

**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 2026 – 2027
Rates and Charges to Become
Effective September 1, 2025
and September 1, 2026**

**PUBLIC ADVOCATE OBJECTIONS TO
PHILADELPHIA WATER DEPARTMENT'S
INFORMATION REQUESTS
SET IV**

The Public Advocate hereby objects to the Philadelphia Water Department's (PWD) Information Requests, Set IV, Nos. 15, 16, 17, 18, 21, 22, 23, 24, 25, 26, 27, 29, and 35 (Interrogatories). The Public Advocate has discussed these objections with PWD's counsel but has not received an indication that PWD will narrow, revise or withdraw the Interrogatories. PWD's Interrogatories, Set IV, are attached as Appendix A, and the Public Advocate has highlighted those Interrogatories to which it objects.

PWD Set IV, Nos. 15, 16, 17, 18, 21, 22, 23, 24, 25, 26, 27, 28 and 29

The Public Advocate objects to the enumerated Interrogatories on the basis that they are irrelevant and not reasonably calculated to lead to the discovery of admissible evidence. In the alternative, the Public Advocate objects to the enumerated Interrogatories to the extent they attempt to require the Public Advocate's witness, Lafayette K. Morgan, Jr., to investigate, research, acquire and disclose information not within the scope of his testimony and otherwise in the possession of, known to, or equally available to PWD.

By analogy to regulations of the Pennsylvania Public Utility Commission, the appropriate scope of discovery is limited to matters relevant to the subject matter of the proceeding or reasonably calculated to lead to the discovery of admissible evidence.¹ However, discovery is

¹ 52 Pa. Code §5.321.

subject to limitation to the extent it would cause unreasonable annoyance, embarrassment, oppression, burden or expense or would require the making of an unreasonable investigation.² In the first instance, the Public Advocate asserts that the requested information is irrelevant and will not lead to the discovery of admissible evidence. Furthermore, requiring Mr. Morgan to investigate Federal Reserve policies, practices, publications, or other materials, in order to supply PWD with information that is readily and publicly available to it, is unduly burdensome and a classic example of an effort to require another party to conduct an unreasonable investigation.

The enumerated Interrogatories generally pertain to actions taken, and publications available, from the Federal Reserve and/or Federal trade policy. Such questions are irrelevant because, as set forth in Mr. Morgan's testimony, for purposes of determining escalation factors applicable to certain operating expenses, Mr. Morgan has recommended utilizing the Personal Consumption Expenditures (PCE) Price Index, available from the U.S. Congressional Budget Office.³ Nowhere in Mr. Morgan's testimony does he refer to or rely upon policies or publications of the Federal Reserve or discuss Federal trade policy. Accordingly, Federal trade policy, targeted inflation rates and Federal Reserve monetary policy, as well as the Federal Reserve's basis for such rates and policy, are not relevant to Mr. Morgan's testimony and not reasonably calculated to lead to the discovery of admissible information concerning the positions taken by Mr. Morgan in this proceeding.

To the contrary, PWD's Interrogatories seek to utilize Mr. Morgan to elaborate on the bare mention of *potential impacts* of Federal Reserve policy and "potential tariffs" contained in

² 52 Pa. Code §5.361(a).

³ PA St. 1 at 12-13.

an exhibit to PWD testimony.⁴ In other words, PWD's Interrogatories attempt to utilize requested discovery of Mr. Morgan to construct, for the first time, a case in chief supporting higher cost estimates based on Federal trade policy and information from the Federal Reserve. Indeed, PWD's Financial Panel has testified to *slowing inflation* in this proceeding,⁵ while its Operations Panel has testified to inflation allowances in certain expense areas,⁶ yet none of PWD's witnesses have stated their reliance upon, nonetheless mentioned, Federal Reserve estimates or policy. To the extent Federal Reserve information or Federal trade policy are relevant to this proceeding, which the Public Advocate **does not** concede, such information is readily available to PWD and its witnesses from sources other than Mr. Morgan. That PWD apparently did not utilize such information in developing its testimony in this proceeding, does not justify attempting to require the Public Advocate to do so.

