

PHILADELPHIA WATER DEPARTMENT
PWD STATEMENT NO. 5R

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
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Rebuttal Testimony
on behalf of
the Philadelphia Water Department
to
Lance Haver

Dated: May 13, 2025

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q1. PLEASE STATE YOUR NAMES AND POSITIONS.

A1. My name is Glen Abrams. I serve as Deputy Water Commissioner for Communications and Outreach.

Testifying with me are Lawrence Yangalay, Peter Nissen, Brian Merritt and Dave Jagt. Mr. Yangalay serves as the Deputy Commissioner for Finance. Mr. Nissen is a Managing Director at Acacia Financial Group, Inc. Mr. Merritt and Mr. Jagt are Principal Consultants at Black & Veatch Management Consulting LLC.

Q2. HAVE ANY WITNESSES ON THIS PANEL PREVIOUSLY SUBMITTED TESTIMONY IN THIS PROCEEDING?

A2. Yes. Mr. Abrams provided testimony and schedules in PWD Statement 8. Mr. Yangalay has provided testimony and schedules in PWD Statement 2A. Mr. Nissen provided testimony and schedules in PWD Statement 2B. Mr. Merritt and Mr. Jagt have provided testimony and schedules in PWD Statement 7.

Q3. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A3. In this rebuttal, we provide the Department's response to recommendations and criticisms of Mr. Lance Haver in his direct testimony ("LH St. 1" or "Haver St. 1"). That testimony consists of five pages and did not include any schedules or exhibits. By our count, there are five questions with responses.

We also provide the Department's response to recommendations and criticisms of Mr. Lance Haver in his supplemental direct testimony ("LH St. 1S" or "Haver St. 1S"). The Hearing Officer, by the Order Revising Schedule entered on April 30, 2025, provided Mr. Haver (and others) to supplement their direct testimony upon review of the transcripts. Haver St. 1S consists of two pages and did not attach any schedules or exhibits. There are ten numbered paragraphs.

Q4. PLEASE IDENTIFY THE SCHEDULES THAT ACCOMPANY THIS REBUTTAL TESTIMONY.

A4. There are no schedules provided with this rebuttal testimony.

II. OVERALL POSITION

Q5. PLEASE DESCRIBE MR. HAVER'S OVERALL POSITION.

A5. Mr. Haver's position is that there should be no rate increase for FY 2026 and FY 2027.

Q6. WHAT IS THE DEPARTMENT'S RESPONSE?

A6. The Department rejects Mr. Haver's position. Maintaining utility services over FY 2026 and FY 2027 at existing rate levels is unsustainable.¹

The Department explained that the financial difficulties being experienced in FY 2025 will only get worse in FY 2026 and FY 2027 without rate relief.²

¹ PWD Statement 2A; PWD Statement 7.

² PWD Statement 2A at 6.

1 Mr. Haver apparently assumes that (i) the Department's current rates and charges (in FY
2 2025) are sufficient to pay its current expenses (in FY 2025) or (ii) that the Department
3 can make withdrawals from cash balances in the Rate Stabilization Fund ("RSF" or the
4 Residual Fund ("RF")) during the Rate Period without financial consequences. Neither of
5 the above assumptions are true.

6
7 As explained in the rate filing, the Department's current rates and charges are not
8 sufficient to pay the Department's current expenses. The Department is funded through
9 water and sewer charges, not direct tax revenue. Section 13-101 of the Philadelphia Code
10 (hereinafter, the "Rate Ordinance")³ directs the Department to seek sufficient rates and
11 charges to pay for its operating expenses. The operating revenues (that were established
12 in the 2023 general rate proceeding) are not covering the Department's expenses in fiscal
13 year ("FY") 2025. To pay its bills in FY 2025, the Department is already planning a
14 sizeable transfer from its cash reserves, the Rate Stabilization Fund, of \$12.2 million.⁴

15
16 The Department's position is that drawing down cash reserves any further is not a
17 prudent strategy. By the end of FY 2025, the reserves in the RSF will be at minimum
18 levels and there is no guarantee they will be adequate to address future challenges
19 without rate relief.⁵ Without additional revenues, PWD would need to substantially draw
20 down (deplete) financial reserves, which would compromise PWD's ability to respond to
21 future emergencies (such as Hurricane Ida⁶). In addition, paying for operating expenses

³ Schedule FP-1.

