

BEFORE THE
PHILADELPHIA WATER, SEWER, AND STORM WATER RATE BOARD

In the Matter of the Philadelphia	:	Fiscal Years 2024 – 2025
Water Department’s Proposed	:	Rates and Charges to Become
Change in Water, Wastewater,	:	Effective September 1, 2023
and Stormwater Rates and	:	and September 1, 2024
Related Charges	:	

May 3, 2023

PUBLIC ADVOCATE

HEARING EXHIBIT

Appendix II FY2022 Financial Performance

- Revenue and Expense Summary
- Debt Service and Capital Funding
- Cash Balances



FINANCIAL PERFORMANCE

FY 2022 Revenues

Revenue results were **higher than projections, with a 1.64% variance**. The performance reflects the benefit of \$6.7 million of revenues from the LIHWAP program and \$1.5 million of revenues from the PHDC program.

FY 2022 REVENUES



Notes: Revenue totals presented exclude revenues from the Rate Stabilization Fund. Based upon PWD's Financial Plan Outlook as of 02/2022.

Schedule ML-2 Formal Notice



PHILADELPHIA
WATER
— DEPARTMENT —

FY21 Summary & Five-Year Financial Projection Plan

February 2022

PREPARED BY: MELISSA LA BUDA, PWD DEPUTY COMMISSIONER, FINANCE

FINANCIAL PERFORMANCE

FY21 Revenues

System-generated revenue results (excluding transfers from Rate Stabilization Fund) were **higher than projections, with a 3.16% variance.**

FY 2021 REVENUES



Note: Revenue totals presented exclude revenues from the Rate Stabilization Fund.





PHILADELPHIA
WATER
— DEPARTMENT —

FY19 & FY20 Summary & Five-Year Plan Financial Projections Plan: FY21 to FY26



PREPARED BY: MELISSA LA BUDA, PWD DEPUTY COMMISSIONER, FINANCE / JANUARY 2021

PWD Ended FY2020 with Expenses Higher Than Projections



REVENUES

System-generated revenue results (excluding transfers from Rate Stabilization Fund) were **higher than projections**, with a **1.19%** variance



OBLIGATIONS

Actual expense results were **higher than projections**, with a **3.52%** variance.

Note: Expense results above exclude transfers and liquidated encumbrances. Because of the performance of revenues and the higher than projected expense levels, the Net Revenues available for debt service were lower than projected.



PWD Ended FY2019 in-line with Projections

REVENUES



System-generated revenue results (excluding transfers from Rate Stabilization Fund) were nearly equal to projections: **+0.63% variance** from 2018 rate case projections

OBLIGATIONS



Actual expense results **exceeded projections by 1.5%** from the projections.

The main reason for differences are related to:

- Maintenance at treatment plants,
- Advanced Metering Infrastructure, and
- Customer service and repair programs

Note: Expense results above exclude transfers and liquidated encumbrances. Because of the performance of revenues and the higher than projected expense levels, the Net Revenues available for debt service were lower than projected.



PHILADELPHIA WATER DEPARTMENT
STATEMENT NO. 7A

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 2022 – 2023 Rates and Charges to Become Effective September 1, 2021 and September 1, 2022
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Direct Testimony

of

Black & Veatch Management Consulting, LLC

on behalf of

The Philadelphia Water Department

Dated: January 2021 (as supplemented on February 16, 2021)

TABLE C-1: PROJECTED REVENUE AND REVENUE REQUIREMENTS
Base and TAP-R Surcharge Rates
(in thousands of dollars)

