

PHILADELPHIA WATER DEPARTMENT  
STATEMENT NO. 1

BEFORE THE  
PHILADELPHIA WATER, SEWER AND STORM WATER RATE BOARD

In the Matter of the Philadelphia Water Department's Proposed Change in Water, Wastewater and Stormwater Rates and Related Charges	Fiscal Years 2022 - 2023
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**Direct Testimony**

**of**

**Randy E. Hayman**

**on behalf of**

**The Philadelphia Water Department**

Dated: January 2021

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**I. INTRODUCTION AND PURPOSE OF TESTIMONY**

**Q1. PLEASE STATE YOUR NAME AND POSITION WITH THE PHILADELPHIA WATER DEPARTMENT.**

A1. My name is Randy E. Hayman. I am the Commissioner of the Philadelphia Water Department, also referred to as “PWD” or the “Department.”

**Q2. HOW LONG HAVE YOU BEEN THE COMMISSIONER?**

A2. I was appointed as Water Commissioner in June 2019.

**Q3. WHAT ARE YOUR JOB RESPONSIBILITIES?**

A3. I am responsible for management and oversight of all units and staff of the Department.

**Q4. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND RELEVANT WORK EXPERIENCE.**

A4. I earned my undergraduate degree from the University of Michigan and my law degree from Georgetown University. Before being appointed Commissioner, I served as an Assistant Attorney General for the State of Missouri. In addition, I worked in private law firms, most recently as a partner at the environmental law firm of Beveridge & Diamond in Washington, D.C. Previously, I served for fifteen years as General Counsel of the District of Columbia Water and Sewer Authority and the Metropolitan St. Louis Sewer District. My resume provides a more detailed description of my education and work experience and is attached as Schedule REH-1.

1 **Q5. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A5. My testimony addresses several points. First, I provide an overview of the Department.  
3 Next, I will describe the Department’s efforts to respond to the COVID-19 pandemic.  
4 Lastly, I will introduce each witness that will present testimony on behalf of the  
5 Department to support this rate filing.

6  
7 **Q6. PLEASE IDENTIFY THE SCHEDULES THAT ACCOMPANY YOUR DIRECT**  
8 **TESTIMONY.**

9 A6. The following schedule accompanies my direct testimony:

10 Schedule REH-1: Resume of Randy E. Hayman  
11

12 **II. OVERVIEW OF THE DEPARTMENT**

13 **Q7. PLEASE PROVIDE AN OVERVIEW OF THE DEPARTMENT.**

14 A7. The Department is one of the ten operating departments of the City of Philadelphia  
15 (“City” or “Philadelphia”). It provides integrated water and wastewater services,  
16 including services for sanitary wastewater and stormwater, for accounts and properties in  
17 Philadelphia. It also provides water and wastewater services to some suburban  
18 municipalities and municipal authorities pursuant to wholesale services contracts.

19  
20 Under the Philadelphia Home Rule Charter, the Department is responsible for operating,  
21 maintaining, repairing and improving the City’s water supply facilities, sewage system  
22 and wastewater treatment plants. The Department operates under a dedicated Water Fund  
23 established to ensure that the revenues received from our customers are used only for  
24 Department purposes.  
25

1 The Department’s primary mission is to plan for, operate, and maintain both the  
2 infrastructure and organization necessary to purvey high quality drinking water, to  
3 provide an adequate and reliable water supply to meet all household, commercial and  
4 community needs, and to sustain and enhance the region’s watersheds and quality of life  
5 by managing wastewater and stormwater effectively.  
6

7 **Q8. DOES THE DEPARTMENT PERFORM BILLING AND COLLECTION**  
8 **FUNCTIONS FOR ITS WATER, WASTEWATER AND STORMWATER**  
9 **CHARGES?**

10 A8. No. The Water Revenue Bureau (“WRB”), which is part of the City’s Department of  
11 Revenue, provides all billing and collection functions for charges by the Department.  
12

13 **III. OVERVIEW OF THE DEPARTMENT’S RESPONSE TO COVID-19**  
14

15 **Q9. PLEASE BRIEFLY DESCRIBE THE RELEVANT PUBLIC HEALTH**  
16 **DECLARATIONS RELATED TO COVID-19 PANDEMIC.**

17 A9. On January 31, 2020, the United States Department of Health and Human Services  
18 declared a public health emergency for the United States to aid the nation’s health care  
19 community in responding to the novel strain of coronavirus (“COVID-19”).  
20

21 On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a  
22 global pandemic, and on March 13, 2020, the President of the United States declared a  
23 national state of emergency.  
24

25 Due to the increase in the number of COVID-19 cases around the country and

1 internationally, federal, state, and local bodies have enacted legislation, and other  
2 administrative orders, directives and guidance to mitigate the impacts of COVID-19 on  
3 the general population and the economy.