⁴ Schedule BV-1, Table C-2 at line 2 (FY 2025).

⁵ See, PWD Statement 2A, Schedule FP-1. RSF will be at roughly \$120 million at the end of FY 2025. PWD Statement 2A at 6.

⁶ By way of illustration, the remnants of Hurricane Ida (during FY 2022) caused the incurrence of additional expenditures estimated at \$10.0 million in the 2022 Special Rate Proceeding. See, <https://www.phila.gov/media/20220124131428/PWD-Statement-No.-1-Direct-Testimony-and-Schedules-of-Melissa-La-Buda.pdf>

1 with financial reserves could have negative consequences as credit rating agencies have
2 been clear that drawing RSF reserves below \$120 million will likely result in a
3 downgrade for the Department.⁷

4
5 The Department cannot make significant withdrawals from the cash balances (the RSF or
6 RF) during the Rate Period without financial consequences. The credit rating agencies
7 have been clear that drawing down the RSF reserves below \$120 million may result in a
8 downgrade of our financial rating.⁸ RSF will be at roughly \$120 million at the end of FY
9 2025.⁹ Without rate relief in FY 2026,¹⁰ the Department would be forced to make a
10 sizeable withdrawal (of about \$43.4 million) from the RSF. That would drop the RSF
11 balance to about \$76.9 million. Without rate relief in FY 2026 and FY 2027,¹¹ the
12 Department would be forced to make another sizeable withdrawal (of about \$76.9
13 million) from the RSF in FY 2027 in addition to the above-described withdrawal in FY
14 2026. That would deplete the RSF balance.

15
16 **Q7. DOES MR. HAVER DESCRIBE THE REASONS SUPPORTING HIS**
17 **RECOMMENDATION OF NO INCREASES FOR FY 2026 AND FY 2027?**

18 A7. Yes. We read Mr. Haver's testimony as stating three reasons to support his
19 recommendation.

20
21 First, Mr. Haver contends that the *status quo* of existing rates can be maintained¹² until
22 there are documented improvement(s) by the Department in containing costs borne by

23
24 ⁷ See, PWD Statement 2A, Schedule FP-1.

⁸ Schedule FP-1; PWD Statement 2B at 4-5.

⁹ PWD Statement 2A at 6; Schedule BV-1, Table C-2, Line 3 (FY 2025).

¹⁰ PWD Statement 2A at 12-13.

¹¹ PWD Statement 2A at 12-13.

¹² Haver St. 1 at 1 (Q3) (denial). See Haver St. 1 at 3 (Q4) (status quo).

ratepayers.¹³

Second, Mr. Haver contends that the *status quo* of existing rates can be maintained¹⁴ until the rate-setting process is changed.¹⁵

Third, Mr. Haver contends that rates requested by the Department are not affordable.¹⁶

**Q8. PLEASE RESPOND TO MR. HAVER FIRST CONTENTION REGARDING
IMPROVING OPERATIONS AND CONTAINING COSTS.**

A8. It is our understanding that the standard for setting the Department's rates can be found in the Philadelphia Home Rule Charter ("Charter")¹⁷ and the Rate Ordinance.

Mr. Haver implies that there should be no increase in rates because the Department has failed to meet (or exceed) certain levels of performance (which he alone believes to be suitable). That is not an appropriate standard for denial of a rate increase filed by the Department.

Nevertheless, Mr. Haver is encouraging the Department to improve operations and contain costs.¹⁸ He asserts that the Department should (1) focus on cutting costs;¹⁹ (2)

¹³ Haver St. 1 at 2-3.

¹⁴ Haver St. 1 at 1 (Q3) (denial). *See* Haver St. 1 at 3 (Q4) (status quo).

¹⁵ Haver St. 1 at 1-2, 3.

¹⁶ Haver St. 1 at 2.

¹⁷ Philadelphia Home Rule Charter, Section 5-801.