Line No.	Description	Fiscal Year Ending June 30,					
		2021	2022	2023	2024	2025	2026
OPERATING REVENUE							
1	Water Service - Existing Rates	256,215	266,656	269,813	272,813	270,500	268,191
2	Wastewater Service - Existing Rates	411,294	427,613	433,417	438,954	436,238	433,537
3	Total Service Revenue - Existing Rates	667,509	694,269	703,229	711,766	706,738	701,727
	Additional Service Revenue Required						
		Percent	Months				
	<u>Year</u>	<u>Increase</u>	<u>Effective</u>				
4	FY 2021	0.00%	10	-	-	-	-
5	FY 2022	8.61%	10		48,864	60,553	61,290
6	FY 2023	5.05%	10			31,543	39,054
7	FY 2024	5.05%	10				33,556
8	FY 2025	7.24%	10				50,125
9	FY 2026	7.54%	10				55,599
10	Total Additional Service Revenue Required	-		48,864	92,096	133,900	190,520
11	Total Water & Wastewater Service Revenue	667,509	743,132	795,325	845,666	897,258	957,611
	Other Income (a)						
12	Other Operating Revenue	38,160	21,719	21,638	21,561	21,484	21,408
13	Debt Reserve Fund Interest Income	-	-	-	-	-	-
14	Operating Fund Interest Income	1,071	1,280	1,316	1,354	1,376	1,413
15	Rate Stabilization Interest Income	1,298	1,089	1,092	1,110	1,127	1,132
16	Total Revenues	708,038	767,220	819,371	869,691	921,245	981,564
OPERATING EXPENSES							
17	Total Operating Expenses	(525,844)	(543,868)	(558,009)	(572,357)	(586,998)	(602,222)
NET REVENUES							
18	Transfer From/(To) Rate Stabilization Fund	41,464	331	(446)	(2,611)	(340)	(170)
19	NET REVENUES AFTER OPERATIONS	223,658	223,683	260,916	294,723	333,907	379,172
DEBT SERVICE							
	Senior Debt Service						
	Revenue Bonds						
20	Outstanding Bonds	(175,726)	(163,516)	(164,558)	(151,302)	(151,438)	(152,439)
21	Pennvest Parity Bonds	(10,651)	(10,885)	(11,067)	(14,864)	(14,864)	(15,182)
22	Projected Future Bonds	-	(10,000)	(37,726)	(75,393)	(107,893)	(144,284)
23	Commercial Paper	-	(2,000)	(4,000)	(4,000)	(4,000)	(4,000)
24	Total Senior Debt Service	(186,377)	(186,401)	(217,351)	(245,558)	(278,195)	(315,905)
25	TOTAL SENIOR DEBT SERVICE COVERAGE (L19/L24)	1.20 x	1.20 x	1.20 x	1.20 x	1.20 x	1.20 x
26	Subordinate Debt Service	-	-	-	-	-	-
27	Transfer to Escrow	-	-	-	-	-	-
28	Total Debt Service on Bonds	(186,377)	(186,401)	(217,351)	(245,558)	(278,195)	(315,905)
29	CAPITAL ACCOUNT DEPOSIT	(27,833)	(29,447)	(31,155)	(32,962)	(34,874)	(36,896)
30	TOTAL COVERAGE (L19/(L24+L26+L29))	1.04 x	1.03 x	1.04 x	1.05 x	1.06 x	1.07 x

TABLE C-1: PROJECTED REVENUE AND REVENUE REQUIREMENTS
Base and TAP-R Surcharge Rates
(in thousands of dollars)

Line No.	Description	Fiscal Year Ending June 30,					
		2021	2022	2023	2024	2025	2026
RESIDUAL FUND							
31	Beginning of Year Balance	16,261	15,064	15,049	15,009	15,062	15,051
32	Interest Income	156	150	150	150	150	150
	Plus:						
33	End of Year Revenue Fund Balance	9,448	7,835	12,410	16,203	20,839	26,370
34	Deposit for Transfer to City General Fund (b)	1,855	1,847	2,076	2,413	2,756	3,104
	Less:						
35	Transfer to Construction Fund	(10,800)	(8,000)	(12,600)	(16,300)	(21,000)	(26,500)
36	Transfer to City General Fund	(1,855)	(1,847)	(2,076)	(2,413)	(2,756)	(3,104)
37	Transfer to Debt Service Reserve Fund	-	-	-	-	-	-
38	End of Year Balance	15,064	15,049	15,009	15,062	15,051	15,071
RATE STABILIZATION FUND							
39	Beginning of Year Balance (c)	150,652	109,188	108,857	109,303	111,914	112,254
40	Deposit From/(To) Revenue Fund	(41,464)	(331)	446	2,611	340	170
41	End of Year Balance	109,188	108,857	109,303	111,914	112,254	112,424

- (a) Includes other operating and nonoperating income, including interest income on funds and accounts transferable to the Revenue Fund and reflects projected contra revenue credits for Affordability Program Discounts (TAP Costs). Includes Debt Service Reserve Fund Release in FY 2021.
- (b) Transfer of interest earnings from the Bond Reserve Account to the Residual Fund as shown in Line 34 to satisfy the requirements for the transfer to the City General Fund shown on Line 36.
- (c) FY 2021 beginning balance is estimated based on preliminary FY 2020 results.

