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 Rates and Charges to Become Effective September 1, 2021 and September 1, 2022**

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SET V

PA-V-1. Please provide the Department's financial statements for FY 2018 through FY 2020 and any interim financial statements for FY2021.

PA-V-2. Refer to Ms. La Buda's testimony beginning at page 3, line 24. Please provide the date on which the Department withdrew the $33 million from cash reserves.

PA-V-3. Refer to attachment PA-ADV-4.xlsx. Please update the "USAGE" tab to reflect January to June 2019 and November and December 2020.

PA-V-4. Refer to attachment PA-ADV-7.xlsx.

a. Please indicate where, in the worksheets, the 8%, 4% and 2% reduction to the Billing Year Collection Factors is demonstrated or calculated.
b. Please update the schedules in the "Summary" tab to reflect data through January 2021 or the most recent month available.

PA-V-5. Refer to the response to PA-ADV-8.

a. Has the Water Department received written direction of the City to transfer excess funds in the Debt Reserve Requirement to the Revenue Fund?
b. Do the excess funds in the Debt Reserve Requirement mean that the excess funds are permanent?
c. Could the excess fund possibly be used for the purpose of reducing the cost of service?

PA-V-6. Refer to Ms. La Buda's testimony beginning at page 4, at lines 4 to 7 and lines 10 to 13. She states that the Department is projecting that it will be required to withdrawal over $41 million from cash reserves to meet obligations and minimum debt service coverage requirements. Please explain how it is possible for the Department to have to withdraw $41 million from cash reserves to meet minimum debt service requirements while projecting it will have to remit excess Debt Reserve Requirement to the City.

PA-V-7. Refer to the response to PA-ADV-9.

a. Why did the Department decide to slow down certain items for Fiscal Year 2022?
b. Specifically identify the items that the Department decided to slow down.

PA-V-8. Refer to the response to PA-ADV-11. The response did not answer what was asked. Please explain whether the capital costs included in the cost of service reflects only **funded** CIP PROJECTS.

PA-V-9. Refer to the response to PA-ADV-12.

a. From your response, is it correct to infer that vehicle purchases in FY 2021 will be higher than normal because of the rollforward of remaining FY 2020 budget appropriations associated with vehicle purchases?
b. From your response, is it correct to infer that capital expenditures in FY 2021 will be higher than normal because of the rollforward of remaining FY 2020 budget appropriations associated with bidding and project-related delays?

PA-V-10. Refer to Schedule BV-6: WP-1 Page 11. Please reconcile the following statements:

- "The Water Department's CIP Budget is not adjusted for inflation."
- "To evaluate CIP program funding, Black & Veatch estimated the expected encumbrances for each fiscal year of the study period, based upon the Water Department's CIP Budget and adjusted to reflect the following… Annual inflation of 3.0% based on industry construction cost indices for FY 2023 to FY 2026 capital program costs (See Appendix H)"

PA-V-11. Refer to Ms. La Buda's testimony at page 5, at lines 4 to 6. She states that the Department is projecting to run operating deficits in FY 2021. Please provide documentation supporting the FY 2021 operating deficits.

PA-V-12. Refer to Ms. La Buda's testimony at page 10, lines 7 to 25. Please confirm that these costs have already been included in the FY 2022 and 2023 budgets.

PA-V-13. According to footnote 3 on page 12 of Ms. La Buda's testimony, the City may receive state or federal grants periodically. Has the Department explored the possibility that there may be such funds available to the Department under the various COVID-19 relief legislation? If yes, please provide an explanation of the Department's efforts to obtain the available funding. If no, please explain why the Department has not explored the possibility of the funding.

PA-V-14. Refer to Ms. La Buda's testimony at page 14, at lines 1 to 3. Ms. La Buda states the Department may submit other applications to Pennvest to obtain low-cost loans or grants in FY 2021 and in the Rate Period. Please provide the details of this transaction.

a. What is the value of the loans and the terms (length, interest rate, transaction costs, etc.) of the loan?
b. What existing debt does the Department intend to replace?
c. When is the transaction expected to occur?
d. Please show how the costs and savings have been reflected in the cost of service.

PA-V-15. With reference to the Commercial Paper Program discussed in Ms. La Buda's testimony, please fully explain how commercial paper differs from the debt financing currently used by the Department.

a. Specifically, explain what costs are avoided and whether it would result in lower interest rates.
b. Please explain what is meant by the "program will also benefit the Water Fund, since the cash therein will not be needed to manage expenses related to these loans".
c. Has the Department reflected any costs and/or benefits of the Commercial Paper Program in the cost of service? If so, please specifically show what has been reflected in the cost of service.

PA-V-16. Refer to Ms. La Buda's testimony at page 33, lines 12 to 13. She states "[t]he Department began preparation of its operating budget for FY 2021 in September 2020." Please explain how this can be given that FY 2021 began in July 2020, and the Mayor presented the FY 2021-2025 Five-Year Financial Plan to the City Council on March 5, 2020.

PA-V-17. In the Department's 2018 general rate proceeding, Ms. La Buda explained that a change in City-wide budgeting and accounting policies shifted certain expenditures from the Capital Fund to the Operating Fund. If the change occurred as far back as 2018, why is it still necessary to adjust the cost of service? Shouldn't this change in accounting policy already be reflected in the budget for FY 2022 and beyond? Please fully explain.