¹⁸ Haver St. 1 at 3 (improving operations and containing costs), 3 (save ratepayers' money)

¹⁹ Haver St. 1 at 3.

1 make operations more efficient;²⁰ and (3) use its resources to create living wage jobs in
2 Philadelphia.²¹

3
4 He also asserts that consultant(s) should be hired by the Department (a) to examine how
5 PWD could operate more efficiently;²² (b) to find ways to lower PWD's purchasing costs,
6 such as buying through a national co-operative or buying or buying in conjunction with
7 the other municipally owned utility, Philadelphia Gas Works ("PGW");²³ and, (c) to do a
8 management audit of the Department.²⁴

9
10 Mr. Haver maintains that efficiencies or costs savings or both will "eliminate the need for
11 rate increases."²⁵ That belief is generalized and without any support. He does nothing to
12 quantify the amount of any potential outperformance or cost savings. Nor does he show
13 that any "cost-saving" programs or measures can be done without impacting the
14 Department's ability to provide safe and reliable service. Certain costs, such as those
15 related to personnel (labor), contract services energy costs (electricity and natural gas),
16 and materials/equipment, are increasing significantly and cannot be readily reduced as he
17 suggests.²⁶ In the aggregate, such "non-discretionary" costs represent roughly 80% of the
18 Department's budgeted operating costs.²⁷

20 Haver St. 1 at 3.

21 Haver St. 1 at 3. *See also* Haver St 1 at 3 (¶ 4.B, buy from local companies); Haver St 1 at 3 (¶ 4.C, recruit
23 water-intensive industries).

22 Haver St. 1 at 2. *See also* Haver St. 1 at 3 (¶ 4.D, consultants to improve).

23 Haver St. 1 at 2. *See also* Haver St. 1 at 3 (join buying cooperatives); Haver St. 1 at 3 (¶ 4.A, PGW).

24 Haver St. 1 at 2.

25 Haver St. 1 at 3.

26 PWD Statement 2A; Schedule FP-1; PWD Statement 4A.

27 PWD Statement 4A at 7.

Nothing in the record of this proceeding shows that efficiency or cost savings could realistically cover the increased expenses projected for FY 2026 and FY 2027. The Department's position is that it is unreasonable to expect the Department to find "savings" or "cut" expenses so as to eliminate both the current shortfall of \$12.2 million in its current fiscal year²⁸ and the increased projected expenses over the next two fiscal years.²⁹

Q9. PLEASE RESPOND TO MR. HAVER'S SECOND CONTENTION REGARDING THE RATE-SETTING PROCESS.

A9. The standard for setting the Department's rates can be found in the Charter and the Rate Ordinance, as we already stated.

Mr. Haver calls upon the Rate Board to disrupt the rate-setting process.³⁰ He wants the Rate Board to put "pressure"³¹ on the Department to "force"³² the Department "to find efficiencies"³³ and cost savings.

In this regard, Mr. Haver has expressed dissatisfaction with the Department's hiring of consultants to present and support positions in this rate proceeding.³⁴ He has also requested that consultants be retained to identify cost savings. Mr. Haver has not

²⁸ Schedule BV-1, Table C-2 at line 2 (FY 2025).

²⁹ Operating expenses are projected to increase by more than \$40 million in FY 2026 (as compared to FY 2025) and by another \$35 million in FY 2027 (as compared to FY 2026). Schedule BV-1, Table C-1A, Line 16.

³⁰ Haver St. 1 at

³¹ Haver St. 1 at 3.

³² Haver St. 1 at 3

³³ Haver St. 1 at 3. *See also* Haver St. 1 at 3 (¶ 5).

³⁴ Haver St. 1 at 3 (¶ 6).

specifically identified or quantified purported cost savings for purposes of this rate proceeding.

Based on the record presented, Mr. Haver's expresses generalized dissatisfaction with the Department's policies and decisions. He has no specific quantifiable adjustments except to deny the Department's proposed changes in rates and charges altogether. The Department submits that generalized comments regarding utility policies and decisions should not form the basis for denial of much needed rate relief in FY 2026 or FY 2027. The Department's understands that the Rate Board's jurisdiction is limited to "setting" rates and charges and that the Rate Board's should not second guess the Department's management policies and decisions in the manner that Mr. Haver suggests (like a Monday morning quarterback).

