

RESPONSE TO
PUBLIC ADVOCATE'S INTERROGATORIES (SET X)
AND
REQUESTS FOR PRODUCTION OF DOCUMENTS
QUESTIONS 1-25

Dated: March 2023

1 **PA-X-1.** THE SUPPLEMENTAL RESPONSE TO PA-IV-37 REFERENCES TABLE 4-1
2 OF SCHEDULE BV-2 WHICH IDENTIFIES TOTAL ANNUALIZED
3 REVENUE OF \$352 MILLION. PLEASE PROVIDE A BREAKDOWN OF
4 THOSE REVENUES BY COST OF SERVICE STUDY CLASS.

5
6 **RESPONSE:**

7 The requested information is not included in the cost of service study nor has it been
8 developed for the following reasons:

- 9
- 10 • Table 4-1 is provided to establish the annualized Test Year net revenue requirement
11 for the cost of service analysis purposes, which reflects the proposed increase for 12
12 months. The revenue presented in Table 4-1 does not reflect the level of revenues
13 the Department is projected to receive, as the proposed rates are requested to become
14 effective on September 1. The revenue provided in the response attachment to PA-
15 IV-37 reflects the FY 2024 revenue under the proposed rates as requested.
 - 16 • As noted in the supplemental response to PA-IV-37, since PWD's revenues are
17 collections-based and the estimated FY 2024 revenue reflects collections on billings
18 from FY 2024, FY 2023 and FY 2022 it is not appropriate to compare the projected
19 collections based revenues to the cost of service by class. As the collections based
20 revenue reflects collections of billings which are based on rates established by prior
21 cost of service distributions. Consistent with prior cost of service studies, the retail
22 class based cost of service is compared to the retail billings by customer class prior
23 to the lag factor adjustment. This comparison is provided on pages 887 to 891
24 (WCOS, RATES-3) of PWD Exhibit 6.

25 The model file (Finplan23_24.xlsx) previously provided to the Public Advocate can be
26 utilized to develop the requested information utilizing the revenue under existing rates
27 sections and revising the rates to reflect the proposed rate schedules and the effective
28 months to reflect a full year implantation of the proposed rates.

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RESPONSE PROVIDED BY: Black & Veatch Management Consulting, LLC

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PA-X-2. REFERENCE THE RESPONSE TO PA-IV-11. PLEASE PROVIDE A COMPLETE COPY OF THE PRIOR CAPACITY ANALYSIS IN EXCEL FORMAT. IDENTIFY THE MAXIMUM HOUR TO MAXIMUM DAY RATIO USED FOR EACH CLASS TO DEVELOP THE MAXIMUM HOUR FACTOR.

RESPONSE:

Please see response attachment PA-X-2. Note that this attachment was previously provided during the 2021 Rate Proceeding in response to discovery question PA-XIV-1 and 2018 Rate Proceeding in response to discovery question PA-VIII-7.

RESPONSE PROVIDED BY: Black & Veatch Management Consulting, LLC

1 **PA-X-3.** REFERENCE THE RESPONSE TO PA-VIII-20, SCHEDULE BV-2, SECTION
2 4.5.1. PLEASE EXPLAIN WHY THE MAX DAY FACTOR IS BASED ON
3 FACTOR OF 1.39, WHILE THE MAX HOUR FACTOR IS BASED ON A MAX
4 DAY FACTOR OF 1.30.

5
6 **RESPONSE:**

7 Different Base/Maximum Day Extra Capacity/Maximum Hour Extra allocation
8 percentages were used to allocate the costs associated with the raw water pumping and
9 treatment and pumping functional cost centers as a reflection of the operating
10 characteristics of the facilities associated with each functional cost center. The allocation
11 factors for the raw water pumping facilities are based on the flow data of the raw water
12 pumping facilities. The allocation factors for the treatment and pumping facilities are
13 based on the flow data of the treatment and pumping facilities.

14
15 Note that the Base/Maximum Day Extra Capacity/Maximum Hour Extra allocation
16 methodology used to allocate the costs associated with the raw water pumping and
17 treatment and pumping functional cost centers are consistent with prior cost of service
18 studies.

