

**RESPONSE TO**  
**PUBLIC ADVOCATE'S INTERROGATORIES (SET IX)**  
**AND**  
**REQUESTS FOR PRODUCTION OF DOCUMENTS**  
**QUESTIONS 1-12**

**Dated: March 2023**

1 **PA-IX-1.** REFERENCE SCHEDULE BV-1, TABLE C-7. PLEASE UPDATE THIS  
2 SCHEDULE TO REFLECT THE ACTUAL VALUES FOR FY 2020 THROUGH  
3 2022.

4  
5 **RESPONSE:**

6 See response attachment PA-IX-1.

7  
8 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.

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1 **PA-IX-2.** REFERENCE SCHEDULE BV-1, TABLE C-7. DOES THE PROJECT  
2 EXPENSES, PRESENTED ON LINE 17, REPRESENT THE EXPECTED  
3 ACTUAL EXPENDITURES RELATED TO THE CAPITAL IMPROVEMENT  
4 PROGRAM PROJECTS? IF NOT, PLEASE EXPLAIN WHAT THE PROJECT  
5 EXPENSES REPRESENT.  
6

7 **RESPONSE:**

8 Correct, the Project Expenses presented on Line 17 represent the expected actual  
9 expenditures related to the capital improvement program projects. Note that the capital  
10 improvement program projects include projects funded from current and prior year budget  
11 appropriations.  
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13 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.  
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**PA-IX-3.** REFERENCE SCHEDULE BV-1, TABLE C-7, FOOTNOTE (B). ACCORDING TO THE FOOTNOTE, (B) THE INFLATION FACTOR OF 4.0 PERCENT PER YEAR WAS APPLIED TO THE YEARS AFTER FY 2024. WITH RESPECT TO THE EFFECTS OF INFLATION, WHAT IS THE VINTAGE YEAR THAT FORM THE BASIS OF THE FY 2023 AND 2024 AMOUNTS?

**RESPONSE:**

Lines 1 to 10 presented as FY 2023 and FY 2024 of Table C-7 represent the approved and requested annual Capital Improvement Program (CIP) budget appropriations for FY 2023 and FY 2024 respectively. As stated in the City’s Capital Improvement Program Budget, the overall amount appropriated by the budget in any fiscal year cannot be increased absent special circumstances.

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

1 **PA-IX-4.** PLEASE RECONCILE THE \$1,411,771,000 CAPITAL BUDGET FOR FY 2024,  
2 AS PRESENTED IN THE CITY OF PHILADELPHIA 6-YEAR CAPITAL  
3 PROGRAM, WITH THE AMOUNT PRESENTED IN SCHEDULE BV-1,  
4 TABLE C-7.

5  
6 **RESPONSE:**

7 Please refer to response attachment PA-IX-4 for the reconciliation the “\$1,411,771 Capital  
8 Budget amount for FY 2024, as presented in the City of Philadelphia 6-Year Capital  
9 Program” with the amount presented in Schedule BV-1 Table C-7.

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

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1 **PA-IX-5.** REFERENCE SCHEDULE BV-1, TABLE C-7, LINES 1 THROUGH 9. PLEASE  
2 IDENTIFY THE LABOR COSTS INCLUDED IN EACH LINE ITEM FOR FY  
3 2024 AND FY 2025.

4  
5 **RESPONSE:**

6 PWD labor costs are only included Line 1 of Table C-7. Any other labor related expenses  
7 for contractor / consultant support associated with the capital improvement projects would  
8 be embedded within the cost of the project.

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10 **RESPONSE PROVIDED BY:** Philadelphia Water Department and Black & Veatch Management  
11 Consulting, LLC.

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1 **PA-IX-6.** PLEASE EXPLAIN THE NATURE OF THE ROLL FORWARD  
2 ADJUSTMENTS ON LINE 13 OF SCHEDULE BV-1, TABLE C-7.  
3

4 **RESPONSE:**

5 Rollforward Adjustments presented in Line 13 of Table C-7 reflect the combined adjustment  
6 of the following components of annual CIP rollforward:

- 7 • Rollforward of unencumbered CIP budget appropriations **from** prior years.
- 8 • Rollforward of unencumbered CIP budget appropriations **to** the subsequent year.

9 These Rollforward adjustments reflect that the annual budget appropriations are not 100%  
10 encumbered in the budgeted fiscal year.  
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12 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.  
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1 **PA-IX-7.** REFERENCE PWD\_FINPLAN23\_24\_VER1.XLSM, "ASSUMPTION#S" TAB.

2 A. PLEASE PROVIDE THE SOURCE DOCUMENT SUPPORTING THE 1%  
3 INTEREST RATE FOR INTEREST INCOME.

4 B. PLEASE PROVIDE THE SOURCE DOCUMENT SUPPORTING THE 1%  
5 INTEREST RATE FOR THE DEBT SERVICE RESERVE INTEREST  
6 INCOME.

7  
8 **RESPONSE:**

9 The percentages for interest income and debt service reserve interest income presented on  
10 Assumptions - 3 (PWD Exhibit 6, page 22) reflect the current projected earned interest rate  
11 assumptions.

12  
13 The 1.0% interest rate is consistent with the assumption for interest income and debt service  
14 reserve interest income interest rates in recent rate proceedings. The annual interest earnings  
15 are adjusted to reflect the market value of investments which in FY 2022 resulted in  
16 negligible interest earnings.

17  
18 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.