Mr. Haver has also expressed dissatisfaction with (a) the composition of the Rate Board;³⁵ (b) the timeliness of Rate Board's posting of transcripts for public hearings;³⁶ (c) the person chosen by the Rate Board to preside over this rate proceeding;³⁷ (d) the Rate Board's refusal to provide him (as a part of this proceeding) a copy of the contract with the Hearing Officer;³⁸ (e) the Hearing Officer's prior approval of rate increases;³⁹ (f) the Rate Board's regulations⁴⁰ which provide for the appointment of a Public Advocate to represent the interests of Small User Customers pursuant to a formal City contract;⁴¹ (g)

³⁵ Haver St. 1 at 1.

³⁶ Haver St. 1 at 2, 4. *See also* Haver St. 1 at 3 (¶ 6).

³⁷ LH. St. 1 at 2.

³⁸ Haver St. 1 at 3 (¶ 4).

³⁹ LH. St. 1 at 2.

⁴⁰ <https://www.phila.gov/media/20230120160159/WRB-regulations-restated-with-amendments-2022-11-09.pdf>

⁴¹ Haver St. 1 at 1-2.

the appoint of CLS as the Public Advocate;⁴² (h) the Rate Board’s refusal to provide him (as a part of this proceeding) a copy of the contract with CLS;⁴³ (i) the Public Advocate’s description of its role in this rate proceeding;⁴⁴(j) the Public Advocate’s hiring of consultants to present and support positions in this rate proceeding;⁴⁵ (k) the Public Advocate’s advocacy before the Rate Board;⁴⁶ and, (l) the extent of the Public Advocate’s outreach to, and inclusion of, ratepayers and community groups.⁴⁷

The Department’s position is that Mr. Haver’s above-described twelve points of dissatisfaction (“a” through “l” above) are directed at others and are not directed at the Department itself, so none of them should form the basis for any adjustment(s) to the Department’s proposed rates and charges for FY 2026 or FY 2027.

Q10. MR. HAVER STATES THAT EVERY RATE CASE IN THE LAST SIX YEARS HAS STARTED WITH THE DEPARTMENT ASKING FOR MORE MONEY THAN WHAT IT NEEDED.⁴⁸ PLEASE RESPOND.

A10. The Department disagrees with that statement.

Mr. Haver implies that the Department is intentionally inflating expenses to secure larger rate increases. He offers no examples of unreasonably large (i.e., inflated) expenses from past proceedings. He does nothing to address the reasonableness of the Department’s proposed rates and charges in this proceeding, or the data and projections which underlay

⁴² Haver St. 1 at 1-2. *See also* Haver St. 1 at 3 (¶ 6).

⁴³ Haver St. 1 at 3 (¶ 4).

⁴⁴ Haver St. 1 at 2.

⁴⁵ Haver St. 1 at 2. *See also* Haver St. 1 at 3 (¶ 6).

⁴⁶ Haver St. 1 at 2. *See also* Haver St. 1 at 3 (¶ 6); Haver St. 1 at 1 (¶ 1).

⁴⁷ Haver St. 1 at 2.

⁴⁸ Haver St. 1 at 1 (¶ 1).

1 them.

2
3 We observe that the Rate Board reviews the reasonableness of the rates and charges
4 proposed by the Department. The Rate Ordinance specifically requires the Rate Board to
5 set rates and charges that are, among other things, reasonable. Rate Ordinance, § 13-
6 101(4)(d). The Department proposes what it believes are reasonable rates and charges.
7 Others, such as the Public Advocate, may disagree with the reasonableness of the
8 proposed rates and charges. There is a well-known proposition that there is a “range” of
9 reasonableness for rates and charges. See, e.g., *Duquesne Light Co. v. Barasch*, 488 U.S.
10 299, 315-16 (1989) (“the Commission was not bound to the use of any single formula or
11 combination of formulae in determining rates”), quoting *FPC v. Hope Natural Gas Co.*,
12 320 U.S. 591, 605 (1944). That range acknowledges that there is no single path to
13 reasonable rates. Since many paths can lead to reasonable rates, neither the fact that there
14 is disagreement over what the rates and charges should be nor the Rate Board’s approval
15 of lower rates and charges than those originally proposed by the Department mean that
16 the Department’s proposed unreasonable expenses to obtain unreasonable rates and
17 charges.