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20 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC
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1 **PA-X-4.** PLEASE EXPLAIN HOW PWD HAS COMPLIED WITH GOVERNMENTAL
2 ACCOUNTING STANDARDS BOARD (“GASB”) 89 REGARDING THE
3 EXCLUSION OF ALLOWANCE FOR FUNDS USED DURING
4 CONSTRUCTION (“AFUDC”) FROM THE CAPITAL BUDGET
5 EXPENDITURES THAT HAVE BEEN INCLUDED IN THE COST OF
6 SERVICE IN THIS PROCEEDING. IN YOUR RESPONSE, PLEASE SHOW
7 EXACTLY WHERE IN THE COST OF SERVICE, THE AFUDC HAS BEEN
8 INCLUDED.

9
10 **RESPONSE:**

11 This response assumes that “the capital budget expenditures” referenced by this question
12 are the projected annual spending reflected in Line 19 of Table C-8 of Schedule BV-1 and
13 Table 2-8 of Schedule BV-2.

14
15 The “capital budget expenditures” included in the cost of service study reflect the drawdown
16 of the Department’s capital program encumbrances (contracts supporting the Department’s
17 capital program) and do not include AFUDC.

18
19 The FY 2022 financial statements indicates that the adoption of GASB 89 did not have a
20 material impact on the financial statements.

21
22 **RESPONSE PROVIDED BY:** Philadelphia Water Department and Black & Veatch
23 Management Consulting, LLC

- 1 **PA-X-5.** PLEASE REFERENCE THE COST OF SERVICE MODEL COMPUTER
2 MODEL WORKBOOK FILE, FINPLAN23_24_VER1.XLSM, “ASSUMPTION
3 #S” TAB. PLEASE PROVIDE UPDATES TO THE FOLLOWING VALUES
4 WHICH CONTAINED NOTES IN THE SPREADSHEET INDICATING THEY
5 RELIED ON OLDER DATA. FOR EACH, PLEASE STATE THE NEW TIME
6 PERIOD BASIS OF THE DATA, OR IF AN UPDATE IS NOT AVAILABLE,
7 PLEASE CLARIFY WHY NOT.
- 8 A. CONSTRUCTION FUND BEGINNING BALANCE (COMBINED): CELL
9 D1546
 - 10 B. RATE STABILIZATION FUND BEGINNING BALANCE (COMBINED):
11 CELL D1532
 - 12 C. REVENUE BEGINNING BALANCE (COMBINED): CELL D1539
 - 13 D. RESIDUAL FUND BEGINNING BALANCE (COMBINED): CELL D1540
 - 14 E. ISSUANCE COSTS: CELL C1866

15
16 **RESPONSE:**

17 As noted in the *Schedule BV-2: Water and Wastewater Cost of Service Report*, items A
18 through D, the values referenced in the above question are based upon the FY 2022
19 preliminary final year end balances, which serve as the FY 2023 beginning balances.

- 20 A. \$532,342,560.16
- 21 B. No update required
- 22 C. No update required
- 23 D. No update required
- 24 E. No update required

25
26 **RESPONSE PROVIDED BY:** Philadelphia Water Department and Black & Veatch Management
27 Consulting, LLC

1 **PA-X-6.** REFERENCE THE RESPONSE TO PA-VIII-1(A). THE REQUEST SOUGHT
2 DATES ON WHICH PWD EXPECTS TO RECEIVE THE \$160 MILLION
3 FUNDING TRANCHES, OR THE DATES ON WHICH THE \$160 MILLION
4 FUNDING WILL BE RECEIVED BY PWD FOR THE PROPOSED PROJECTS.
5 THE REQUESTED INFORMATION WAS NOT PROVIDED IN THE
6 RESPONSE. PLEASE PROVIDE THE REQUESTED INFORMATION.
7

8 **RESPONSE:**

9 As noted in the response to PA-VIII-1(A), PENNVEST funding is received on a
10 reimbursable basis; meaning PWD will submit contractor invoices and then receive
11 PENNVEST funds. PWD will utilize its commercial paper program to pay contractor
12 invoices while awaiting PENNVEST reimbursement. As stated in the same response,
13 Spending associated with these projects is projected to occur between FY 2023 and FY
14 2028. There are no exact dates to provide in response to this data request (reimbursements
15 are tied to future invoices), as explained above.
16

