

PHILADELPHIA WATER DEPARTMENT  
STATEMENT 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 2024 - 2025 |
|--|--------------------------|

**Direct Testimony**

**of**

**Randy E. Hayman**

**on behalf of**

**The Philadelphia Water Department**

Dated: January 2023

## TABLE OF CONTENTS

|      |  |    |
|------|--|----|
| I.   | INTRODUCTION AND PURPOSE OF TESTIMONY .....                      | 1  |
| II.  | OVERVIEW OF THE DEPARTMENT .....                                 | 2  |
| III. | OVERVIEW OF WATER AND WASTEWATER SYSTEMS .....                   | 3  |
| IV.  | OVERVIEW OF THE RATE FILING AND THE DEPARTMENT’S WITNESSES ..... | 6  |
| V.   | CONCLUSION.....  | 12 |

1                   **I.       INTRODUCTION AND PURPOSE OF TESTIMONY**

2  
3 **Q1.   PLEASE STATE YOUR NAME AND POSITION WITH THE PHILADELPHIA**  
4 **WATER DEPARTMENT.**

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

7  
8 **Q2.   HOW LONG HAVE YOU BEEN THE COMMISSIONER?**

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

10  
11 **Q3.   WHAT ARE YOUR JOB RESPONSIBILITIES?**

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

13  
14 **Q4.   PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**  
15 **RELEVANT WORK EXPERIENCE.**

16 A4.   I earned my undergraduate degree from the University of Michigan and my law degree  
17 from Georgetown University. Before being appointed Commissioner, I served as an  
18 Assistant Attorney General for the State of Missouri. In addition, I worked in private law  
19 firms, most recently as a partner at the environmental law firm of Beveridge & Diamond  
20 in Washington, D.C. Previously, I served for fifteen years as General Counsel of the  
21 District of Columbia Water and Sewer Authority and the Metropolitan St. Louis Sewer  
22 District. My resume provides a more detailed description of my education and work  
23 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 describe the Department's Water and Wastewater Systems. Lastly, I introduce  
4 each witness that will present testimony on behalf of the Department to support this rate  
5 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 (i) plan for, operate, and maintain both the  
2 infrastructure and organization necessary to purvey high quality drinking water; (ii)  
3 provide an adequate and reliable water supply to meet all household, commercial and  
4 community needs; and, (iii) sustain and enhance the region's watersheds and quality of  
5 life 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 This includes creating bills and collecting payments for the Department.

13  
14 **III. OVERVIEW OF WATER AND WASTEWATER SYSTEMS**

15  
16 **Q9. PLEASE BRIEFLY DESCRIBE THE WATER SYSTEM.**

17 A9. The Department's water service area is 130 square miles. The most recent U.S Census  
18 data shows we serve an estimated 1.58 million people. The City obtains approximately  
19 58% of its water from the Delaware River with the rest sourced from the Schuylkill  
20 River. PWD does not treat groundwater sources for drinking water.

21  
22 Our dedicated professionals operate three drinking water facilities, which treat an average  
23 of more than 300 million gallons of water per day, ensuring residents and businesses have  
24 reliable access to clean, safe drinking water.

1 The Samuel S. Baxter Plant is on the Delaware River. The Belmont and Queen Lane  
2 plants are on the Schuylkill River.

3  
4 As Partnership for Safe Water members, our combined maximum source water  
5 withdrawal capacity from the two rivers that supply these plants is 680 MGD. That  
6 source water capacity enables PWD to draw more water from either source if conditions  
7 limit our ability to withdraw from one of the rivers. The storage capacity for treated and  
8 untreated water in the combined plant and distribution system totals 950 million gallons.

9  
10 PWD Statement 4 have more information on the water system and the applicable  
11 regulatory requirements.

12  
13 **Q10. PLEASE DESCRIBE THE WASTEWATER SYSTEM.**

14 A10. The PWD wastewater system consists of three Water Pollution Control Plants, 20  
15 pumping stations (17 wastewater and 3 stormwater), approximately 3,727 miles of  
16 sewers, and a privately managed centralized biosolids handling facility. The three Water  
17 Pollution Control Plants have a combined average design capacity of 522 million gallons  
18 per day, and a peak capacity of over 1 billion gallons.

19  
20 The wastewater system has effectively and significantly improved the water quality of the  
21 Delaware River watershed, thereby fostering both public and private development of the  
22 riverfront for commercial, residential, and recreational use.

23  
24 Stormwater needs to be managed or, due to increasing storm volumes, it can result in  
25 combined sewer overflows into our streams and basement flooding problems. There are

1 also increasing federal and state regulations that mandate the proper management of  
2 stormwater. All of these factors lead to increases in the Department's stormwater  
3 management costs.