18
19 We would emphasize that cost control (and associated savings) at PWD starts with
20 budgeting. PWD has a vigorous budget process through which all program managers
21 submit and justify their budget to senior management. During the year, PWD Finance
22 produces monthly budget monitoring reports that evaluate budget performance.
23 For example, PWD has already curtailed O&M spending in several areas (e.g.,
24 SMIP/GARP, dredging), refinanced portions of existing debt, deferred borrowing
25 (lowering debt service) and calibrated its request so as to meet targeted financial metrics

1 by the end of the Rate Period, FY 2027. Rate adjustments are needed despite steps taken
2 by the Department to mitigate or partially offset the need for additional revenues. As
3 explained in PWD Statements 3, 4A and 4B, the Department needs to proceed with the
4 activities and projects identified in the above testimony to provide utility services that are
5 reliable, resilient and meet regulatory requirements.

6
7 The City-approved budget has an important role in the Department's view of future
8 expenses. The expense projections start with the Department's most recent budget. For
9 this proceeding, the Water Fund's FY 2025 budget (approved as of June 2024) was used
10 as the beginning base budget for the projections of O&M expenses for the Study Period
11 (here, FY 2026 and FY 2027). That base budget is then adjusted to reflect actual-to-
12 budget spending factors. Then, if warranted, the expenses are escalated to project what
13 they will actually cost in the Study Period. This allows the Department to anticipate
14 future conditions and potentially recover costs for the future fiscal year(s) that the rates
15 and charges will be in effect.

16
17 The above-described process is documented and described in PWD Statement 7 as well
18 as the related Cost of Service Study.

19
20 **Q11. MR. HAVER STATES THAT PRIOR RATE INCREASES WERE PRIVATE,**
21 **SECRETIVE, AND HIDDEN FROM VIEW.⁴⁹ PLEASE RESPOND.**

22 A11. The Department disagrees with that statement.

23
24 The Rate Board is an independent body.⁵⁰ Neither the Rate Board nor its members are

25 ⁴⁹ Haver St. 1 at 3 (¶ 6); Haver St. 1 at 1 (¶ 1).

⁵⁰ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/about/>

1 controlled by the Department. The Rate Board was formed (pursuant to an amendment to
2 the City's Charter) to replace the Water Department as the entity responsible for setting
3 the Department's rates and charges.⁵¹

4
5 The Rate Board must use open and transparent processes and procedures for public
6 comment on proposed rates and charges.⁵²

7
8 The Rate Board's determinations are public. The Department also files any amended
9 rates and charges with the Records Department.

10
11 Mr. Haver's statement appears to be directed at compromise offers and negotiations that
12 take place during a rate proceeding. That back-and-forth, if any, does not constitute
13 evidence⁵³ and is confidential.⁵⁴

14
15 If a settlement is reached for either all or part of a rate proceeding by two or more of the
16 participants, a written settlement is presented for the consideration of the Hearing Officer
17 and Rate Board. Others have the opportunity to review and comment on that written
18 settlement before it is adopted or rejected by the Rate Board. That was done, for example,
19 in the 2024, 2023, 2022, 2021 TAP-R Reconciliation Proceedings as well as the 2021
20 General Rate Proceeding.⁵⁵

23 ⁵¹ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/about/>

24 ⁵² <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/about/>

25 ⁵³ Pa.R.E. 408 (Compromise Offers and Negotiations).

⁵⁴ See, e.g., *In City of Pittsburgh v. Silver*, 50 A.3d 296 (Pa. Commw. Ct. 2012) wherein the Commonwealth Court expressly held that communications and documents exchanged during settlement negotiations are not subject to disclosure under Pennsylvania's Right-to-Know Law.