17 Note – PENNVEST funds are not received ahead of the project execution in partial or in
18 full.
19

20 Refer to response attachment PA-X-9. The “CP->PnVst_Linear Assets” sheet provides the
21 projected funding for \$35.8 million in the replacement of linear assets across the City. The
22 “CP->PnVst_PreTreatmentBuilding” sheet provides the projected funding for \$125 million
23 replacement of the Clearwell Basin at the Baxter Water Treatment Plant.
24

25 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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1 **PA-X-7.** REFERENCE PWD_FINPLAN23_24_VER1.XLSM, ASSUMPTIONS #S TAB.

2 A. PLEASE PROVIDE THE SUPPORTING DOCUMENTATION FOR THE
3 AMOUNTS USED TO CALCULATE THE 0.58% ISSUANCE COSTS
4 PRESENTED IN CELL C1866.

5 B. PLEASE SHOW THE BASIS AND EXPLAIN THE DERIVATION OF
6 THE .61% DEBT ISSUANCE COSTS FOR FY 2024 AND 2025.

7
8 **RESPONSE:**

9 A. The 0.58% issuance cost ratio presented in cell C1866 (page 91 of PWD Exhibit 6,
10 Finplan23_224, Assumptions-43) reflects the actual issuance costs of the City of
11 Philadelphia Water and Wastewater Revenue Bonds Series 2022C. Refer to the
12 Estimated Sources and Uses of Funds presented on page 6 of the Series 2022C
13 official statement. The 0.58% is calculated as the issuances costs of \$1,964,508.05
14 divided by the Total Sources of Funds of \$338,464,508.05.

15 B. The 0.61% debt issuance cost ratio assumed for FY 2024 and FY 2025 is based on
16 the average issuance cost ratio of the system revenue bonds issued during FY 2021
17 to FY 2023. Refer to response attachment PA-X-7.

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19 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC
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PA-X-8. PLEASE PROVIDE THE ISSUANCE COSTS FOR PWD TWO PREVIOUS DEBT ISSUANCES THAT OCCURRED BEFORE THE 2022C BOND ISSUANCE. IN YOUR RESPONSE, PLEASE PROVIDE THE DATES AND THE DEBT ISSUANCE PERCENTAGE (INCLUDE THE DEBT ISSUANCE AMOUNTS AND THE DEBT ISSUANCE COSTS).

RESPONSE:

Please refer to response attachment PA-X-9.

RESPONSE PROVIDED BY: Black & Veatch Management Consulting, LLC

1 **PA-X-9.** REFERENCE PWD_FINPLAN23_24_VER1.XLSM, DS TAB. PLEASE
2 PROVIDE THE SUPPORTING DOCUMENTATION, INCLUDING THE
3 SOURCE DOCUMENT, FOR:

- 4 A. THE SERIES 2023 AMOUNT OF 304,015 IN CELL D418;
- 5 B. THE SERIES 2024 AMOUNT OF 1,399,780 IN CELL E419; AND
- 6 C. THE SERIES 2025 AMOUNT OF 5,697,581 IN CELL F420.

7
8 **RESPONSE:**

9 The referenced amounts and cell locations refer to the projected debt service on projected
10 PENNVEST loans as presented on page 429 of PWD Exhibit 6 (Finaplan23_24, DS-6).

11
12 Refer to response attachment PA-X-9.

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14 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC
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1 **PA-X-10.** REFERENCE PWD_FINPLAN23_24_VER1.XLSM, DS TAB. PLEASE
2 PROVIDE THE SUPPORTING DOCUMENTATION, INCLUDING THE
3 SOURCE DOCUMENT, FOR THE COMMERCIAL PAPER ISSUANCE
4 COSTS OF 1% AND 0.13% AS SHOWN IN CELLS D502 AND E502.

