

PHILADELPHIA WATER DEPARTMENT
REBUTTAL STATEMENT NO. 2R

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

Public Advocate Witness Jerome D. Mierzwa

Dated: May 13, 2025

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q1. PLEASE STATE YOUR NAMES AND POSITIONS.

A1. Our names are Ann Bui, Dave Jagt, Brian Merritt, and David Sayers. We are employed by the firm of Black & Veatch Management Consulting LLC (Black & Veatch), 11041 Lamar Avenue, Overland Park, Kansas. We are providing testimony on behalf of the City of Philadelphia (the “City”) Water Department (“Department” or “PWD”) in this proceeding as a panel.

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

A2. Yes. We 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. Jerome D. Mierzwa in his direct testimony (PA St. 2) submitted on behalf of the Public Advocate (“Advocate” or “Public Advocate”).

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

A4. The following schedules accompany our rebuttal testimony.

Schedule 2R-1: Mierzwa - Average Stormwater Rates Billing Versus Cost of Service Comparison

II. CLASS COST OF SERVICE STUDY

A. Water Class Cost of Service Study

Q5. DO YOU AGREE WITH MR. MIERZWA'S RECOMMENDATION THAT CUSTOMER CLASS MAXIMUM DAY AND MAXIMUM HOUR EXTRA CAPACITY FACTORS SHOULD BE REVISED TO REFLECT THE RESULTS OF PWD'S RECENTLY COMPLETED CUSTOMER AMI DEMAND STUDY?

A5. Mr. Mierzwa and PWD are in general agreement on the need to update the extra capacity factors in the water class cost of service (CCOS) study – the only difference in our positions on this matter is the speed at which the update occurs. After careful consideration and as documented in BV-4 WP-2 - Impact of Updated Peaking Factors (BV-4 WP-2), PWD believes that its proposed phased implementation of the maximum day and maximum hour customer class extra capacity factors is appropriate. The phased approach balances the need to incorporate new data as it becomes available and the need to minimize bill impacts from the significantly different extra capacity factors that were determined in the AMI Demand Study compared to those used in previous PWD CCOS studies. In BV-4 WP-2, we explored and evaluated multiple scenarios that included both full implementation (as recommended by Mr. Mierzwa) and ultimately recommended a phased implementation of extra capacity factors. It bears emphasis that principles of gradualism are appropriately applied here.

Q6. WHAT WOULD BE THE IMPACT OF THE FULL IMPLEMENTATION OF THE NEW EXTRA CAPACITY FACTORS STARTING SEPTEMBER 1, 2025?

A6. Full implementation of the extra capacity factors will result in a dramatic change to PWD's current declining block rate structure that has existed for over 40 years. The impact of full implementation would be to change the rate structure from a simple declining block to a

1 more unusual structure, in which the second block is higher than the first, followed by a
2 decline through the third and fourth blocks. The above outcome assumes no change to the
3 number of existing blocks in PWD's rate structure and their break points — as the existing
4 Basis2 billing system cannot presently accommodate such changes. Please recall that an
5 upgrade to the PWD billing system is proposed and planned to be implemented in the next
6 few years and therefore more sophisticated changes to rates could be accommodated at that
7 time — but not now.
8

9 **Q7. WHY DO YOU BELIEVE THAT PHASING IN THE NEW EXTRA CAPACITY**
10 **FACTORS IS A BETTER OPTION THAN TO FULLY IMPLEMENT THE NEW**
11 **FACTORS STARTING SEPTEMBER 1, 2025?**

12 A7. We have identified the key points and considerations regarding the choice of the proposed
13 phasing in of the new extra capacity factors in BV-4 WP-2 (page 6). A key driver of our
14 proposed approach is to provide stability and predictability of rates, with a minimum of
15 unexpected changes seriously adverse to ratepayers or the utility (i.e., gradualism).
16 Specifically, when incorporating data sets that may result in significant shifts in cost
17 recovery and/or influence on rate design, the Department has generally applied a gradual
18 approach to phase-in proposed changes and help manage customer bill impacts. Consistent
19 with this approach, we maintain that it is appropriate to phase-in the new extra capacity
20 factors that were developed from the AMI Demand Study and have generated peaking
21 factors that are significantly different from those utilized in prior PWD CCOS Studies.
22

23 **Q8. IN PROPOSING THE PHASED IMPLEMENTATION OF EXTRA CAPACITY**
24 **FACTORS AREN'T YOU DISTORTING THE CLASS COST OF SERVICE**
25 **STUDY RESULTS BY NOT USING THE MOST CURRENT MAXIMUM DAY**