⁵⁵ See Schedule FP-7.

Q12. PLEASE RESPOND TO MR. HAVER’S THIRD CONTENTION REGARDING AFFORDABILITY.

A12. Mr. Haver states that: “Allowing any rate increase ... [will] continue burdening the ratepayers ...”⁵⁶

More specifically, Mr. Haver expresses concern that the rate increases from September 1, 2023 through August 31, 2025 have outpaced inflation.⁵⁷ He did not, however, provide any details on the inflation levels he used for his comparison. That being said, to show the burden on ratepayers, Mr. Haver compares the “average water sewer rates” in “2023” to the proposed rates for FY 2026 and FY 2027.⁵⁸ He states that the “average water sewer rates” was \$69.00.⁵⁹

We note that the then-current typical monthly bill for residential customers (5/8” meter, 450 cubic feet) was \$69.31 (before September 1, 2023).⁶⁰ The rate changed on September 1, 2023. The current typical monthly bill for residential customers (5/8” meter, 430 cubic feet) is \$81.77 (before September 1, 2025).⁶¹

The Department’s position is that comparisons between the Department’s rates and charges and “general” changes in inflation over time are not useful. Here, Mr. Haver’s analysis fails to consider that the inflation experienced by the Department can differ from the “average” inflation.⁶² In fact, costs within specific sectors, such as equipment,

⁵⁶ Haver St. 1 at 2 (¶ 4).

⁵⁷ Haver St. 1 at 2.

⁵⁸ Haver St. 1 at 2; Haver St. 1 at 3 (¶ 3).

⁵⁹ Haver St. 1 at 3 (¶ 3).

⁶⁰ 2023 Rate Proceeding: Main Brief of the Philadelphia Water Department dated May 16, 2023, at page 3.

⁶¹ PWD Exhibit 2.

⁶² PWD Statement 4A; Schedule BV-2.

1 continue to exceed core Consumer Price Index (“CPI”) target levels.⁶³ In addition to
2 “general” price increases due to inflation, Mr. Haver fails to consider that other factors
3 contribute to the Department’s costs. Such other factors include (but are not limited to)
4 increased demands on the Department to comply with the requirements in the Consent
5 Order and Agreement (“COA”), the Lead and Copper Rule (“LCR”) requirements and
6 other environmental compliance requirements.⁶⁴

7
8 The Department acknowledges that affordability is an ongoing challenge, given that the
9 poverty rate in the City is more than 20%. At present, Philadelphia falls below the
10 affordability threshold recommended by industry standards.⁶⁵ Also, we note that the
11 average water bill, as a percentage of medium household income, is at 1.8% which
12 compares favorably with other peer utilities. The foregoing is not to suggest that there is
13 not more to do. It is to state, however, that we are very concerned about affordability and
14 engaged in addressing this issue.

15
16
17 We incorporate by reference the Department’s responses regarding affordability in PWD
18 Statement 3R which responds to testimony by Public Advocate Witness Mr. Colton.

19
20 In addition, we would emphasize that the Department (in conjunction with WRB) offers a
21 variety of payment assistance programs.⁶⁶ For example, please recall that, PWD, WRB
22 and other City agencies have worked successfully to increase TAP participation to ensure
23 that our most vulnerable customers maintain utility service. The City has also established

63 Schedule BV-2.

64 PWD Statement 4B.

65 Schedule FP-1

66 See PWD Statement 5.

1 shut-off constraints to also ensure that many households (with household members who
2 are children, elderly or infirm) are protected from utility service termination. WRB has
3 also established the Raise Your Hand program to protect vulnerable households given
4 concerns as to affordability and other reasons.⁶⁷

7 **IV. COST SAVINGS**

9 **Q13. PLEASE DESCRIBE MR. HAVER'S RECOMMENDATIONS REGARDING**
10 **COST SAVINGS AND EFFICIENCIES.**

11 A13. Mr. Haver asserts that the Department has not done enough to reduce costs for the Rate
12 Period. He argues that the Department's expenses in the Rate Period should be lower by
13 unspecified amounts.