4  
5 Specifically, on March 6, 2020, Governor Wolf declared a disaster emergency in the  
6 Commonwealth of Pennsylvania followed by an order on March 19, 2020 closing all non-  
7 life-sustaining businesses in the Commonwealth.

8  
9 On April 1, 2020, the Governor issued a stay at home order for all counties in the  
10 Commonwealth for all activities, except as needed to access, support, or provide life  
11 sustaining business, emergency, or government services. Since then, the stay at home  
12 order has been lifted, and the Governor has reopened businesses in Pennsylvania using a  
13 data-driven, three-phase approach on a county-by-county basis; however, restrictions and  
14 operational limitations continue for certain parts of the Commonwealth. The conditions  
15 remain fluid and any or all counties in the Commonwealth may return to a stay at home  
16 status if conditions warrant, as determined by the Pennsylvania Department of Health and  
17 the Governor.

18  
19 The Mayor and City Council have also have taken various emergency measures and other  
20 actions to respond to the spread of COVID-19 in the City. On March 22, 2020, the Mayor  
21 issued a stay at home order temporarily prohibiting operation of non-essential business  
22 and gatherings of people outside a single household. Currently, certain restrictions remain  
23 in effect. The City continues to closely monitor and assess the effects of the COVID-19  
24 pandemic and its impact on the City's financial position and operations.

25

1 Following the recent surge in COVID-19 infections, the City issued new “Safer at Home”  
2 restrictions which became effective November 20, 2020. These restrictions affect a range  
3 of activities including the following: (i) high schools and colleges must move to online  
4 instruction; (ii) indoor dining at restaurants and other food services businesses is  
5 suspended (takeout, delivery and outdoor dining may continue); (iii) theaters, including  
6 movie theaters and other performance spaces are closed; and (iv) museums, gyms and  
7 exercise classes (with limited exceptions for outdoor activity), indoor pools and senior  
8 day services are closed. In addition, indoor gatherings involving people of more than one  
9 household are prohibited in public or private spaces – this includes weddings,  
10 celebrations and funerals. Religious institutions are permitted to have people indoors, but  
11 density must be capped at 5 people per 1,000 square feet. Outdoor gathers, such as  
12 sporting events, are also limited to ten percent of maximum capacity or ten people per  
13 1,000 square feet for venues with an undefined capacity – not to exceed 2,000 people in  
14 any outdoor space. In addition, all individuals at outdoor gatherings must wear masks at  
15 all times, and neither food nor beverages may be served. The above restrictions are  
16 designated to remain in place through January 2021. An extension of these restrictions is  
17 possible depending on trends in the spread of coronavirus in the City.

18 **Q10. WHAT DID THE CITY AND/OR THE DEPARTMENT DO TO HELP WATER**  
19 **AND WASTEWATER CUSTOMERS AFFECTED BY THE COVID-19**  
20 **PANEMIC?**

21 A10. The City imposed a moratorium on shut-offs and disconnections. The moratorium was  
22 kept in place through the summer and fall of 2020 as a public health measure. The latest  
23 extension of the moratorium occurred on September 26, 2020. With that extension, the  
24 moratorium will remain in place until April 1, 2021. The scheduled end of the  
25

1 moratorium coincides with the end of the Department's annual winter shutoff  
2 moratorium, which protects vulnerable customers from December 1 through March 31  
3 every year.

4  
5 In addition, starting in March 2020, PWD crews worked to restore water to all accounts  
6 where possible. Water service was restored unless unsafe plumbing conditions were  
7 discovered.

8  
9 The number of customer accounts eligible for shutoff due to payment delinquency in  
10 December 2020 was higher than the number in December 2019. There are currently  
11 customers eligible for service termination and the Department's collection levels have  
12 dropped. The actual numbers of customers eligible for termination will be provided by  
13 the WRB panel, PWD Statement 5. Information on the Department's collection levels  
14 will be provided by Black & Veatch, PWD Statement 7A. I will introduce in greater  
15 detail both of these Statements in the next Section of my testimony.

16  
17 To control costs during the pandemic, the Department has significantly decreased travel  
18 and other reimbursable expenses. PWD has also postponed the implementation of certain  
19 non-critical capital projects to focus on major system improvements. In addition, the  
20 Department reduced its FY 2021 budget by approximately \$25 million upon the City's  
21 request for the submittal of revised budgets for FY 2021 on the part of all City  
22 departments in light of the COVID-19 pandemic.