PHILADELPHIA WATER DEPARTMENT
STATEMENT NO. 3 FORMAL NOTICE

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	Special Rate Filing: Reconciliation Proceeding for Fiscal Year 2023 Base Rates
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Direct Testimony

of

Black & Veatch Management Consulting, LLC

on behalf of

The Philadelphia Water Department

Dated: February 2022

Table ES-7 Projected Revenue and Revenue Requirements: Base Rates & TAP-R Rates

LINE		FISCAL YEAR ENDING JUNE 30,					
NO.	DESCRIPTION	2022	2023	2024	2025	2026	2027
Combined System (\$000s)							
Operating Revenues							
1	Water Service - Existing Rates	271,292	275,321	277,475	275,358	273,110	270,842
2	Wastewater Service - Existing Rates	443,120	447,896	450,450	448,074	445,636	443,201
3	Total Service Revenue - Existing Rates	714,412	723,217	727,926	723,433	718,746	714,043
Additional Service Revenue Required							
	<u>Year</u>	<u>Percent Increase</u>	<u>Months Effective</u>				
4	FY 2023	6.77%	10	39,979	49,028	48,691	48,352
5	FY 2024	9.40%	10	59,707	72,565	72,098	71,629
6	FY 2025	9.41%	10		65,039	79,022	78,508
7	FY 2026	8.50%	10			63,814	77,528
8	FY 2027	8.51%	10				68,883
9	Total Additional Service Revenue Required	-	39,979	109,062	186,633	263,624	344,899
10	Total Water & Wastewater Service Revenue	714,412	763,197	836,987	910,066	982,370	1,058,942
Other Income (a)							
11	Other Operating Revenue	24,468	15,027	13,431	13,359	13,287	13,216
12	Debt Reserve Fund Interest Income	-	-	-	-	-	-
13	Operating Fund Interest Income	1,280	1,266	1,418	1,512	1,549	1,624
14	Rate Stabilization Interest Income	1,256	1,241	1,224	1,276	1,335	1,374
15	Total Revenues	741,415	780,730	853,060	926,213	998,542	1,075,155
Operating Expenses							
16	Total Operating Expenses	(527,472)	(550,149)	(577,614)	(595,306)	(613,867)	(633,058)
Net Revenues							
17	Transfer From/(To) Rate Stabilization Fund	(1,366)	5,416	(719)	(8,263)	(1,706)	(3,849)
18	NET REVENUES AFTER OPERATIONS	212,578	235,997	274,727	322,644	382,969	438,248
Debt Service							
Senior Debt Service							
Revenue Bonds							
19	Outstanding Bonds	(161,597)	(162,654)	(145,801)	(145,936)	(146,935)	(146,970)
20	PENNVEST Parity Bonds	(10,725)	(11,175)	(12,609)	(16,995)	(24,263)	(29,448)
21	Projected Future Bonds	(4,787)	(22,738)	(52,764)	(85,145)	(123,239)	(160,609)
22	Commercial Paper	(25)	(95)	(97)	(82)	(83)	(71)
23	Total Senior Debt Service	(177,134)	(196,662)	(211,272)	(248,158)	(294,520)	(337,097)
24	TOTAL SENIOR DEBT SERVICE COVERAGE (L18/L23)	1.20 x	1.20 x	1.30 x	1.30 x	1.30 x	1.30 x
25	Subordinate Debt Service	-	-	-	-	-	-
26	Transfer to Escrow	-	-	-	-	-	-
27	Total Debt Service on Bonds	(177,134)	(196,662)	(211,272)	(248,158)	(294,520)	(337,097)
28	CAPITAL ACCOUNT DEPOSIT	(29,447)	(31,155)	(32,962)	(34,874)	(36,896)	(39,036)
29	TOTAL COVERAGE (L18/(L23+L25+L28))	1.02 x	1.03 x	1.12 x	1.13 x	1.15 x	1.16 x

Table ES-7 Projected Revenue and Revenue Requirements: Base Rates & TAP-R Rates (continued)