**AND MAXIMUM HOUR CHARACTERISTICS OF THE CUSTOMER CLASSES
SERVED BY PWD?**

A8. The phased approach has been proposed to reasonably balance multiple objectives. Mr. Mierzwa agrees with and supports the concept of gradualism, but uses a different method to develop his proposal for gradualism. Both Black & Veatch's and Mr. Mierzwa's approach to gradualism distort the class cost of service study results they just use different approaches to adjust for gradualism. In addition, PWD's approach represents a 25% shift in the use of new extra capacity factors during FY 2026 and a second 25% shift, to a total 50% shift, during FY 2027. While Mr. Mierzwa's approach is more abruptly phasing-in the new extra capacity factors in his proposal of 50%¹ during FY 2026.

As presented in BV-4 WP-2, Black & Veatch evaluated the impact of the AMI Demand Factors based on the application of the AMI Demand Factors to the FY 2025 CCOS study analysis. This approach allowed for the evaluation of the isolated impact of the AMI Demand Factors. As documented in BV-4 WP-2, based on the magnitude of the impacts of implementing the AMI Demand Factor it was decided to phase in the AMI Demand Study Factors over time.

One benefit of Black & Veatch's proposed approach is that it provides the phased in values of the peaking factors to provide a basis of comparison with future AMI Demand Study results. Mr. Mierzwa's approach, in addition to being much less gradual, shifts or shuffles dollars between customer classes and makes it more difficult to evaluate the current level

¹ As explained below, Mr. Mierzwa's proposal is based on a comparison of the PWD's FY 2026 cost of service distribution which represents a 25% shift towards the AMI Demand Study peaking factors and his revised 2026 cost of service distribution based on AMI Demand Study peaking factors effectively making his proposal a 62.5% shift.

1 of phase in with future AMI Demand Study results as it does not establish the value of the
2 peaking factors supporting his proposed result.

3
4 **Q9. ARE THERE OTHER REASONS TO BE CAUTIOUS ABOUT THE**
5 **IMPLEMENTATION OF THE NEW EXTRA CAPACITY FACTORS THAT**
6 **WERE DEVELOPED IN THE AMI DEMAND STUDY?**

7 A9. Yes. While we believe the new insights into customer class maximum day and maximum
8 hour peaking factors are directionally correct when compared to the previous extra capacity
9 factor assumptions; we acknowledge other important considerations and limitations of the
10 data, including primarily:

- 11 • The analysis supporting the AMI Demand Study was undertaken last year and
12 was based on only one year of available data (i.e., calendar year 2023). This was
13 unavoidable due to the recent multi-year deployment of AMI data and the need to
14 complete the data-intensive study in time to inform the rate filing. Therefore, the
15 study exclusively examined seasonal peaks during the aforesaid calendar year. At
16 that time, approximately 40% of the customers had AMI meters available and
17 suitable for inclusion in the analysis.
- 18 • At present the AMI rollout has been substantially completed (greater than 95% of
19 customers now have AMI meters) there is the potential to repeat the analysis
20 looking at 2024 seasonal peaks (or in a few months' time also evaluate 2025
21 seasonal peaks) to provide a more robust analysis and improve confidence in the
22 findings. In a subsequent analysis, we could look at customer peaks demands over
23 multiple years and across a wider range of weather patterns. Furthermore,
24 additional analysis would be more representative of each customer type, as it
25

would include a greater proportion of customers now that AMI rollout is substantially complete.

PWD proposes a gradual phase-in of the AMI Study demand factors with the above considerations in mind. We will have more data by the next general rate proceeding.

Q10. DOES MR. MIERZWA'S FY 2026 REVENUE DISTRIBUTION PROPOSAL REFLECT A 50% SHIFT TOWARDS THE AMI STUDY DEMAND FACTORS?

A10. No. Mr. Mierzwa's FY 2026 revenue distribution proposal is based on a comparison of PWD's CCOS study based on a 25% shift towards the AMI Demand Study peaking factors (in FY 2026) and the Public Advocate's CCOS analysis based on the AMI Demand Study peaking factors. By comparing the COSS results based on the AMI Demand Study peaking factors with the COSS results based on a 25% shift towards the AMI Demand Study peaking factors, Mr. Mierzwa accelerates the shift towards the AMI Demand Study peaking factors. Effectively Mr. Mierzwa's proposal for a 50% shift is actually a 62.5% shift $[25\% + (100\% - 25\%) / 2]$. His proposed shift is also to be implemented in FY 2026, rather than gradually implemented during FY 2026 and FY 2027.

