE WE KEEP, WHILE WE HAVE ONE RATE STRUCTURE 20 AND IT'S PRESENTED A SIMPLE RATE STRUCTURE FOR 21 CUSTOMER UNDERSTANDING THAT WE HAVE ONE RATE 22 STRUCTURE FOR ALL CUSTOMER CLASSES, THE RATE DESIGN 23 BY BLOCK IS DONE, THOUGH, TO ATTEMPT A REASONABLE 24 COST RECOVERY BY CUSTOMER CLASS, CUSTOMER TYPE.</p>	<p style="text-align: right;">Page 77</p> <p>1 MS. KUMAR: EVEN THOUGH THERE ARE, SO EVEN 2 THOUGH YOU HAVE FROM A RATE DESIGN STANDPOINT, EVEN 3 THOUGH THERE IS A VOLUMETRIC DECLINING BLOCK. SO 4 THE MORE WATER YOU USE, THEN YOU ARE CHARGED AT A 5 LOWER RATE. OKAY? SO WHEN YOU HAVE THAT KIND OF 6 A DECLINING BLOCK RATE STRUCTURE AND UNIFORM FOR 7 THE ENTIRE SYSTEM, STILL YOU NEED TO HAVE A 8 RATIONALE FOR HOW YOU ARE SETTING RATES FOR THE 9 FIRST YEAR VERSUS THE SECOND VERSUS THE THIRD 10 VERSUS THE FOURTH? 11 HEARING OFFICER: TIER; RIGHT? 12 MS. KUMAR: TIER. 13 HEARING OFFICER: I GOT IT. THANK YOU. 14 MS. KUMAR: SO TO SET THE RATES FOR EACH OF 15 THOSE FOUR TIERS, THEY ARE NOT JUST ARBITRARILY 16 SET. WHAT WE DO IN A SYSTEM-WIDE APPROACH FOR RATE 17 DESIGN IS THAT WE LOOK AT THESE DIFFERENT CUSTOMER 18 TYPES. AND THEN THE CUSTOMER THAT USES MORE, THE 19 CUSTOMERS THAT USES, LIKE THE RESIDENTIAL CUSTOMERS 20 BY NATURE OF THEIR BUSINESS, THEY ARE NOT 21 SIGNIFICANT -- IF YOU TAKE THE INDIVIDUAL CUSTOMER, 22 RELATIVE TO AN INDUSTRIAL CUSTOMER, AN INDIVIDUAL 23 CUSTOMER BY NATURE OF THEIR USAGE, THEY ARE NOT 24 GOING TO USE A SIGNIFICANT AMOUNT OF WATER LIKE AN</p>

20 (Pages 74 to 77)

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1 INDUSTRIAL CUSTOMER. BUT AN INDUSTRIAL CUSTOMER
2 HAS TO USE SIGNIFICANT AMOUNTS OF WATER DEPENDING
3 ON THE NATURE OF THE BUSINESS.
4 SO THEREFORE, JUST BECAUSE YOU USE SO MUCH
5 WATER, YOU SHOULD NOT BE REALLY IMPACTED. THAT'S
6 THE RATIONALE BEHIND A DECLINING BLOCK. SO WHEN WE
7 ARE DOING IN A SYSTEM-WIDE LEVEL, WE STILL NEED A
8 RATIONALE. SO THESE CUSTOMER TYPES AND THE USAGE
9 AND ALL OF THESE ANALYSES WE TALKED ABOUT ARE USED
10 AS A BASIS TO SAY, AM I COLLECTING IN THE FIRST
11 TIER AND PROBABLY THE SECOND TIER MOST OF THE
12 RESIDENTIAL AND THOSE KINDS OF CUSTOMERS? AND THEN
13 IN THE THIRD TIER, AM I COLLECTING MOST OF THE
14 HIGHER VOLUME USERS LIKE THE COMMERCIAL? AND YOU
15 GO TO THE LAST TIER. AM I COLLECTING MOST OF THE
16 COST OF SERVICE ATTRIBUTED TO THE VERY LARGE USERS
17 LIKE THE INDUSTRIAL CUSTOMERS?
18 THAT'S THE RATIONAL BEHIND WHY WE STILL
19 HAVE TO LOOK AT CUSTOMER TYPES EVEN THOUGH THE RATE
20 DESIGN IS SYSTEM-WIDE.
21 HEARING OFFICER: JUST SO THAT IM CRYSTAL
22 CLEAR. IT'S FOR THE VOLUMETRIC PORTION, IT'S NOT
23 FOR THE NONVOLUMETRIC PORTION?
24 MS. KUMAR: THAT IS CORRECT.