23  
24 The Department/WRB started waiving penalties and fees on all accounts.  
25



1 In addition, as the Rate Board will recall, the Department withdrew its prior request for  
2 rate relief on June 18, 2020. Such action was needed to immediately provide the  
3 Department's water and wastewater customers with economic relief (in the form of no  
4 increase in rates in FY 2021 from the Department's FY 2020 rates) at the onset of the  
5 pandemic.

6 **Q11. HOW HAVE THESE RESPONSES IMPACTED THE DEPARTMENT?**

7 A11. The response to COVID-19 in combination with other events detailed in this rate filing  
8 have strained the Department's finances.

9  
10 The lack of any rate increase for FY 2021, the moratorium on shut-offs and the reduction  
11 in revenues due to the pandemic — all occurring while the incurrence of expenses for  
12 operating and maintenance (O&M) activities and support for the Department's capital  
13 program are continuing — have created a “perfect storm” of issues for PWD which, if  
14 left unaddressed, will be debilitating for the Department's finances.

15  
16 The Department has already taken all reasonable steps, within its control, to manage itself  
17 through the pandemic leaving PWD with reduced financial flexibility and no ability to  
18 support its Capital Program during the rate period, FY 2022 and FY 2023. Because of the  
19 foregoing, rate relief is urgently needed now. See PWD Statement 2 for a detailed  
20 discussion of the Department's financial condition and the need for additional revenues.  
21  
22  
23  
24  
25

1 **IV. OVERVIEW OF THE RATE FILING AND THE DEPARTMENT'S WITNESSES**

2  
3 **Q12. PLEASE PROVIDE AN OVERVIEW OF THE RATE FILING.**

4 A12. Through the rate filing the Department is providing supporting documentation (including  
5 financial accounting and engineering data) and testimony to the Board with regard to:  
6 establishing revenue requirements necessary to meet the System's immediate and long-  
7 term operating and capital needs, maintaining the utility's financial stability (with  
8 reliance upon the Financial Plan), and providing a fair allocation of costs among  
9 customer groups based upon cost of service principles.

10  
11 A summary fact sheet is included as PWD Exhibit 2. The Department is requesting  
12 annual revenue increases to generate approximately \$48.864 million in FY 2022 and an  
13 additional \$31.543 million in a FY 2023 with proposed effective dates of September 1,  
14 2021 and September 1, 2022, respectively.

15  
16 **Q13. PLEASE INTRODUCE THE OTHER WITNESSES PROVIDING DIRECT**  
17 **TESTIMONY ON BEHALF OF THE DEPARTMENT.**

18 A13. In addition to my testimony, the following witnesses are providing direct testimony in  
19 support of the Department's rate request:

20  
21 Financial Panel

22 **Melissa La Buda** (PWD Statement 2) is the Department's Deputy Commissioner of  
23 Finance. She addresses the Department's budgeting process; operating revenues and  
24 expenses; and compliance with the financial requirements in the Charter and Rate  
25 Ordinance. Ms. La Buda sponsors the Financial Plan (Schedule ML-2). Among other

1 things, she provides a comprehensive overview of the financial condition of the  
2 Department, describes the reasons the Department is requesting rate relief and describes  
3 the applicable ratemaking and financial requirements.

4  
5 Ms. La Buda is the lead witness for the financial panel. On that panel, Ms. La Buda will  
6 be joined at the technical hearings, if any, by **Valarie J. Allen** of the law firm Ballard  
7 Spahr who is the City's Bond Counsel and who prepared Schedule ML-3. Ms. La Buda  
8 will also be joined by the Department's financial advisors: **Katherine Clupper**, the  
9 Managing Director of Public Financial Management, and **Peter Nissen**, the Managing  
10 Director of Acacia Financial Group, Inc. The financial advisors provide additional  
11 support for the Department's Financial Plan, related policies and financial metrics. They  
12 prepared Schedule ML-6.

13  
14 Capital Panel

15 The capital panel, PWD Statement 3, consists of **Stephen J. Furtek** and **Trisha Grace**.  
16 Mr. Furtek is the Department's General Manager of the Engineering and Construction  
17 Division. Ms. Grace is the Capital Program Manager for the Department.

18  
19 The capital panel addresses capital expenditures and capital planning in connection with  
20 plant upgrades, main/sewer replacement and other major infrastructure improvements.

21  
22 Operations Panel

23 The operations panel, PWD Statement 4, consists of **Donna Schwartz**, **Benjamin**  
24 **Jewell**, **Brendan Reilly**, and **Mary Ellen Senss**. Ms. Schwartz is the Department's  
25 Deputy Commissioner and General Manager of the Operations Division. Mr. Jewell is the

1 Manager of the Department’s Collector System Unit. Mr. Reilly is the Department’s  
2 Water Conveyance Chief. Ms. Senss is the Wastewater Manager for the Department.