15 **Q14. WHAT IS THE DEPARTMENT'S RESPONSE?**

16 A14. Mr. Haver's recommendations are generalized and without any factual support in the
17 record of this proceeding. Any "cost-saving" programs or measures must be implemented
18 by the Department without impacting the Department's ability to provide safe and
19 reliable service, as we already explained.

21 In fact, as part of the response to Question 10 above, we indicated that the Department
22 has already curtailed O&M spending in several areas (e.g., SMIP/GARP, dredging),
23 refinanced portions of existing debt, deferred borrowing (lowering debt service) and
24

25

⁶⁷ See PWD Statement 5; PWD Rebuttal Statement 3R.

1 calibrated its request so as to meet targeted financial metrics by the end of the Rate
2 Period, FY 2027. More details on these efforts are in the rate filing itself
3

4 **V. PROCUREMENT BY THE DEPARTMENT**
5

6 **Q15. PLEASE SUMMARIZE MR. HAVER'S CRITICISMS OF PROCUREMENT BY**
7 **THE DEPARTMENT.**

8 A15. Mr. Haver believes that the Department must find ways to lower PWD's purchasing costs,
9 such as buying through a national co-operative or buying in conjunction with PGW.⁶⁸
10

11 **Q16. PLEASE RESPOND.**

12 A16. This criticism is misplaced because the Department does not control procurement of
13 goods and services, and the suggestions offered require the participation of persons who
14 are not participating in this rate proceeding.
15

16 Procurement by is governed by the Home Rule Charter. The City's Procurement
17 Department has oversight over the cost of purchasing supplies and services.⁶⁹ The
18 Procurement Department manages and acquires goods and services for the City,
19 including the Department, using a fair, open, and cost-effective process.⁷⁰ Local bidding
20 is governed by Section 17-109 of the Philadelphia Code and requires the participation of
21 the Procurement Department.
22
23
24

25 ⁶⁸ Haver St. 1 at 2. *See also* Haver St. 1 at 3 (join buying cooperatives); Haver St. 1 at 3 (¶ 4.A, PGW).

⁶⁹ <https://www.phila.gov/departments/procurement-department/>

⁷⁰ <https://www.phila.gov/departments/procurement-department/>

1 Within the parameters of the Charter, the Code, City policies as well as operational and
2 other restraints, the Department is committed to working with any others to ensure cost-
3 effective purchases.

4
5 Buying through a national co-operative would be done under the cooperative
6 procurement provision under the Charter, Section 8-200. That requires the participation
7 of the Procurement Commissioner and Director of Finance.

8
9 For example, the Department made efforts to participate in the PA Cooperative
10 Purchasing-PA COSTAR, but was informed by the Procurement Department the
11 generally COSTAR contracts are not allowed to be used. The Department's review of the
12 City's policies indicated that the Department may participate in COSTAR if it can result
13 in overall lower cost and is unlikely to have material impact on PWD meeting its
14 minority participation goal. The Department is continuing to evaluate the practicality of
15 PWD participation in COSTAR.

16
17 Buying in conjunction with PGW would require approvals from others, including (but not
18 limited to) PGW itself and/or Philadelphia Facilities Management Corporation
19 ("PFMC"), which oversees the operations of the PGW. It is unclear how practical this
20 would be given that PGW is regulated by the Pennsylvania Public Utility Commission
21 and PWD is not.

22
23 **VI. ATTRACTING WATER-INTENSIVE INDUSTRIES TO THE CITY**
24
25

Q17. PLEASE SUMMARIZE MR. HAVER’S CRITICISMS OF THE DEPARTMENT REGARDING ATTRACTING WATER-INTENSIVE INDUSTRIES TO THE CITY.

A17. Mr. Haver believes that Department should do more to recruit “water intensive” industries to Philadelphia.⁷¹

Q18. PLEASE RESPOND TO MR. HAVER.