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1 HEARING OFFICER: THANK YOU VERY MUCH.
2 MR. BALLENGER.
3 MR. BALLENGER: I JUST REALLY HAVE ONE, ONE
4 QUESTION ON REDIRECT WHICH IS, WE HAVE TALKED A BIT
5 ABOUT, MR. DASENT DISCUSSED A LITTLE BIT THE USE OF
6 SOME OF THE FACTORS IN THE AWWA MANUAL. MR.
7 MIERZWA, DOES THE AWWA MANUAL DISCUSS A REASONABLE
8 RANGE FOR DETERMINING OR FOR, JUST FOR THE SYSTEM
9 DIVERSITY FACTORS?
10 MR. MIERZWA: YES, IT DOES. I BELIEVE THE
11 BLACK AND VEATCH WITNESS BROUGHT THIS UP. THE AWWA
12 MANUAL SAYS AT PAGE 317 WHEN TALKING ABOUT THE
13 SYSTEM DIVERSITY FACTOR. THIS RELATIONSHIP, THE
14 SYSTEM DIVERSITY RATIO IS OFTEN IN THE RANGE 1.1 TO
15 1.4, ALTHOUGH DIFFERENT SYSTEM DIVERSITY MEASURES
16 MAY ARISE FOR COMMUNITIES WITH MORE ATYPICAL
17 CUSTOMER USAGE PATTERNS. SO THE 1.1 TO 1.4 IS NOT
18 A GOLDEN RULE THAT ALL OF THE SYSTEM DIVERSITY
19 RATIOS HAVE TO FALL WITHIN THIS. IT'S A GENERAL
20 GUIDELINE FROM THE AWWA MANUAL.
21 MR. BALLENGER: THANK YOU, MR. MIERZWA.
22 THAT'S ALL WE HAVE ON REDIRECT.
23 MR. DASENT: ONE OTHER THOUGHT. PAGE 17
24 WAS JUST REFERRED TO BY MR. MIERZWA IN OUR

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1 QUESTIONING EARLIER.
2 HEARING OFFICER: 17 OR 317?
3 MR. DASENT: 317.
4 MR. BALLENGER: 317.
5 MR. DASENT: 316 IN APPENDIX A OF THE AWWA
6 MANUAL M1, THE MOST RECENT ADDITION IS THE
7 REFERENCE POINT FOR THE EARLIER DISCUSSION
8 CONCERNING VARIOUS FACTORS THAT HE USES IN HIS
9 TESTIMONY FROM THE AWWA MANUAL EXAMPLE CITED THERE.
10 HEARING OFFICER: WHERE I ASKED YOU FOR THE
11 CITE FROM THE CURRENT?
12 MR. DASENT: YES.
13 HEARING OFFICER: OFF THE RECORD.
14 (WHEREUPON, A DISCUSSION WAS HELD OFF THE
15 RECORD.)
16 HEARING OFFICER: BACK ON THE RECORD.
17 MR. DASENT: NOTHING FURTHER.
18 HEARING OFFICER: ANYTHING MORE FROM THE
19 BENCH FOR THESE WITNESSES?
20 (NO RESPONSE.)
21 THANK YOU VERY MUCH EVERYBODY. MOST
22 ENLIGHTENING.
23 I WANT TO HAVE A BRIEF DISCUSSION ABOUT
24 ACCESS TO THE AWWA MANUAL. AND WE CAN HAVE THAT