5
6 **RESPONSE:**

7 The cells referenced in the above question are not in use and should be considered
8 placeholders. These cells refer to the Future Commercial Paper issuance costs presented on
9 page 431 of PWD Exhibit 6 (Finplan23_24, DS-7).

10
11 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.

1 **PA-X-11.** PLEASE PROVIDE THE ASSUMPTIONS FOR THE \$900,000 IN
2 COMMERCIAL PAPER ISSUANCES FOR FY 2023, FY 2024 AND FY 2025 IN
3 THE FINANCIAL MODEL. GIVEN THAT THE COMMERCIAL PAPER IS A
4 REVOLVING LINE OF CREDIT-TYPE FINANCING, IS THE \$900,000
5 EXPECTED TO BE THE AVERAGE BALANCE, THE AMOUNT ISSUED
6 ANNUALLY, OR SOMETHING ELSE? PLEASE FULLY EXPLAIN.

7
8 **RESPONSE:**

9 This response assumes that the “\$900,000 IN COMMERCIAL PAPER ISSUANCES FOR
10 FY 2023, FY 2024, AND FY 2025” refers to the \$900,000 of projected commercial paper
11 debt service in FY 2023, FY 2024, and FY 2025 as presented on page 433 of PWD Exhibit
12 6 (Finplan23_24, DS-7).

13
14 The \$900,000 of projected commercial paper debt service reflects the projected interest
15 expense on outstanding commercial paper assuming a rolling \$30.0 Million outstanding
16 balance at 3.0% interest cost.

17
18 **RESPONSE PROVIDED BY:** Philadelphia Water Department and Black & Veatch
19 Management Consulting, LLC

1 **PA-X-12.** IF THE BIDEN ADMINISTRATION IS MAKING AVAILABLE \$340
2 MILLION OF WIFIA FUNDS TO THE CITY OF PHILADELPHIA FOR
3 WATER INFRASTRUCTURE INVESTMENTS (SEE THE RESPONSE TO PA-
4 VIII-2), WHY DOES THE FUTURE WIFIA FUNDS SHOWN IN
5 PWD_FINPLAN23_24_VER1.XLSM, DS TAB, CELLS E634 AND F634 OF
6 THE COST OF SERVICE SHOW ONLY \$ \$156 MILLION IN WIFIA
7 FINANCING THROUGH FY 2026. WHY WOULD THE FULL AMOUNT OF
8 \$340 MILLION NOT BE SOUGHT UP FRONT AS A MEANS OF REDUCING
9 FINANCING COSTS FOR PWD’S CUSTOMERS?
10

11 **RESPONSE:**

12 As noted in the response to PA-VIII-2, WIFIA funding is provided for specific projects on
13 a reimbursement basis, meaning PWD will submit contractor invoices to WIFIA and then
14 receive the associated funding to repay the contractor, and then will be required to pay the
15 debt service on those outstanding amounts. Note - PWD must pay those contractor
16 invoices in the interim.

17 WIFIA Funding is not provided ahead of the project execution.
18

19 As stated in the memo to the Rate Board, dated February 27, 2023, the WIFIA funded
20 projects, identified in the application, are anticipated to be completed between FY 2024
21 and FY 2032. The \$156 million included in the cost of service study, reflects the WIFIA
22 related funding anticipated to be received during FY 2024 to FY 2026 as aligned with the
23 anticipated project expenditures.
24

25 “PWD_FinPlan23_24_Ver1.xlsm, DS Tab, Cells E634 and F634” are presented on page
26 435 of PWD Exhibit 6 (FinPlan23_24, DS-8). Note that \$18.4M in FY 2024 (Cell E634).
27 \$41.7M in FY 2025 (Cell F634), and \$95.9M in FY 2026 (Cell G634) total \$156.0M.
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1 **RESPONSE PROVIDED BY:** Philadelphia Water Department and Black & Veatch
2 Management Consulting, LLC.