Ultimately, the enumerated Interrogatories seek to draw Mr. Morgan into an area of political controversy that is continuing to unfold across news cycles. The Public Advocate is wary of efforts to expand the focus of this proceeding to evaluate the merits, or potential impacts, of Federal trade policy which is the subject of high-profile ongoing litigation. Consequently, the Public Advocate submits that PWD's Interrogatories are inappropriately posed to the Public Advocate, a response to them is unwarranted, and the Public Advocate's Objection should be sustained.

PWD Set IV, No. 35

PWD Interrogatory No. 35 cites to nonexistent testimony concerning Federal Open Market Committee core inflation projections. On its face, it is apparent that Interrogatory No. 35

⁴ PWD St. 7, Sch. BV-2 at I-10.

⁵ PWD St. 2A at 9.

⁶ PWD St. 4A at 7-8.

was clearly issued in error. Interrogatory No. 35 purports to identify a statement that does not exist, namely testimony concerning the Federal Open Market Committee (FOMC) core inflation projections ostensibly presented on page 12 of Mr. Morgan's testimony. There is no reference to FOMC inflation projections on page 12, or any other page, of Mr. Morgan's testimony. Notwithstanding this error, PWD has not, to date, withdrawn Interrogatory No. 35. Accordingly, the Public Advocate objects to this Interrogatory because it is irrelevant and not reasonably calculated to lead to the discovery of admissible evidence.

* * * * *

For all of the foregoing reasons, the Public Advocate objects to PWD's enumerated Interrogatories and requests an order sustaining these objections.

Respectfully submitted,

/s/ Robert W. Ballenger

Robert W. Ballenger, Esq.

Community Legal Services, Inc.
1424 Chestnut St.
Philadelphia, PA 19102

For the Public Advocate

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 Charges	Fiscal Years 2026-2027
--	------------------------

**PHILADELPHIA WATER DEPARTMENT'S
INFORMATION REQUESTS TO THE
PUBLIC ADVOCATE, SET IV**

The Philadelphia Water Department ("Department" or "PWD") requests that the Public Advocate provide full and complete answers to the following information requests (interrogatories and request for production of documents) upon the undersigned with seven calendar days of the service hereof.

Information Requests

Public Advocate Statement 1 (Morgan):

1. Confirm or Deny: In the context of projected water billings and receipts, the Average Volume per Account and "compound growth rate" are used in the projections of overall billed volumes.
2. Must a 3-year average always be used in the development of revenue projections? If not, when would assumptions other than a 3-year average be prudent?
3. Confirm or Deny: Wholesale customers are subject to the terms and conditions of their respective agreements entered into with the City of Philadelphia (as the wholesale service provider).
4. As a matter of consistency, why hasn't Mr. Morgan proposed to apply a "compound growth rate" to wholesale water and wastewater volumes?
5. Confirm or Deny. Wholesale wastewater billed volumes are influenced by weather conditions.
6. Confirm or Deny: (a) The Water Department has submitted with its 2025 general rate case filing a copy of its Financial Stability Plan; and (b) the Rate Board is required to consider the

FSP in making its Rate Determination in this proceeding consistent with the Rate Ordinance (Philadelphia Code Section 13-101) and Rate Board Regulations.

7. Confirm or Deny: PWD's actual revenues in FY 2024 and updated projected revenues in FY 2025 are lower than those reflected in the 2023 Rate Determination.

8. Confirm or Deny: PWD's transferred funds from the rate stabilization fund in FY 2024 and FY 2025 in order to cover and meet financial metrics.

9. Confirm or Deny: PWD reduced spending in FY 2024 and also planned reductions in spending for FY 2025 to address revenue shortfalls.

10. Confirm or Deny: Hedges are commonly used to lock in pricing when there is uncertainty with respect to future pricing.

11. Please state the source of funds in the Rate Stabilization Fund?

12. Confirm or Deny: The Water Department has historically used monies in the Rate Stabilization Fund to help mitigate revenue adjustments.