LINE NO.	DESCRIPTION	FISCAL YEAR ENDING JUNE 30,					
		2022	2023	2024	2025	2026	2027
Combined System (\$000s)							
Residual Fund							
30	Beginning of Year Balance	16,283	15,042	15,023	15,031	15,007	15,041
31	Interest Income	156	150	150	149	149	150
	Plus:						
32	End of Year Revenue Fund Balance	5,997	8,181	30,493	39,613	51,553	62,114
33	Deposit for Transfer to City General Fund (b)	1,882	1,902	2,113	2,448	2,880	3,351
	Less:						
34	Transfer to Construction Fund	(7,300)	(7,900)	(29,200)	(35,400)	(44,400)	(57,100)
35	Transfer to City General Fund	(1,882)	(1,902)	(2,113)	(2,448)	(2,880)	(3,351)
36	Transfer to Debt Service Reserve Fund	(94)	(450)	(1,435)	(4,386)	(7,268)	(5,185)
37	End of Year Balance	15,042	15,023	15,031	15,007	15,041	15,019
Rate Stabilization Fund							
38	Beginning of Year Balance	124,661	126,027	120,611	121,331	129,593	131,299
39	Deposit From/(To) Revenue Fund	1,366	(5,416)	719	8,263	1,706	3,849
40	End of Year Balance	126,027	120,611	121,331	129,593	131,299	135,148

(a) Includes other operating and nonoperating income, including interest income on funds and accounts transferable to the Revenue Fund and reflects projected contra revenue credits for Affordability Program Discounts (TAP Costs). Includes Debt Service Reserve Fund Release in FY 2022.

(b) Transfer of interest earnings from the Bond Reserve Account to the Residual Fund as shown in Line 33 to satisfy the requirements for the transfer to the City General Fund shown on Line 35.

(c) FY 2022 beginning balance is estimated based on preliminary FY 2021 results.

Table ES-8 General Bond Ordinance Covenants – Performance Metrics

LINE NO.	DESCRIPTION	FISCAL YEAR ENDING JUNE 30,					
		2022	2023	2024	2025	2026	2027
General Bond Ordinance Covenants							
1	Senior Debt Coverage (c)	1.20	1.20	1.30	1.30	1.30	1.30
2	Total Debt Coverage (d)	1.02	1.03	1.12	1.13	1.15	1.16
3	90% Test - Senior Debt Coverage from Current Revenues (e)	1.20	1.17	1.30	1.30	1.30	1.30

(a) Senior Debt Coverage = (Total Revenues - Operating Expenses + Transfer From (to) Rate Stabilization) divided by Senior Debt. The General Bond Ordinance requires the minimum Senior Debt Service Coverage of 1.20.

(b) Total Debt Coverage = (Total Revenues - Operating Expenses + Rate Stabilization Transfer) divided by (Senior Debt + Subordinate Debt + Capital Account Deposit). The General Bond Ordinance requires the minimum Total Debt Service Coverage of 1.00.

(c) Senior Debt Coverage from Current Revenues = (Total Revenues - Operating Expenses - Transfer to Rate Stabilization Fund) divided by Senior Debt. Transfers from Rate Stabilization are excluded from the Total Revenues. The General Bond Ordinance requires a minimum Senior Debt Service Coverage of 0.90 from Current Revenues.

FINANCIAL PERFORMANCE

FY 2022 Debt Service & Capital Funding

Debt Service	FY22 Prelim Final	Minimum Requirement	Target
Revenue Bonds Debt Service Coverage	1.29x	1.20x	1.30X
90% Test Coverage	1.37X	0.90X	1.00X
Total Debt Service Coverage	1.11x	1.10x	NA

Capital Funding	Total Transfer to Capital Account (\$000)	Total Expenditures for Capital (\$000)	%	20% Goal Met?
FY2022 Projections*	36,747	287,785	12.8	No
FY2022 Preliminary Final	51,164	238,335	21.5	Yes

*Based upon PWD's Financial Plan Outlook as of 02/2022.

FY 2022 Rate Stabilization Fund Transfers & Liquidations

During FY 2022 PWD made a deposit to the rate stabilization fund of \$15 million.

Transfers	FY22 Projection* (\$000)	FY22 Prelim Final (\$000)	Variance (\$000)
Rate Stabilization Fund Withdrawal	\$1,366	\$15,000	\$13,634
Liquidations	FY22 Projection* (\$000)	FY22 Prelim Final (\$000)	Variance
Liquidated Encumbrances	(\$28,638)	(\$36,805)	28%

FY 2022 Cash Balances

Cash Balances	Residual Fund*	Rate Stabilization Fund*	TOTAL Cash Reserves
FY2022 Projection	\$15.04M	\$126.03M	\$141.07M
FY2022 Prelim Final	\$16.10M	\$138.99M	\$155.09M
Target	\$15.0M	\$135.0M	\$150.0M



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From: 2013 ▼ To: 2023 ▼

 include graphs include annual averages[More Formatting Options](#)

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PPI Commodity Data

12-Month Percent Change

Series Id: WPU061

Not Seasonally Adjusted

Series Title: PPI Commodity data for Chemicals and allied products-Industrial chemicals, not seasonally adjusted