Q11. DO YOU AGREE WITH MR. MIERZWA'S REVISED CCOS STUDY? (PA ST. 2 AT 15-22).

A11. No, we do not agree. As stated in the response to the questions above, we believe that the PWD CCOS Study reflects a reasonable transition to the AMI Demand Study extra capacity factors consistent with cost of service principles. As such, the CCOS Study results provide a reasonable basis to determine the distribution of the proposed revenue increases in this rate proceeding.

1 **Q12. DO YOU AGREE WITH MR. MIERZWA’S PROPOSAL (PA ST. 2 AT 18-22)**
2 **WITH RESPECT TO THE DISTRIBUTION OF THE REVENUE INCREASE**
3 **AWARDED FOR FY 2026 IN THIS PROCEEDING?**

4 A12. No. The primary basis of Mr. Mierzwa’s proposed distribution of the approved FY 2026
5 revenue increase is his Revised CCOS Study results presented in Table 3 of his testimony.
6 As noted above, we do not agree with his proposed adjustments to retail customer revenue
7 distributions as the 50% adjustment that Mr. Mierzwa proposes (beginning in FY 2026)
8 does not provide a reasonable transition towards the CCOS study results based on the AMI
9 Demand Study peaking factors.

10
11 Although Mr. Mierzwa presents a revised distribution of the awarded FY 2026 revenue
12 increase as the distribution of “Proposed Rates” revenues in Table 3 of his testimony, he
13 does not provide the proposed rate schedule upon which this distribution of revenues is
14 based. His distribution of “Proposed Rates” revenues is based on his revised CCOS Study
15 results with reductions to specific customer types (Commercial, Industrial, Public Utilities,
16 Charities and Schools, Hospital and Universities, and Public and Private Fire Protection)
17 based on his proposed gradualism offset by an increase in the Residential, Senior Citizens,
18 Philadelphia Housing Authority and Hand Billed customers. It should be noted that with
19 the Department’s current rate structure, where one rate schedule is applied to all customer
20 types, some of these class specific adjustments may not be achievable.

21
22 **Q13. DO YOU AGREE WITH MR. MIERZWA’S ALTERNATIVE PROPOSAL (PA ST.**
23 **2 AT 22-23) WITH RESPECT TO THE REVENUE DISTRIBUTION AND RATE**
24 **DESIGN FOR FY 2026 IN THIS PROCEEDING IN THE EVENT THAT THE**
25 **RATE BOARD DOES NOT ACCEPT HIS PROPOSAL?**

1 A13. No. In the event that the Rate Board does not accept his proposal for the FY 2026 revenue
2 distribution, Mr. Mierzwa proposes that the FY 2026 revenue requirement reduction
3 reflected in the Rate Board's determination be proportionately applied to specific customer
4 classes. This proposed approach ignores the fact that his proposed revenue distribution
5 would have been denied and that any recognition of his revenue distribution (which is the
6 basis of his proposed allocation) would be inappropriate. In addition, his proposal
7 alternative would not result in the incremental phase-in of the AMI Demand Study peaking
8 factors as proposed by the Department.

9
10 In addition, Mr. Mierzwa's proposed alternative approach (attempting to reflect the
11 Department's proposed revenue distribution for the revenue requirement in the rate filing
12 and his proposed distribution of Rate Board's determination approved reductions to the
13 revenue requirement) is not consistent with prior rate proceedings where the proposed
14 rate schedules for all test years are based on the final CCOS analysis reflecting the Rate
15 Board's determination.

16
17 **Q14. DO YOU AGREE WITH MR. MIERZWA'S PROPOSAL (PA ST. 2 AT 22) WITH**
18 **RESPECT TO THE DISTRIBUTION OF THE REVENUE INCREASE AWARDED**
19 **FOR FY 2027 IN THIS PROCEEDING?**

20 A14. No. Mr. Mierzwa proposes to apply the overall system average percentage increase to
21 establish the FY 2027 proposed rate schedule. This approach is not consistent with prior
22 rate proceedings, where the proposed rate schedules for all test years are based on the
23 CCOS analysis for each test year. We recommend that at the end of the proceeding the
24 Rate Board request the Department to submit a schedule of proposed rates based on the
25 updated CCOS analysis based on the Rate Board's determination in this case.