4  
5 PWD Statements 3 and 4 have more information on the wastewater system, which  
6 includes stormwater management, and on the applicable regulatory requirements for both  
7 wastewater and stormwater.

8  
9 **Q11. IN MANAGING THE OPERATION AND MAINTENANCE OF WATER AND**  
10 **WASTEWATER INFRASTRUCTURE AND PLANNING NEW PROJECTS, IS**  
11 **THE DEPARTMENT TAKING STEPS TO PREPARE FOR FUTURE WEATHER**  
12 **CONDITIONS?**

13 A11. Yes. The Department has a full-time Climate Change and Adaptation Program that is  
14 looking at ways to protect our rivers and infrastructure as well as reduce our own fossil  
15 fuel use, helping to ensure the long-term resilience of our investments.

16  
17 Our adaptation approach starts with using the best-available climate science and  
18 modeling techniques to assess our near and long-term vulnerabilities and risks from  
19 climate change, including rising sea levels, increasing precipitation, and higher air  
20 temperatures

21  
22 PWD's Climate Change Adaptation Program is comprised of four broad steps:

- 23 1) Vulnerability Survey  
24 2) Technical Risk Assessment  
25 3) Adaptation Strategy Development, and

1                   4) Adaptation Strategy Implementation  
2

3                   We think about this in terms of how our existing assets can be adapted to climate change  
4                   impacts and how new assets can be planned and designed to ensure long-term resilience.  
5

6                   It is now official PWD policy that the information contained in our Climate-Resilience  
7                   Planning and Design Guidance document must be used in the planning, design, and  
8                   construction of all PWD projects, including the renewal and replacement of existing  
9                   assets and the construction of new assets.  
10

11                  More information can be found at <https://water.phila.gov/sustainability/climate-change/>.  
12

13 **IV.        OVERVIEW OF THE RATE FILING AND THE DEPARTMENT’S WITNESSES**  
14

15 **Q12.   PLEASE PROVIDE AN OVERVIEW OF THE RATE FILING.**

16 A12.   The instant rate filing provides supporting documentation (including financial accounting  
17           and engineering data) and testimony to the Board with regard to: establishing revenue  
18           requirements necessary to meet the System’s immediate and long-term operating and  
19           capital needs, maintaining the utility’s financial stability (with reliance upon the Financial  
20           Plan), and providing a fair allocation of costs among customer groups based upon cost of  
21           service principles.  
22

23                  A summary fact sheet is included as PWD Exhibit 2. The Department is requesting  
24                  annual revenue increases to generate approximately \$80.412 million in additional  
25                  revenues in FY 2024 and an additional \$62.977 million in additional revenues in FY



1 2025 with proposed effective dates of September 1, 2023 and September 1, 2024,  
2 respectively.

3  
4 **Q13. PLEASE INTRODUCE THE OTHER WITNESSES PROVIDING DIRECT**  
5 **TESTIMONY ON BEHALF OF THE DEPARTMENT.**

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

8  
9 Financial Panel

10 The core of the financial panel, PWD Statement 2A, consists of **Lawrence Yangalay**,  
11 **Lawrence Rich** and **Patricia Rogalski**. Mr. Yangalay is the Department's Acting  
12 Deputy Commissioner of Finance; Mr. Rich is Utility Financial Services Manager; and  
13 Ms. Rogalski is Fiscal Analyst Manager. The panel's testimony addresses the  
14 Department's budgeting process; operating revenues and expenses; and compliance with  
15 the financial requirements in the Charter and Rate Ordinance. The panel sponsors the  
16 Department's Financial Plan (Schedule FP-1). Among other things, this panel provides a  
17 comprehensive overview of the financial condition of the Department, describes the  
18 reasons the Department is requesting rate relief and describes the applicable ratemaking  
19 and financial requirements.

20  
21 Mr. Yangalay is the lead witness for the financial panel. Mr. Yangalay, Mr. Rich and Ms.  
22 Rogalski will be joined, at the technical hearings, by **Valarie J. Allen** of the law firm  
23 Ballard Spahr who is the City's Bond Counsel and who prepared Schedule FP-2. The  
24 financial panel will also be joined by the Department's financial advisors: **Peter Nissen**,  
25 the Managing Director of Acacia Financial Group, Inc. and **Charles Matthews**, a

1 Director, of PFM Financial Advisors, LLC. The financial advisors provide additional  
2 support for the Department's Financial Plan, related policies and financial metrics as  
3 stated in PWD Statement 2A and Schedule FA-1.