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1 **PA-X-13.** PLEASE PROVIDE DOCUMENTATION THAT SUPPORTS THE 4%
2 INTEREST RATE USED FOR THE WIFIA FINANCING.
3

4 **RESPONSE:**

5 This response assumes that the “4% interest rate used for WIFIA financing” refers to the
6 4.0% interest rate assumption presented on page 435 of PWD Exhibit 6 (FinPlan23_24, DS-
7 8). The 4% interest presented is not used in the analysis. As presented in Schedule BV-1:
8 Table C-9, page 437 of PWD Exhibit 6 (Finplan23_24, DS-8) and as noted on Page 1-19 of
9 *Schedule BV-2: Water and Wastewater Cost of Service Report*, the projected debt service
10 schedule utilized in the Cost of Service analysis reflects WIFIA loans and associated
11 matching funding as provided by PFM Financial Advisors, LLC.
12

13 Please refer to the response attachment PA-X-13 for the document that supports debt service
14 schedule for the WIFIA loans and associated matching funding.
15

16 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC. and PFM
17 Financial Advisors, Inc.
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1 **PA-X-14.** PLEASE PROVIDE DOCUMENTATION THAT SUPPORTS THE 20-YEAR
2 PAYBACK PERIOD USED FOR THE WIFIA FINANCED AMOUNTS.
3

4 **RESPONSE:**

5 This response assumes that the “20-Year payback period used for WIFIA financed amounts”
6 refers to the 20-year term assumption presented on page 435 of PWD Exhibit 6
7 (FinPlan23_24, DS-8). The 20-year term presented is not used in the analysis. As noted on
8 Page 1-19 of Schedule BV-2: Water and Wastewater Cost of Service Report, the projected
9 debt service schedule utilized in the Cost of Service analysis reflects WIFIA loans and
10 associated matching funding as provided by PFM Financial Advisors, LLC. The WIFIA
11 debt service schedule reflected in the Cost of Service analysis as presented in Schedule BV-
12 1: Table C-9 and page 437 of PWD Exhibit 6 (Finplan23_24, DS-8). The Department’s
13 funding application submitted to the EPA requested a 20-year payback period for the first
14 tranche and a 35-year payback period for the remaining tranches. Please refer to response
15 attachment PA-X-13.
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17 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC and PFM
18 Financial Advisors, Inc..
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1 **PA-X-15.** REFERENCE PWD_FINPLAN23_24_VER1.XLSM, DS TAB, BEGINNING AT
2 B684. PLEASE PROVIDE SUPPORTING DOCUMENTATION THAT SHOWS
3 THE DERIVATION OF THE WIFIA AMOUNTS FOR SERIES 2023, 2024,
4 2025 AND 2026.

5
6 **RESPONSE:**

7 “PWD_FINPLAN23_24_VER1.XLSM, DS TAB, BEGINNING AT B684” refers to page
8 437 of PWD Exhibit 6 (Finplan23_24, DS-8).

9
10 Please refer to response attachment PA-X-13. As noted in the response to PA-X-13 and
11 PA-X-14 this debt service schedule reflects WIFIA loans and associated matching
12 funding.

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14 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC and PFM
15 Financial Advisors, Inc.

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PA-X-16. REFERENCE THE RESPONSE TO PA-VIII-2. PLEASE PROVIDE A COPY OF THE MASTER AGREEMENT BETWEEN PWD AND WIFIA UNDER WHICH LOANS WILL BE ISSUED IN TRANCHES.

RESPONSE:

Please refer to response attachment PA-X-16.

RESPONSE PROVIDED BY: Philadelphia Water Department

1 **PA-X-17.** WITH RESPECT TO THE MASTER AGREEMENT BETWEEN WIFIA AND
2 PWD:

- 3 A. PLEASE IDENTIFY THE VALUE OF EACH LOAN TRANCHE.
4 B. PLEASE IDENTIFY EACH PROJECT TO BE FUNDED BY EACH LOAN
5 TRANCHE.
6 C. FOR EACH PROJECT FINANCED OR TO BE FINANCED BY THE
7 LOAN TRANCHES, PLEASE PROVIDE THE TOTAL PROJECT COST,
8 PROJECT EXPENDITURES TO DATE, COST TO COMPLETE, THE
9 VALUE OF THE \$340 MILLION FUNDING ALREADY RECEIVED
10 AND THE DATE RECEIVED.
11 D. PLEASE PROVIDE THE TERMS (I.E., PAYBACK PERIOD, INTEREST
12 RATE, ISSUANCE COSTS, AND PRINCIPAL VALUE) OF THE LOANS
13 BEING SOUGHT OR RECEIVED.