Q15. PLEASE SUMMARIZE WHY MR. MIERZWA’S VARIOUS PROPOSED MODIFICATIONS TO THE PWD CCOS SHOULD BE REJECTED BY THE RATE BOARD?

A15. Mr. Mierzwa’s proposed modifications to the PWD CCOS study are based on his proposed “phase-in” of the AMI Demand Study peaking factors. As discussed in the responses to the previous questions, his proposed implementation of proposed modifications to the COSS study is too abrupt and fails to provide for gradualism and results in higher impacts to those customer classes impacted by the transition to the AMI Demand study peaking factors. It should be noted that the Department’s proposed phase-in is a reasonable compromise between the positions submitted by Mr. Mierzwa and Mr. Baudino who submitted testimony on behalf of PLUG.

B. Wastewater CCOS Study

Q16. DOES MR. MIERZWA PROPOSE ANY CHANGES TO THE WASTEWATER CCOS STUDY?

A16. No. Mr. Mierzwa states that “*PWD’s wastewater CCOS study and the apportionment of costs between wastewater service and stormwater service and the proposed wastewater rate design appears reasonable.*” See, PA Statement 2 at 25 to 26.

C. Stormwater CCOS Study

Q17. DOES MR. MIERZWA PROPOSE ANY CHANGES TO THE STORMWATER CCOS?

A17. No. Mr. Mierzwa states that “*PWD’s stormwater CCOS study also appears reasonable. I am proposing no changes to this CCOS study. If increases in stormwater rates are*

1 *authorized by the Board which are less than the PWD's requested increases, I recommend*
2 *that the rates initially proposed by PWD be proportionally scaled back to achieve the*
3 *increases authorized in this proceeding."* See, PA Statement 2 at 4.

4
5 **III. OTHER PROPOSALS**

6 **Q18. DOES MR. MIERZWA MAKE OTHER RECOMMENDATIONS IN HIS**
7 **TESTIMONY?**

8 A18. Yes.

9
10 Mr. Mierzwa recommends (PA St. 2 at 4-5, 26-33) that the Rate Board's final
11 determination require PWD present to the Rate Board within 90 days of the final
12 determination, the following: (a) one or more stormwater rate design alternatives that
13 would reflect the sharing of SMIP/GARP credits across all customer categories; (b) one
14 or more residential stormwater rate designs that provide different monthly bill amounts
15 based on property size and/or property type; and, (c) one or more residential rain barrel
16 credit alternatives as well as application/recertification requirements for residential rain
17 barrels.

18
19 **Q19. WOULD THE ADOPTION OF MR. MIERZWA'S RECOMMENDATIONS**
20 **MODIFY STORMWATER RATES FOR ALL CUSTOMERS?**

21 A19. Yes. Mr. Mierzwa's proposals do not address the reasonableness of the Department's
22 proposed stormwater rates, or the data and projections which underlay them. The proposals
23 are alternatives that, while well meaning, would re-allocate stormwater costs and have the
24 potential to create significant changes in stormwater rates and charges.

Q20. MR. MIERZWA CLAIMS THAT PWD HAS FAILED TO RESPOND TO THE RATE BOARD'S 2023 RATE DETERMINATION DIRECTIVES CONCERNING STORMWATER RATE STRUCTURE CHANGES. DO YOU AGREE?

A20. No, we do not agree. As stated above, Mr. Mierzwa ignores the PWD response to his recommendations in rebuttal testimony in the 2023 base rate proceeding and in Quarterly Reports submitted to the Rate Board since the last rate proceeding.

In the aforesaid Quarterly Reports, PWD stated that *“Any proposed updates to the stormwater rate structure are anticipated to coincide with the replacement of the basis² billing system.”* PWD also noted that they are *“also considering credit program updates as a part of the overall rate structure. Credit program impacts, including potential rain barrel credits, will also be further analyzed and discussed within the context of overall changes to the stormwater rate structure.”²*

As noted in PWD Statement 7, the Department is committed to continuing this evaluation and wishes to further engage with stakeholders.

Q21. WHAT FACTORS SHOULD BE RECOGNIZED IN DEVELOPING RECOMMENDATIONS REGARDING THE STORMWATER RATE STRUCTURE AND ASSOCIATED RATE DESIGN?

A21. There are several factors that should be considered in the development of stormwater rate structure recommendations³ including:

- Data Availability, Quality and Consistency;

² See, Quarterly Report (dated January 24, 2025) at pages 18-19.

