

**SUPPLEMENTAL RESPONSE TO
PUBLIC ADVOCATE'S INTERROGATORIES (SET IX)
AND
REQUESTS FOR PRODUCTION OF DOCUMENTS**

Dated: March 2023

1 **PA-IX-9.** REFERENCE PWD_FINPLAN23_24_VER1.XLSM, “ASSUMPTION#S” TAB,
2 WATER WHOLESale.

3 A. PLEASE EXPLAIN WHY THE USAGE REMAINS UNCHANGED FROM
4 YEAR-TO-YEAR.

5 B. PLEASE EXPLAIN THE NATURE OF THE MANAGEMENT FEE RATE
6 OF 10% AND IDENTIFY THE ANNUAL AMOUNT AND EXPLAIN
7 HOW IT IS REFLECTED IN THE COST OF SERVICE.

8
9 **RESPONSE:**

10 A. As noted in Schedule BV-2 on Page 1-12, the wholesale water usage is based upon the
11 3-year historical average usage for Aqua. Note that FY 2022 usage was higher than
12 recent years due to Hurricane Ida’s impact on Aqua’s water treatment plant.

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14 B. Per the wholesale contract agreement with Aqua, the Water Department charges a 10%
15 management fee based upon their overall annual billed water usage and lump sum
16 payment. It is common practice for wholesale providers to charge customers a
17 management (or similar) fee, in part to offset administrative costs of providing service
18 to an outside City customer. The management fee is included in the projected revenues
19 under existing rates included in Line 15 of Table 3-7 on Page 3-8 of Schedule BV-2.
20 Note that this is also reflected in the model provided to the Public Advocate,
21 FINPLAN23_24, Customer-9 and PWD Exhibit-6 page 123.

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23 For test year retail cost of service purposes, the management fee is accounted for in the
24 test year Inside City rate of return analysis presented in PWD Exhibit 6 page 877. Note
25 that this is also reflected in the model provided to the Public Advocate, WCOS23_24,
26 Retcos-2.

1 This is consistent with the cost of service studies provided to support prior rate
2 proceedings.

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4 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.
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