Group: Chemicals and allied products

Item: Industrial chemicals

Base Date: 198200

Download: [xlsx](#)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2013	-0.9	0.3	-5.4	-7.8	-5.7	1.2	1.7	1.4	-0.2	-1.9	-2.2	-1.7
2014	-3.1	-5.4	-6.0	-2.8	-4.6	-4.4	-1.4	-1.0	-1.9	-3.4	-5.1	-9.8
2015	-18.2	-18.8	-15.9	-16.7	-14.0	-13.3	-14.9	-17.3	-19.3	-17.4	-14.9	-12.6
2016	-7.6	-9.6	-9.5	-8.5	-8.7	-9.6	-10.5	-7.5	-2.8	-1.1	2.0	5.0
2017	8.0	13.3	14.6	13.7	11.7	10.8	9.8	11.5	10.7	11.1	11.3	10.1
2018	11.0	8.8	7.3	5.7	6.9	8.3	10.9	10.6	11.7	10.8	4.4	-1.4
2019	-3.1	-4.8	-5.1	-4.0	-6.1	-6.9	-9.1	-12.1	-14.6	-11.9	-9.6	-5.9
2020	-5.2	-5.6	-7.9	-18.5	-21.4	-17.7	-12.5	-8.7	-6.9	-9.8	-7.4	-2.8
2021	2.7	10.7	17.8	38.5	55.4	51.7	46.9	47.9	45.0	46.2	46.9	39.8
2022	33.0	27.1	26.7	22.8	20.4	19.7	18.4	7.9	6.5	2.7	-1.1	-0.7(P)
2023	-0.9(P)	-4.4(P)	-7.6(P)									

P : Preliminary. All indexes are subject to monthly revisions up to four months after original publication.

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Data extracted on: May 2, 2023 (12:40:07 PM)

CPI for All Urban Consumers (CPI-U)**12-Month Percent Change****Series Id:** CUURS12BSA0

Not Seasonally Adjusted

Series Title: All items in Philadelphia-Camden-Wilmington, PA-NJ-DE-MD, all urban consumers, not seasonally adjusted**Area:** Philadelphia-Camden-Wilmington, PA-NJ-DE-MD**Item:** All items**Base Period:** 1982-84=100Download:  [xlsx](#)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2013		1.8		1.1		1.5		1.1		0.3		1.2	1.2	1.5	0.9
2014		1.0		1.4		1.8		1.3		1.6		0.6	1.3	1.3	1.3
2015		-0.1		0.0		0.2		-0.3		-0.5		-0.2	-0.1	0.0	-0.2
2016		0.3		0.6		0.1		0.4		1.3		1.7	0.6	0.3	0.9
2017		2.1		1.3		0.7		1.4		0.8		0.8	1.3	1.5	1.1
2018		0.5		1.4		1.9		1.7		1.6		1.0	1.3	1.1	1.4
2019		1.5		1.9		2.1		2.3		1.9		2.4	2.0	1.7	2.3
2020		2.6		-0.1		0.1		0.4		0.8		1.1	0.9	1.2	0.6
2021		1.0		3.5		4.9		4.6		5.6		6.6	4.0	2.6	5.4
2022		7.3		8.4		8.8		8.1		7.8		6.4	7.9	8.0	7.7
2023		6.9													

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How does the Federal Reserve affect inflation and employment?

As the Federal Reserve conducts monetary policy, it influences employment and inflation primarily through using its policy tools to influence the availability and cost of credit in the economy.

The primary tool the Federal Reserve uses to conduct monetary policy is the federal funds rate—the rate that banks pay for overnight borrowing in the federal funds market. Changes in the federal funds rate influence other interest rates that in turn influence borrowing costs for households and businesses as well as broader financial conditions.

For example, when interest rates go down, it becomes cheaper to borrow, so households are more willing to buy goods and services, and businesses are in a better position to purchase items to expand their businesses, such as property and equipment. Businesses can also hire more workers, influencing employment. And the stronger demand for goods and services may push wages and other costs higher, influencing inflation.

During economic downturns, the Fed may lower the federal funds rate to its lower bound near zero. In such times, if additional support is desired, the Fed can use other tools to influence financial conditions in support of its goals.

However, there are many factors that affect inflation and employment. And while the linkages from monetary policy to both inflation and employment are not direct or immediate, monetary policy is an important factor.

Related Questions

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[How will the Federal Reserve ensure that the size of its balance sheet won't lead to excessive inflation?](#)

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Last Update: August 27, 2020