

BEFORE THE
PHILADELPHIA WATER, SEWER AND STORM WATER RATE BOARD

In the Matter of the Philadelphia Water Department's 2022 Special Rate Proceeding	Fiscal Year 2023
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**PHILADELPHIA WATER DEPARTMENT'S
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS
TO THE PUBLIC ADVOCATE, SET I**

The Philadelphia Water Department ("Department" or "PWD") requests that the Public Advocate provide full and complete answers to the following interrogatories and request for production of documents upon the undersigned.

Interrogatories and Requests for Production to the Public Advocate

For Public Advocate Witness, Lafayette K. Morgan, Jr.:

1. Please confirm or deny whether you agree with the terms of the Stipulation entered into between the Advocate and PWD (dated April 5, 2022).

Response:

2. Is your testimony to be reconciled or read as consistent with the Stipulation?

Response:

3. Based on the following statements from your testimony:

Related to that is the argument that no minimum threshold was established for the RSF in the Settlement or the 2021 Rate Determination. (page 6, lines 12-13).

Both the Public Advocate and PWD acknowledge that a minimum threshold was not defined in the 2021 Rate Determination. (page 14, lines 7-8).

Please confirm or deny whether the minimum threshold for the RSF is an issue to be litigated in this 2022 Special Rate Proceeding.

Response:

4. Is the term the “minimum threshold” defined in 2021 Settlement? If so, please state the definition and its location in the 2021 Settlement.

Response:

5. Would using a “minimum threshold” of zero conflict with or violate any provision in the 2021 Settlement, the 2021 Rate Determination, Rate

Board Regulations, the Rate Ordinance, the City Charter? If so, please explain the conflict or violation.

Response:

6. Would using a “minimum threshold” of \$120 million conflict with or violate any provision in the 2021 Settlement, the 2021 Rate Determination, Rate Board Regulations, the Rate Ordinance, the City Charter? If so, please explain the conflict or violation.

Response:

7. Would using a “minimum threshold” of \$135 million conflict with or violate any provision in the 2021 Settlement, the 2021 Rate Determination, Rate Board Regulations, the Rate Ordinance, the City Charter? If so, please explain the conflict or violation.

Response:

8. Would using a “minimum threshold” of \$150 million conflict with or violate any provision in the 2021 Settlement, the 2021 Rate Determination, Rate Board Regulations, the Rate Ordinance, the City Charter? If so, please explain the conflict or violation.

Response:

9. With reference to PA Statement 1 at 19-20: Please explain how your recommendations are consistent with the Stipulation negotiated between PWD and the Advocate with regard to the calculation of the FY 2021 Financial Performance Adjustment.

Response:

10. Based on the “Actual FY 2021” data presented on pages 9 and 12 of your testimony and the 2021 data presented in Exhibit LKM-1:

(A) Confirm or Deny that the “Actual FY 2021” data for Operating Revenues: Water Service – Existing Rates and Operating Revenues: Wastewater Service – Existing Rates presented on pages 9 and 12 of your

testimony reflect the calculated FY 2021 revenues based on the FY 2020 water and wastewater rate schedules (effective during FY 2021), actual FY 2021 billing statistics (accounts, billed volumes, billable parcels, and billable IA and GA), and the FY 2021 collection factors as provided in the B&V model supporting BV-4.

(B) Confirm or deny that the “Actual FY 2021” data for Operating Revenues: Total Service Revenue – Existing Rates presented on pages 9 and 12 or your testimony (\$714,888) is greater than the FY 2021 Operating Revenues: Total Service Revenue – Existing Rates (\$705,612) presented in LKM-1.

(C) Confirm or deny that the 2021 data presented in LKM-1 is consistent with the 2021 data provided in the Simple Model for the 2022 Rate Reconciliation Proceeding provided to the special rate proceeding participants by the Hearing Officer on March 22, 2022.

(D) Confirm or deny that the 2021 data for Total Revenue (\$730,451) presented on Line 16 of LKM-1 and the Simple Model for the 2022 Rate Reconciliation Proceeding is consistent with Schedule ML-2 and interrogatory response PA-I-13.

Response:

11. Based on the following statement on page 17 (lines 8-11) of your testimony:

“The model utilized to produce Schedule BV-4 does not use PWD’s FY 2021 financial results as supplied in response to PA-I-13. Accordingly, PWD’s consultants have used a starting point for projections that is inconsistent with PWD’s FY 2021 financial results.”

Why do you present the referenced data from the model as “Actual FY 2021” data on pages 9 and 12 of your testimony?

Response:

12. With reference to PA Statement 1 at 9 (Table): Please identify source information, provide work papers and an explanation as to how the information in this table was compiled.

Response:

13. With reference to PA Statement 1 at 12 (Table): Please identify source information, provide work papers and an explanation as to how the information in this table was compiled.