4  
5 Capital Panel

6 The capital panel, PWD Statement 3, consists of **Stephen J. Furtek, Trisha Grace**  
7 **Vahe Hovsepian** and **William Dobbins**. Mr. Furtek is the Department's General  
8 Manager of the Engineering and Construction Division. Ms. Grace is the Projects Control  
9 Manager for the Department's Capital Program. Mr. Hovsepian is Water Engineering  
10 Assistant Manager, Projects Control. Mr. Dobbins is Manager, Facilities and Water &  
11 Sewer Sections, in the Design Branch.

12  
13 The capital panel addresses capital expenditures and capital planning in connection with  
14 plant upgrades, main/sewer replacement and other major infrastructure improvements.

15  
16 Operations Panel

17 The operations panel, PWD Statement 4, consists of **Benjamin Jewell, Brendan Reilly,**  
18 **Linda Kramer and Stephen Junod**. Mr. Jewell is Deputy Commissioner of Operations  
19 for the Department. Mr. Reilly is the Department's Director of Water Operations. Ms.  
20 Kramer is the Manager of Water Treatment for the Department. Mr. Junod is the  
21 Department's Water Operations Administration Manager.

22  
23 The operations panel will, among other things, discuss current and future challenges  
24 facing the Water and Wastewater Systems.

1        WRB Panel

2        The WRB testimony, PWD Statement 5 is presented by **Susan M. Crosby**. Ms. Crosby is  
3        the Deputy Revenue Commissioner in charge of the WRB.

4  
5        Ms. Crosby will provide an overview of WRB; discuss the customer assistance programs  
6        administered by WRB, including payment agreements and special rates available to  
7        eligible customers under the Tiered Assistance Program (“TAP”) and Senior Citizen  
8        Discount; and billing and collection activities.

9  
10       Raftelis Financial Consultants Panel

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

16  
17       Black & Veatch Panel

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

22  
23       The Black & Veatch panel prepared and sponsors the Department’s cost of service study,  
24       as part of PWD Statement 7. This study is contained in Schedule BV-2. As part of PWD  
25       Statement 7, this panel also outlines the miscellaneous fee updates, discusses the

1 proposed adjustment to the senior citizen income threshold, and provides updates to the  
2 TAP Rate Rider.

3  
4 Communications and Engagement Panel

5 The Department is also presenting testimony of our Public Affairs division in PWD  
6 Statement 8. **Glen Abrams**, Deputy Commissioner of Communications and Engagement  
7 will, together with **Laura Copeland** and **Paul Fugazzotto**, provide testimony in this  
8 area. This panel will address PWD outreach regarding customer assistance programs,  
9 federal grant programs as well as other activities.

10  
11 **Q14. HAS THE DEPARTMENT EVALUATED THE IMPACT OF ITS PROPOSED**  
12 **RATE INCREASE ON AVERAGE CUSTOMER BILLS GENERALLY?**

13 A14. Yes. PWD Exhibit 2 presents the Department's evaluation of the consolidated impact of  
14 its proposed rate requests on the typical monthly bill of residential and small commercial  
15 customers.

16  
17 The details of the request regarding general base rates are explained by the financial  
18 panel in PWD Statement 2A and by Black & Veatch in PWD Statement 7. The proposed  
19 increase in general rates is further supported by the other direct testimony being  
20 submitted on behalf of the Department.

21  
22 In addition to setting general rates, the Department is separately filing its annual TAP-R  
23 reconciliation. The proposed changes in the TAP-R charge are supported by that separate  
24 filing.

1 **Q15. PLEASE GENERALLY DESCRIBE THE REASONS RATE RELIEF IS NEEDED**  
2 **AT THIS TIME.**

3 A15. The Department needs to continue to provide the critical core services that are our  
4 mission. The major objective to be accomplished with the Department's request for rate  
5 relief is to continue to provide safe, high quality drinking water and wastewater services  
6 without any major service interruptions or system failures. However, as explained by the  
7 Department's other witnesses, current base rates are insufficient to support its current and  
8 planned operations.

9  
10 The Department needs rate relief in order to maintain current levels of service, support  
11 capital improvements, and ensure the stability of the utility. In the next two years, rising  
12 costs in labor, chemicals, materials, equipment, services and capital costs will together  
13 drive PWD increasing revenue needs in FY 2024 and FY 2025. Moreover, as explained  
14 in PWD Statement 2A and 2B, an improved financial outlook will help the Department  
15 constrain borrowing costs and keep the costs of long-term debt to a minimum.

16  
17 The Department understands that residents and businesses in the City are being hard hit  
18 economically by rising prices on everything. As explained in other testimony being  
19 proffered, the Department has programs in place to assist low income customers and is  
20 willing to work with all of its customers who are behind on payment of their water and  
21 wastewater bills, *see*, PWD Statement 5. The Department also has undertaken and  
22 continues to provide extensive outreach to make its assistance programs and other grant  
23 programs known to our customers, as explained in PWD Statement 8.

V. CONCLUSION

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**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