A18. This criticism is misplaced. Other parts of local government are focused on attracting businesses to the City. That is, Philadelphia’s Department of Commerce works to (among other things) attract businesses to the City.⁷² In addition, the Philadelphia Industrial Development Corporation (“PIDC”) is Philadelphia’s public-private economic development corporation. PIDC works to attract, manage, and invest public and private resources in the clients, communities, and markets that energize Philadelphia’s economy.⁷³

VII. SUPPLEMENTAL ISSUES

Q19. PLEASE SUMMARIZE MR. HAVER’S SUPPLEMENTAL DIRECT TESTIMONY.

A19. We view the supplemental direct testimony as raising the following categories of claims:

First, Mr. Haver alleges that proscribed procedures for public hearings were not followed.⁷⁴

⁷¹ Haver St. 1 at 3 (¶ 4.C).

⁷² <https://www.phila.gov/departments/departments-of-commerce/>

⁷³ <https://www.pidcphila.com/who-we-are>

⁷⁴ Haver St. 1S at 2 (¶ 10)

Second, Mr. Haver is critical of participation levels at the public hearings.⁷⁵

Third, Mr. Haver is critical of the contents of Public Advocate's direct testimony,⁷⁶ which was submitted after the public hearings (on April 29, 2025 and May 1, 2025), and the alleged failure of the Public Advocate to disclose its positions before submitting its testimony.⁷⁷

Q20. PLEASE RESPOND TO THOSE CRITICISMS.

A20. We will respond to each category separately.

First, the Department disagrees with Mr. Haver allegation that proscribed procedures for public hearings were not followed. Mr. Haver does not explain the basis for his allegation by referencing the provisions in the Charter, the Rate Ordinance, or the Rate Board's Regulations that he believes were not followed.

The Rate Board regulations address the administration of the hearing process and related outreach. The directives of the Hearing Officer were consistent with the aforesaid regulations and hearing procedures to be followed by the participants in this proceeding were clearly communicated. Moreover, outreach efforts for the public input hearings (as undertaken by the Department and Public Advocate) were extensive in this case — exceeding the requirements in the applicable regulations.

Second, the purpose of the public hearings is to gather information from the public. The public hearings provide a forum for consumers, businesses, and other interested parties to

⁷⁵ Haver St. 1S at 1-2 (¶ 4-6, 9).

⁷⁶ Haver St. 1S at 1 (¶ 1).

⁷⁷ Haver St. 1S at 1-2 (¶ 2-3, 7, 8, 9)

1 discuss and share their concerns regarding the proposed rate increases as well as other
2 issues. They are not the only way to provide information to the Rate Board. That Rate
3 Board accepts written comments, whether by email or regular mail. The hearings and the
4 written comments are a crucial part of the Rate Board's process to ensure that decisions
5 are made with consideration of public input.

6
7 Mr. Haver questions the level of participation at public input hearings. He implies that a
8 specific number of participants at a public hearing is necessary to demonstrate that public
9 hearing was "fair" or that the outreach was "successful" or "acceptable." Those
10 assumptions are wrong. Event attendance is an outcome. A "low" participation level at an
11 event does not necessarily imply lack of outreach or lack of knowledge of the event.
12 "Low" participation could imply the informed choice not to participate in the event or a
13 lack of interest in the proceeding. For example, a customer may have chosen to submit
14 written comments as opposed to appearing at a public input hearing.

15
16 By my count, I see that twenty-three people testified at the public hearings and, at least,
17 twelve people submitted written comments. The number of people submitting comments
18 could increase. That is comparable to the last general rate proceeding. Looking back, I
19 see that 30 members of the public provided testimony, which included comments and
20 suggestions, in the Department's 2023 General Rate Proceeding.⁷⁸

21
22 Third, the Department is not responding to the third category of claims in Mr. Haver's
23 Supplemental Testimony. These claims are directed at the Public Advocate, and not the
24

25 ⁷⁸ 2023 Hearing Officer Report at 8, <https://www.phila.gov/media/20230530162301/2023-Hearing-Report-May-30-FINAL-with-Appendix.pdf>

1 reasonableness of the Department's proposed rates, or the data and projections which
2 underlay them.

3
4 **VIII. CONCLUSION**

5
6 **Q21. DOES THIS CONCLUDE THIS REBUTTAL TESTIMONY?**

7 A21. Yes, it does.