Response:

14. With reference to PA Statement 1 at 13 (line 10): Please confirm the date when Hurricane Ida occurred.

Response:

15. With reference to PA Statement 1 at 15 (lines 8-10): Please confirm or deny that the 2021 Rate Determination (dated June 16, 2021) approved a “black box” Settlement of the 2021 general rate case (“2021 Settlement”).

Response:

16. If Question 15 is answered in the affirmative, please define what a black box settlement represents.

Response:

17. Are projections of specific revenue requirements approved in a black box settlement?

Response:

18. With reference to PA Statement 1 at 12 (Table): In the context of the 2021 Settlement, were specific projections approved by the Rate Board as represented in the Table (under heading “Rate Order Projections 2021”)?

Response:

19. With reference to PA Statement 1 at 13 (line 5): You indicate that PWD “over performed” in FY 2021. Please describe financial over performance as you mean it in your testimony.

Response:

20. With reference to PA Statement 1 at 13 (line 5): Please explain how PWD financial over performance in FY 2021 is to be measured under the terms and conditions of the 2021 Settlement.

Response:

21. With reference to PA Statement 1 at 13 (line 10): Please explain why the \$13.217 million Construction Fund transfer was made in FY 2021.

Response:

22. With reference to PA Statement 1 at 15 (line 1): Please explain your statement that the RSF “balance of concern is \$120 million, not \$135 million.”

Response:

23. With reference to PA Statement 1 at 18-19: Please confirm or deny that savings related to lower pension fund contributions as identified during the 2021 rate proceeding are reflected in the following:

- (A) The 2021 Settlement; and/or
- (B) Schedule BV-4.

Response:

24. If Question 23 is answered in the negative for either (A) and/or (B), please explain the basis for your conclusion that savings related to PWD pension fund contributions are not included in projections for FY 2022 and 2023.

Response:

25. With reference to PA Statement 1 at 19-20: Please confirm or deny that the funds in the Residual Fund balance can be utilized for purposes of debt service coverage.

Response:

26. If your response to Question 25 is in the affirmative, please explain how your proposed adjustment (\$1.24 million reduction) would theoretically affect debt service coverage and the rate stabilization fund balance in FY 2021.

Response:

27. With reference to PA Statement 1 at 18-19: Please explain why the Residual Fund adjustment is not subject to the 50/50 split proposed for the other component of your FY 2021 Financial Performance Adjustment.

Response:

28. With reference to PA Statement 1 at 18-19: Please explain how the adjustment based on the Residual Fund balance is consistent with the 2021 Settlement terms and conditions.

Response:

29. With reference to the following statement on page 4 (lines 21-23) of your testimony:

“When combined, the Settlement resulted in an authorization of \$57.521 million increase in PWD’s rates over the two-year rate period...”

Please provide the basis of the \$57.521 million PWD rate revenue increase over the two-year rate period.

Response:

30. With reference to the following statement on page 8 (lines 3-9) of your testimony:

“The Department argued that if my recommendation were [accepted], it would force the Department to make operational cuts that will reduce customer service levels; it would delay necessary capital improvements that will result in higher incurred costs; and it would jeopardize the Department’s financial condition. Ultimately, the Department was granted only \$10.4 million, or 21 percent of its request for FY 2022. Yet, as shown below, the Department has outperformed the metrics that are used to determine the adequacy of its rates.”

(A) Verify that both your recommendation and the \$10.4 million granted revenue increase referenced in this statement relate to FY 2022.

(B) How would the referenced recommendation or granted revenue increase for FY 2022 impact the Department's outperformance in FY 2021.

Response:

31. With reference to the following statement on page 16 (lines 18-20) of your testimony:

“Black & Veatch assumes some outperformance in service revenues (just under 3% outperformance in revenues under existing rates in FY 2022 and FY 2023)...”

(A) Verify or deny that “just under 3%” outperformance in service revenues is based on a comparison of the revenues under existing (FY 2022) rates presented in BV-4 (Line 3 of Table C-1) and revenues under existing (FY 2021) rates presented in the Settlement (Line 3 of Table C-1).

(B) If your response to part A is denied, please provide the calculations supporting the “just under 3%” outperformance.

Response:

32. With reference to the following statement on page 16 (lines 21-22) of your testimony regarding the revenue projections presented in Schedule BV-4:

“Black & Veatch estimates PWD’s FY 2022 revenues to be lower than FY 2021’s actual results...”

Verify or deny that the FY 2022 Total Service Revenue - Existing Rates (Line 3 of Table C-1) presented in BV-4 is \$8.8 million greater than Total Service Revenue - Existing Rates as presented in LKM-1 for FY 2021 (line 3).

Response:

Respectfully submitted,

/s/ Andre C. Dasent

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