3  
4 The operations panel will, among other things, provide an overview of the Water and  
5 Wastewater Systems and discuss current and future challenges facing the Systems.

6  
7 WRB Panel

8 The Department is presenting a panel from the WRB, PWD Statement 5. **Susan M.**  
9 **Crosby** is the Deputy Revenue Commissioner in charge of the WRB. Testifying with her  
10 is **RaVonne A. Muhammad**, who serves as Assistant to the Director of Finance, Water  
11 Revenue Assistance Division of the City’s Revenue Department.

12  
13 The WRB panel will provide an overview of WRB; discuss the customer assistance  
14 programs administered by WRB, including payment agreements and special rates  
15 available to eligible customers under the Tiered Assistance Program (“TAP”) and Senior  
16 Citizen Discount; and survey billing, collection and restoration of service activities.

17  
18 Raftelis Financial Consultants Panel

19 The Department is presenting a panel from Raftelis Financial Consultants (“RFC”), in  
20 PWD Statement 6, who will provide background on the City’s TAP and recent program  
21 enhancements. They will also describe reporting RFC performs in support of cost of  
22 service development for the Rate Case. The members of RFC team who are providing  
23 testimony are **Jon Pilkenton Davis**, **Henrietta Locklear** and **Jennifer (Fitts) Tavantzis**.

1       Black & Veatch Panel

2       The Department is also presenting a panel from Black & Veatch Management  
3       Consulting, LLC (“Black & Veatch” or “B&V”) in PWD Statement 7A and PWD  
4       Statement 7B. The members of the Black & Veatch team providing testimony are **Ann**  
5       **Bui, Dave Jagt** and **Brian Merritt**.

6  
7       The Black & Veatch panel prepared and sponsors the Department’s cost of service study,  
8       as part of PWD Statement 7A. This study is contained in Schedule BV-5. As part of  
9       PWD Statement 7A, this panel also outlines the miscellaneous fee updates, discusses the  
10      proposed adjustment to the senior citizen income threshold, and provides updates to the  
11      TAP Rate Rider. In PWD Statement 7B, this panel describes the proposed updates to the  
12      Department’s TAP Rate Rider.

13  
14      Economic Panel

15      There is also a panel from H. Gil Peach & Associates (“HGP”), PWD Statement 8. The  
16      members of the HGP team providing testimony are **H. Gill Peach, Mark Thompson,**  
17      and **Yvonne Whitelaw**. The economic panel will explain the economic benefits of the  
18      Department’s capital program in the City and the region.

19  
20      **Q14. HAS THE DEPARTMENT EVALUATED THE IMPACT OF ITS PROPOSED**  
21      **RATE INCREASE ON AVERAGE CUSTOMER BILLS GENERALLY?**

22      A14. Yes. The details of the requested increase are being provided in PWD Exhibit 2 and by  
23      Ms. La Buda (PWD Statement 2). PWD Exhibit 2 and Ms. La Buda’s testimony presents  
24      the Department’s evaluation of the impact of its proposed rate increase on the average  
25      monthly bill of residential and commercial industrial customers.

1  
2 **Q15. SHOULD THE DEPARTMENT BE SEEKING RATE INCREASE WHEN ITS**  
3 **CUSTOMERS ARE EXPERIENCING ECONOMIC DISTRESS DUE TO COVID-**  
4 **19?**

5 A15. The Department needs to continue to provide the critical core services that are our  
6 mission. This means that we need to keep clean water flowing not only during but also  
7 beyond the COVID-19 pandemic.

8  
9 The major objective to be accomplished with the Department's request for rate relief is to  
10 continue to provide safe, high quality drinking water and wastewater services without any  
11 major service interruptions or system failures. However, as explained by the  
12 Department's other witnesses, current base rates are insufficient to support its current and  
13 planned operations. The Department must have additional revenues to meet operating and  
14 maintenance requirements, pay workforce costs, and maintain critical financial metrics.  
15 Moreover, as explained by Department witness Melissa LaBuda in PWD Statement 2, an  
16 improved financial outlook will help the Department constrain borrowing costs and keep  
17 the costs of long-term debt to a minimum.

18  
19 Waiting for the economy to fully recover (or to fully adapt to the impacts of the  
20 pandemic) will harm the Department's financial condition, as fully explained by PWD  
21 Statement 2. The Department requires rate relief now, so it can maintain current levels of  
22 service and support needed capital improvements (e.g., major upgrades to water and  
23 wastewater treatment plants, water main and sewer replacement as well as major  
24 maintenance activities). All of this is explained in greater detail by PWD Statement 2 and  
25 the other direct testimony proffered on behalf of the Department.