14
15 **RESPONSE:**

16 The requested information is included in the response attachment to PA-X-13.

17
18 As of March 31, 2023 the Department has not incurred any construction project
19 expenditures nor has it received any WIFIA funding reimbursement associated with the
20 projects to be funded by WIFIA loans.

21
22 **RESPONSE PROVIDED BY:** Philadelphia Water Department and PFM Financial Advisors,
23 Inc.

1 **PA-X-18.** WITH REFERENCE TO THE PROJECTS TO BE SUPPORTED BY THE \$160
2 MILLION NOTED IN PRESIDENT BIDEN’S ANNOUNCEMENT,

3 A. PLEASE PROVIDE THE TERMS (I.E., PAYBACK PERIOD, INTEREST
4 RATE, ISSUANCE COSTS, AND PRINCIPAL VALUE) OF THE
5 PENNVEST LOANS BEING SOUGHT OR RECEIVED.

6 B. FOR EACH PROJECT FINANCED OR TO BE FINANCED BY THE
7 PROCEEDS OF THE \$160 MILLION, PLEASE PROVIDE THE TOTAL
8 PROJECT COST, PROJECT EXPENDITURES TO DATE, COST TO
9 COMPLETE, THE VALUE OF THE \$160 MILLION FUNDING
10 ALREADY RECEIVED, AND THE DATE RECEIVED.

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12 **RESPONSE:**

13 Refer to response attachment PA-X-18.

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15 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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1 **PA-X-19.** PLEASE IDENTIFY ANY AMERICAN RESCUE PLAN ACT (ARPA) FUNDS
2 THAT WERE PREVIOUSLY ALLOCATED TO PWD AND IDENTIFY THE
3 SPECIFIC PROJECTS THAT THE FUNDS WERE USED FOR.
4

5 **RESPONSE:**

6 No ARPA funds received by the City were previously allocated by the City to PWD.
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8 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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- 1 **PA-X-20.** TO THE EXTENT THAT PWD RECEIVED ANY ARPA FUNDS,
2 A. PLEASE EXPLAIN HOW THE RECEIPT OF THOSE FUNDS WERE
3 ACCOUNTED ON PWD BOOKS AND THE COST OF SERVICE IN THIS
4 PROCEEDING. IN YOUR RESPONSE, EXPLAIN WHETHER THESE
5 FUNDS WERE ACCOUNTED FOR AS GRANTS, REVENUES, OR
6 LOANS.
7 B. PLEASE EXPLAIN HOW THE RECEIPT OF ANY ARPA FUNDS
8 AFFECTED THE INTEREST COVERAGE, DEBT SERVICE
9 COVERAGE, THE RATE STABILIZATION FUND, AND THE
10 RESIDUAL FUND IN THE COST OF SERVICE IN THIS PROCEEDING.
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12 **RESPONSE:**

13 See response to PA-X-19.
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15 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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1 **PA-X-21.** TO THE EXTENT THAT PWD MAY RECEIVE ANY ARPA FUNDS FOR
2 WATER, SEWER OR STORMWATER INFRASTRUCTURE IN THE FUTURE,
3 A. PLEASE EXPLAIN HOW THE RECEIPT OF THOSE FUNDS WOULD
4 BE ACCOUNTED ON PWD BOOKS AND THE COST OF SERVICE IN
5 THIS OR A FUTURE RATE PROCEEDING. IN YOUR RESPONSE,
6 EXPLAIN WHETHER THESE FUNDS WOULD BE ACCOUNTED FOR
7 AS GRANTS, REVENUES, OR LOANS.
8 B. PLEASE EXPLAIN HOW THE RECEIPT OF ANY ARPA FUNDS
9 WOULD AFFECT THE INTEREST COVERAGE, DEBT SERVICE
10 COVERAGE, THE RATE STABILIZATION FUND, AND THE
11 RESIDUAL FUND IN THE COST OF SERVICE IN THIS PROCEEDING.
12