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1 OFF THE RECORD. OFF THE RECORD.
2 (WHEREUPON, A DISCUSSION WAS HELD OFF THE
3 RECORD.)
4 HEARING OFFICER: MR. DASENT HAS KINDLY
5 OFFERED TO LOAN TO THE BOARD FOR ITS PURPOSES A
6 COPY OF THE MOST RECENT AWWA MANUAL, AND WE
7 APPRECIATE THAT.
8 MY UNDERSTANDING IS THE ONLY OTHER WITNESS
9 THAT WAS TO BE CROSSED TODAY WAS GOING TO BE MR.
10 HANES, AND THAT NO ONE HAS ANY CROSS FOR HIM?
11 MR. DASENT: THAT'S CORRECT.
12 MR. BALLENGER: THAT'S CORRECT.
13 HEARING OFFICER: AND THERE ARE NO QUESTIONS
14 FROM THE BENCH.
15 SO WE COULD BE DONE FOR THE DAY. MY
16 QUESTION IS, IS THERE ANY POINT IN EVEN TALKING
17 ABOUT TRYING TO ADVANCE MR. COLTON OR IRAP ANY OF
18 THAT MATERIAL TO THIS AFTERNOON?
19 MR. DASENT: NO. IT WILL BE MOST PRODUCTIVE
20 TO DO IT IN THE MORNING, BE VERY EFFICIENT ABOUT
21 IT. AND TRY TO GET AS MUCH DONE AS WE CAN ON
22 TUESDAY. THERE WILL BE SOME SPILLOVER LIKELY. BUT
23 I THINK WE CAN EFFICIENTLY TAKE CARE OF MR.
24 COLTON'S ISSUE PARTICULARLY AFTER I TALK WITH WRB

21 (Pages 78 to 81)

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1 AND MY OUTSIDE CONSULTANT.
2 MR. BALLENGER: MR. COLTON IS TRAVELING
3 TODAY, SO HE IS NOT AVAILABLE TO JOIN US AT THIS
4 POINT IN THE DAY.
5 HEARING OFFICER: SO WE'LL CONCLUDE FOR
6 TODAY AND TAKE UP MR. COLTON AT 10:00 IN THE
7 MORNING TOMORROW.
8 DO YOU HAVE, MR. DASENT, DO YOU HAVE
9 WITNESSES ON THE SAME SUBJECT MATTER?
10 MR. DASENT: YES. WE WILL HAVE THE PWD, WRB
11 AND RAFTELIS WITNESSES.
12 HEARING OFFICER: WE'LL START WITH YOUR
13 WITNESSES. AND WE ARE OFF THE RECORD.
14 (WHEREUPON, THE DEPOSITION WAS CONCLUDED AT
15 12:13 P.M.)
16 (WHEREUPON, THE WITNESS WAS EXCUSED.)
17
18
19
20
21
22
23
24

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1 REPORTER'S CERTIFICATION
2
3
4 I HEREBY CERTIFY THAT THE WITNESS WAS DULY
5 SWORN BY ME AND THAT THE DEPOSITION IS A TRUE
6 RECORD OF THE TESTIMONY GIVEN BY THE WITNESS.
7
8 _____
9 SHEILA J. KLOS
10 REGISTERED PROFESSIONAL REPORTER
11 COMMISSIONER OF DEEDS
12
13 (THE FOREGOING CERTIFICATION OF THIS
14 TRANSCRIPT DOES NOT APPLY TO ANY REPRODUCTION OF
15 THE SAME BY ANY MEANS, UNLESS UNDER THE DIRECT
16 CONTROL AND/OR SUPERVISION OF THE CERTIFYING
17 REPORTER.)
18
19
20
21
22
23
24

22 (Pages 82 to 83)

STREHLOW & ASSOCIATES, INC.
(215) 504-4622

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