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We understand that residents and businesses in the City are being hard hit economically as the result of the COVID-19 pandemic. The Department has programs in place to assist low income customers and is willing to work with all of its customers who are behind on payment of their water and wastewater bills, as explained by the WRB panel in PWD Statement 5.

**V. CONCLUSION**

**Q16. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

A16. Yes.

## **RANDY E. HAYMAN, ESQ.**

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### **EXPERIENCE**

**PHILADELPHIA WATER DEPARTMENT**

**Commissioner**

Serve as Commissioner for the Philadelphia Water Department. The Philadelphia Water Department plans for, operates, and maintains the infrastructure and the organization necessary to: 1) deliver high-quality drinking water while providing an adequate and reliable water supply for all household, commercial, and community needs and 2) sustain and enhance the region's watersheds and quality of life by managing wastewater and stormwater effectively and efficiently through a green stormwater infrastructure approach.

**Philadelphia, PA**

**2019-Present**

**BEVERIDGE & DIAMOND, P.C.**

**Partner**

Handled legal matters in the environmental arena with a focus on water and wastewater issues as controlled by federal and state laws including, but not limited to, the Clean Water Act and Safe Drinking Water Act. Other matters included civil litigation matters before state and federal courts, corporate transactional matters, environmental and land use permitting, litigation, regulatory compliance and enforcement defense, and internal investigations.

**Washington, DC**

**2016-2019**

**DC WATER**

**General Counsel**

Served as lead attorney for the District of Columbia Water and Sewer Authority (DC Water). DC Water provides drinking water, wastewater collection and treatment and stormwater management to the nation's capital and the surrounding metropolitan area. Responsibilities as General Counsel included leading a legal team of fifteen, including six attorneys, and providing representation and opinions in all legal matters affecting DC Water.

**Washington, DC**

**2010-2016**

**METROPOLITAN ST. LOUIS SEWER DISTRICT**

**General Counsel**

Served as lead attorney for Metropolitan St. Louis, MO Sewer District which provides wastewater collection, treatment and stormwater management to 1.4 million people in the St. Louis area. Led legal team of eight including six attorneys and two support staff.

**St. Louis, MO**

**2000-2010**

**RIEZMAN BERGER, P.C.**

**Attorney**

Responsible for handling civil litigation matters before state and federal courts. Conducted legal research and prepared memoranda. Drafted pleadings and motions.

**St. Louis, MO**

**2000**

**STINSON, MAG, & FIZZELL, P.C. (STINSON LEONARD STREET, LLP)**

**Attorney**

Participated in all levels of trial advocacy before state and federal courts. Responsible for drafting and answering interrogatories and document production requests. Reviewed selected trial exhibits and designated witness deposition testimony for trial.

**Kansas City, MO**

**1996-2000**

**STATE OF MISSOURI, ATTORNEY GENERAL'S OFFICE**

**Assistant Attorney General (Litigation Division)**

Responsible for providing representation in all levels of trial advocacy before state and federal courts, including civil rights actions under federal law.

**Jefferson City, MO**

**1994-1996**



**NAACP LEGAL DEFENSE AND EDUCATIONAL FUND, INC.**

**Staff Attorney**

Assisted in handling general civil litigation matters including preparation of interrogatories, conducting depositions and drafting of briefs.

**Washington, D.C.**

**1992-1993**

**WILKES, ARTIS, HEDRICK & LANE**

**Attorney**

**Law Clerk**

Responsible for handling civil litigation matters before state and federal courts, including drafting interrogatories and pleadings. Responsibilities included matters involving real estate tax, zoning and municipal law.

**Washington, D.C.**

**1989-1992**

**1988-1989**

**EDUCATION**

**GEORGETOWN UNIVERSITY LAW CENTER**

Washington, D.C.

J.D., 1989

Semi-finalist Moot Court Competition, 1988

**UNIVERSITY OF MICHIGAN**

Ann Arbor, MI

B.A., 1985 Political Science Major

President's Scholarship – 1982-1985

**AWARDS**

WASHINGTON BUSINESS JOURNAL, Legal Champions Award, 2014

WASHINGTON BUSINESS JOURNAL, Minority Business Leader Award, 2014

ST. LOUIS BUSINESS JOURNAL, Most Influential Minority Business Leader Award, 2007

ST. LOUIS BUSINESS JOURNAL "40 Under 40" Awardee, 2002