13 **RESPONSE:**

- 14 A. Loans or any portions of grants that must be repaid are not counted as Project
15 Revenues. Also, grants made to fund capital projects are not included in revenue.
16 True operating grants, i.e., “all grants, payments and contributions made in aid or
17 on account of the System *exclusive of grants and similar payments and*
18 *contributions solely in aid of construction*” [emphasis added] as set forth in the
19 definition of “Project Revenues” under the General Bond Ordinance are counted as
20 Project Revenues for purposes of calculating Net Revenues (as defined under the
21 General Bond Ordinance), complying with debt service coverage covenants, and
22 funding reserves. Therefore, ARPA funds that are true operating grants, and only
23 such ARPA funds, will be counted as revenues.
- 24 B. This response assumes that under the proposed hypothetical situation, the
25 Department would submit a cost of service analysis supporting a rate
26 determination recognizing the receipt of a specified amount of future ARPA funds
27 as true operating or true capital grants during the rate period.
28

1 Assuming the future ARPA funds would be true operating grants received during
2 the rate period:

- 3 • Assuming the future ARPA funds support planned efforts already
4 recognized in the projected operating revenue requirements during the rate
5 period, the availability of these funds during the rate period would allow
6 the Department to lower the requested additional revenues during the rate
7 period and there would be no impact to projected debt service coverage and
8 residual fund balances.
- 9 • If future ARPA funds support efforts which are not already recognized in
10 the projected operating revenue requirements during the rate period, both
11 the revenues and expenses reflected in the current cost of service study
12 would increase and there would be no adjustment to the requested
13 additional revenues and no impact to projected debt service coverage and
14 residual fund balances.
- 15 • The impact to the rate stabilization fund balance would be dependent on the
16 amount and timing of the receipt of future ARPA funding and the amount
17 and timing of the funded operating expense.

18
19 Assuming the future ARPA funds would be true capital grants (not loans)
20 received during the rate period:

- 21 • Assuming the future ARPA funds support planned efforts already
22 recognized in the projected capital program expenditures during the rate
23 period, the availability of these funds during the rate period would allow
24 the Department to lower the projected capital funding and subsequently
25 lower the requested additional revenues during the rate period and there
26 would be no impact to projected debt service coverage and residual fund
27 balances. Assuming that the annual additional revenues are adjusted to
28 match the annual reduction in the revenue requirements as a result of the

1 lower funding costs, there would be no impact to the projected rate
2 stabilization fund balances.

- 3 • Assuming the future ARPA funds support efforts which are not already
4 recognized in the projected capital program expenditures during the rate
5 period, there would be no adjustment to the projected capital funding or
6 requested additional revenues and no impact to projected debt service
7 coverage, residual fund balances, or rate stabilization fund balance.

8
9 The cost of service study does not present projected interest coverage.

10
11 **RESPONSE PROVIDED BY:** Ballard Spahr and Black & Veatch Management Consulting,
12 LLC.

1 **PA-X-22.** IF ARPA FUNDS (NOT LOANS) WERE ALLOCATED TO PWD “TO MAKE
2 NECESSARY INVESTMENTS IN WATER, SEWER OR BROADBAND
3 INFRASTRUCTURE” (AS PROVIDED IN SECTION 602(C)(1)(D)), WOULD
4 THOSE FUNDS BE CONSIDERED “GRANTS AND SIMILAR PAYMENTS
5 AND CONTRIBUTIONS SOLELY IN AID OF CAPITAL” SUCH THAT THEY
6 DO NOT CONSTITUTE PROJECT REVENUES WITHIN THE MEANING OF
7 THE 1989 GENERAL BOND ORDINANCE, AS AMENDED? PLEASE
8 EXPLAIN AND PROVIDE ANY SUPPORTING DOCUMENTATION.
9