13. Confirm or Deny: The Water Department is a not-for-profit utility?

14. Please provide the source for the PCE Inflation factors of 2.1% and 2.0% referenced in Mr. Morgan's testimony.

15. Does the Federal Reserve have purview over tariffs imposed by the federal government?

16. Does the Federal Reserve have purview over US trade policy?

17. Since the 2023 rate proceeding, has the Federal Reserve achieved its targeted inflation rate?

a. Has CPI for Philadelphia reached the Federal Reserve's target inflation rate?

18. What is the Federal Reserve's targeted interest rate? [2%]

19. Will you update your recommendation to track the most recent revisions to the PCE?

20. In preparing your testimony, did you review the Beige Book, dated February 2025 (hereafter "Beige Book")?

21. Is the Beige Book prepared by the Federal Reserve to evaluate changes in economic conditions nationally since the last report?

22. Does the Federal Reserve gather information for the Beige Book through a range of contacts including businesses and other organizations in various Federal Reserve Districts around the country (New York, Philadelphia, Cleveland, St. Louis, Chicago, San Francisco, etc.)?

23. Does the Beige Book indicate there is uncertainty of the impact of potential tariffs on the price on building materials?

24. Does the Beige Book observe that prices were moderately rising nationally, as of its date of its recent publication (February 2025).

25. Does the Beige Book indicate that many businesses noted heightened economic uncertainty and expressed concerns about tariffs.

26. Does the Beige Book indicate that changes in fiscal and trade policies pose a greater risk of inflation.

27. Does the Beige Book indicate that overall uncertainty in the economy and with regard to tariffs may lead to future price increases?

28. With respect to building materials, are you aware of where the US imports most of its steel from? If one country that you select is [China], can you confirm that increased tariffs are in place for that country.

29. Confirm or Deny: Significant shifts in US tariff and trade policies have taken place in 2025 with the new Administration and that same post were put in place after the Advance Notice filing in February.

30. Refer to Page 14 of PA Statement 1. On what basis, other than “for rate making purposes,” has Mr. Morgan recommended that PWD utilize the lower of two growth factors for energy and gas expenses presented in the Office of Sustainability documentation?

31. Is there a difference between budgeting and long-term planning?

32. Regarding Lines 1 to 5 of page 10 of your testimony, provide specific references in PWD Statement 7 and in PWD Exhibit 6 for the “growth rates” for Other Water and Other Sewer Revenues.

33. Although your testimony does not propose adjustments to the FY 2025 O&M expenses Schedule LKM-1 reflects a \$2.6 million reduction to the FY 2025 O&M. Please provide the basis of this adjustment. Include supporting calculations.

34. Has Mr. Morgan (you) included the adjustment proposed by Mr. Colton in his analysis (i.e., figures in LKM-1). Have you independently reviewed all revenue and expense adjustments

detailed in Mr. Colton's testimony (PA Statement 3)? If so, please confirm that you have applied the adjustments in schedules proffered with your testimony and identify where those adjustments are shown?

35. With reference to PA Statement 1 at page 12, please provide (i) a detailed description of Federal Open Market Committee (FOMC) core inflation projections referred to in your testimony together with source documentation; and (ii) a list items that are included or excluded in this index of inflation.

a. Please confirm or deny whether changes in prices for items such as phosphoric acid, sodium hydroxide, sodium hypochlorite, blended sodium phosphate and activated carbon are included in this inflation index.

b. Please confirm or deny whether changes in prices for valves, couplings, sleeves or meters are included in this index of inflation.

c. Please confirm or deny whether changes in prices for materials such as ductile iron pipe and curb stops are included in this index of inflation.

36. On what basis does Mr. Morgan recommend his SMIP/GARP adjustment (reducing projected expenses by \$10 million in FY 2027).

Respectfully submitted,

/s/ Andre C. Dasent

Andre C. Dasent, Esquire

Commerce Square
2001 Market Street, 25th Floor
Philadelphia, Pennsylvania 19103

Carl R. Shultz, Esquire
Renardo Hicks, Esquire

Of Counsel:
Neal Sellers, Esquire
Alexandra Athanasiadis, Esquire
Philadelphia Law Department
1101 Market Street, 5th Floor
Philadelphia, Pennsylvania 19107

Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, Pennsylvania 17101

Date: May 5, 2025