1 **PA-IX-8.** REFERENCE PWD\_FINPLAN23\_24\_VER1.XLSM, "ASSUMPTION#S" TAB,  
2 SEWER ONLY BILLED VOLUME. PLEASE PROVIDE THE SEWER ONLY  
3 VOLUME BEFORE THE ADJUSTMENT TO REFLECT THE SHIFT OF  
4 VICINITY TO SEWER ONLY SERVICE.

5  
6 **RESPONSE:**

7 As shown on Assumptions - 11 (PWD Exhibit 6, page 34), prior to the adjustment to reflect  
8 the shift of Vicinity to Sewer Only Service in FY 2024, the sewer only billed volume was  
9 60,516 Mcf based on the historical three-year average for FY 2020 to FY 2022.

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11 Note that this is also reflected in the model provided to the Public Advocate,  
12 FINPLAN2023-2024, Assumption #s worksheet, row 326.

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

13  
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.

22  
23 For test year retail rate design purposes, the management fee is accounted for in the test  
24 year lag factor analysis presented in PWD Exhibit 6 page 905. Note that this is also  
25 reflected in the model provided to the Public Advocate, WCOS23\_24, LagRate-9.

26  
27 This is consistent with the cost of service studies provided to support prior rate  
28 proceedings.

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

1 **PA-IX-10.** WITH REFERENCE TO PWD\_FINPLAN23\_24\_VER1.XLSM,  
2 “ASSUMPTION#S” TAB, SEWER WHOLESALE.

3 A. PLEASE PROVIDE SUPPORTING DOCUMENTATION FOR THE  
4 DECREASE IN THE ANNUAL LUMP SUM FOR ABINGTON.

5 B. PLEASE PROVIDE SUPPORTING DOCUMENTATION FOR THE  
6 INCREASE IN THE ANNUAL LUMP SUM FOR BENSLEM.

7 C. PLEASE PROVIDE SUPPORTING DOCUMENTATION FOR THE  
8 DECREASE IN THE ANNUAL LUMP SUM FOR CHELTENHAM.

9 D. PLEASE PROVIDE SUPPORTING DOCUMENTATION FOR THE  
10 DECREASE IN THE ANNUAL LUMP SUM FOR MORELAND.

11 E. PLEASE PROVIDE SUPPORTING DOCUMENTATION FOR THE  
12 DECREASE IN THE ANNUAL LUMP SUM FOR LOWER SOUTH  
13 HAMPTON.

14 F. PLEASE PROVIDE SUPPORTING DOCUMENTATION FOR THE  
15 DECREASE IN THE ANNUAL LUMP SUM FOR DELCORA.

16 G. PLEASE PROVIDE SUPPORTING DOCUMENTATION FOR THE  
17 DECREASE IN THE ANNUAL LUMP SUM FOR SPRINGFIELD (LESS  
18 WYNDMOOR).

19  
20 **RESPONSE:**

21 The decreases in the annual lump sums for Abington, Cheltenham, Lower Moreland, Lower  
22 Southampton, DELCORA, and Springfield (less Wyndmoor) are due to the revised COA  
23 allocation resulting from the updated H&H Analysis. Please see the response to PA-III-19.

24  
25 The \$500 increase in the annual lump sum for Bensalem is due to reflecting a full year at  
26 the FY 2023 rates.

27  
28 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.

1 **PA-IX-11.** REFERENCE PWD\_FINPLAN23\_24\_VER1.XLSM, “ASSUMPTION#S” TAB,  
2 O&M ESCALATION FACTORS. PLEASE PROVIDE THE SUPPORTING  
3 DOCUMENTATION FOR FY 2024 AND 2025 ESCALATION RATES FOR  
4 EACH OF THE LINE ITEMS.

5  
6 **RESPONSE:**

7 As noted in PWD Statement 7 page 20 Lines 10 to 13, the basis for the O&M Escalation  
8 Factors is provided in PWD Statement 7, Schedule BV-2, Section 1.4.2 and in Schedule  
9 BV-4: WP-1.

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

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1 **PA-IX-12.** REFERENCE PWD\_FINPLAN23\_24\_VER1.XLSM, “ASSUMPTION#S” TAB,  
2 CAPITAL ACCOUNT DEPOSIT.

3 A. PLEASE PROVIDE THE SUPPORTING CALCULATION FOR THE  
4 3.90% ESTIMATED INCREASE IN SYSTEM NET VALUE.

5 B. PLEASE PROVIDE THE SUPPORTING DOCUMENTATION FOR THE  
6 FY 2023 TOTAL SYSTEM NET PLANT INVESTMENT (PRIOR YEAR)  
7 OF 2,338,259,070.

8  
9 **RESPONSE:**

10 A. As stated in PWD Statement 7, Schedule BV-2, Section 1.4.6, the net plant  
11 investment is inflated 3.9% per year based on the average annual increase in net  
12 plant investment from FY 2019 to FY 2022. The following table summarizes the  
13 supporting data provided in the FinPlan Model provided to the Public Advocate on  
14 the “Assumption #s” Tab, row 613, columns AG to AJ.

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Fiscal Year	Net Plant Investment	Annual Increase
2019	2,655,300,000	
2020	2,783,276,000	4.82%
2021	2,917,035,000	4.81%
2022	2,979,881,595	2.15%
Average		3.92%

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23 B. Please refer to PWD’s FY 2022 financial statements. The FY 2023 total system net  
24 plant investment (prior year) is calculated by subtracting the prior year construction  
25 work in progress amount, \$641,622,525, from the prior year total system net plant  
26 investment, \$2,979,881,595.

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$$\$2,979,881,595 - \$641,622,525 = \$2,338,259,070$$

28 This approach is consistent with prior rate proceedings.

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