10 **RESPONSE:**

11 If such grants were made by the grantor for purposes of funding capital projects, such
12 grant funds will not be counted as Project Revenues. If such grants are unrestricted and
13 can be used for other purposes, such grant funds are Project Revenues. If such
14 unrestricted grants were to be allocated by PWD to fund capital projects, for General Bond
15 Ordinance purposes, those funds would be deposited to the Revenue Fund, flow through to
16 the Capital Account of the Construction Fund and be expended on capital project expenses
17 as pay-go.
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19 **RESPONSE PROVIDED BY:** Ballard Spahr
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1 **PA-X-23.** IF THE CITY BUDGET FOR PWD ALLOCATED \$500 MILLION IN NON-
2 RATEPAYER FUNDS (I.E., TAX OR OTHER REVENUES WITHIN THE
3 GENERAL FUND) TO PWD, AND SUCH FUNDS WERE NOT REQUIRED
4 TO BE UTILIZED FOR CAPITAL PURPOSES, WOULD SUCH AMOUNTS
5 BE CONSIDERED “OTHER OPERATING REVENUE” IN PWD’S FLOW OF
6 FUNDS?

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8 **RESPONSE:**

9 Project Revenues are amounts collected, not budgeted, by the City from ratepayers, bulk
10 purchasers, and grants made and subsidies given to the City in respect of the System.
11 Regardless of how such monies are used, monies transferred from the General Fund of the
12 City would not constitute Project Revenues as contemplated and defined under the First
13 Class City Revenue Bond Act and the General Bond Ordinance, based on the purposes for
14 which such legislation was adopted. Such legislation was adopted by the Commonwealth
15 and the City, respectively, for the purpose of permitting and enabling the City to incur
16 debt for a Project (as defined under the First Class City Revenue Bond Act), such as the
17 System (as defined under the General Bond Ordinance), based upon that Project’s ability,
18 alone, to generate revenue sufficient to fund its operations and, among other things,
19 service that debt without regard to any constitutional or other limitations on the City to
20 incur debt payable from general revenues of the City.

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22 **RESPONSE PROVIDED BY:** Ballard Spahr
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1 **PA-X-24.** IF THE CITY BUDGET FOR PWD ALLOCATED \$500 MILLION IN NON-
2 RATEPAYER FUNDS (I.E., TAX OR OTHER REVENUES WITHIN THE
3 GENERAL FUND) TO PWD, AND SUCH FUNDS WERE REQUIRED TO BE
4 UTILIZED FOR CAPITAL PURPOSES, WOULD SUCH AMOUNTS BE
5 CONSIDERED “GRANTS AND SIMILAR PAYMENTS AND
6 CONTRIBUTIONS SOLELY IN AID OF CAPITAL” SUCH THAT THEY DO
7 NOT CONSTITUTE PROJECT REVENUES WITHIN THE MEANING OF THE
8 1989 GENERAL BOND ORDINANCE, AS AMENDED?
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10 **RESPONSE:**

11 No. Please refer to the response to PA-X-23. Such a transfer would not constitute Project
12 Revenues because a transfer from the City to itself is not a grant, as contemplated under
13 the General Bond Ordinance and the First Class City Revenue Bond Act.
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15 **RESPONSE PROVIDED BY:** Ballard Spahr
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1 **PA-X-25.** IF THE CITY ALLOCATED ARPA FUNDS TO PWD IN THE FY 2024
2 BUDGET, WOULD THOSE FUNDS BE REQUIRED TO BE UTILIZED FOR
3 CAPITAL PURPOSES?
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5 **RESPONSE:**

6 The discovery request poses a hypothetical question that the Department cannot answer.

7 The following organizations identify potential constraints on the use of ARPA funding:

- 8 • National League of Cities: [ARPA Local Relief Frequently Asked Questions - National](https://www.nlc.org/arpa-local-relief-frequently-asked-questions)
9 [League of Cities \(nlc.org\)](https://www.nlc.org)
- 10 • Government Finance Officers Association (GFOA): [https://www.gfoa.org/american-](https://www.gfoa.org/american-rescue-plan-spending-guiding-principles)
11 [rescue-plan-spending-guiding-principles.](https://www.gfoa.org/american-rescue-plan-spending-guiding-principles)
- 12 • U.S. Department of the Treasury: [https://home.treasury.gov/policy-](https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds)
13 [issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-](https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds)
14 [fiscal-recovery-funds](https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds)

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16 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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