³ In addition, factors related to cost of service and rate design should also be considered such as: (a) cost allocation basis; (b) consistency and alignment with overall cost recovery policies; and (c) overall impact on customer base and associated classes.

- Billing / Software System Capabilities and Compatibility;
- Resource Requirements and Needs; and
- Supporting Business Processes, Policies and Procedures.

The above factors are important as the supporting billing and data management systems play key roles in identifying rate structures and rate structure alternatives that can be implemented and maintained.

PWD and WRB's ongoing Basis2 billing system replacement efforts are central to this evaluation. The use of Office of Property Assessment ("OPA") data is also a critical component of stormwater billing data. PWD noted the importance of the Basis2 billing system, the stormwater billing data management system as well as the crucial role of OPA and OPA data in both its direct testimony as well as in response to discovery, which are further highlighted herein.

In addition to the above, the way changes in the stormwater rate structure and rate design align with the policy approach underlying stormwater cost recovery should be considered along with the consistency of cost recovery and rate design for the overall system (i.e., water, sewer, and stormwater services).

Q22. HOW DOES THE EXISTING BASIS2 BILLING SYSTEM IMPACT THE DEPARTMENT'S ABILITY TO IMPLEMENT RESIDENTIAL RATE STRUCTURE UPDATES?

1 A22. Mr. Mierzwa claims that the necessary upgrades to the billing system are “*besides the*
2 *point....,*”⁴ when, in fact, billing system limitations are a primary reason that PWD’s has
3 not put forward any rate structure updates in this rate filing. Rather, PWD wishes to
4 continue its rate structure evaluation efforts and stakeholder discussions. The Department
5 also wants to evaluate how any residential stormwater rate structure or cost recovery
6 change fits in with broader rate structure changes that PWD is evaluating, as discussed later
7 in this rebuttal testimony.

8
9 Please recall that in response to PA-X-5, the Department stated that “*Currently, the*
10 *stormwater billing system calculates a stormwater charge that is imported to Basis2*
11 *based on two billing classifications: residential and non-residential. This detailed*
12 *information is not included on customer bills, nor does it reside in the Basis2 billing*
13 *system*”⁵.

14
15 Also, in response to PA-X-8, the Department stated, “*Any changes to the Basis2 billing*
16 *system would divert staff and resources away from billing system replacement to short*
17 *term / temporary changes in a billing system that is actively being replaced.*”

18
19
20
21
22
23 ⁴ See PA Statement 2 at 32.

24 ⁵ Additionally, any changes to residential billing will need to include updates to not only the stormwater billing
25 system, but also the parcel viewer, where customers can view their billing classifications. Additionally, these
classifications (or the selected rate structure alternative / assuming adoption) should be visible on the bill through
updates to Basis2. Current staffing levels and coordination with the Basis2 replacement project will need to be
considered in implementing a large change to current processes including appeals, credits, applications, and system
maintenance.

Q23. DOES THE EXISTING STORMWATER BILLING DATA MANAGEMENT SYSTEM IMPACT THE DEPARTMENT'S ABILITY TO IMPLEMENT RESIDENTIAL RATE STRUCTURE UPDATES? PLEASE EXPLAIN.

A23. Yes. As noted in PWD Statement 7, *PWD's stormwater classification system relies upon data provided by the Office of Property Assessment ("OPA") to assign customers to stormwater classes. Since the last rate proceeding, OPA has updated their data schema."*

However, as stated in the response to PA-X-4, *"Although OPA data schema has been updated the Water Department continues to use the old data table until progress can be made on a new process to re-establish information data. High turnover rate at OPA has limited the Water Department's ability to make advancements in this area."*

Plainly stated, PWD's current billing data utilizes data for building designation from an old OPA data source, which is no longer actively in use.

Also noted in response to PA-X-4 *"If a rate structure that relied on building type was put into place, additional stormwater billing data maintenance would require existing staff to maintain the building classifications for residential properties, which is currently maintained by OPA. In order to implement this change, a residential appeals process would need to be developed and put into place so property owners would be able to appeal their building designations to OPA and enable updates if warranted. Currently appeals are filed solely through the Water Department. OPA would need to be an engaged stakeholder in any process changes."*

1 Finally, please be informed that the PWD stormwater billing team transmits data to WRB
2 on a daily basis. Therefore, changes to the Basis2 billing system may directly impact the
3 stormwater billing data base and the staff that support it. The point of the foregoing is
4 that the billing system and data management are a central consideration in planning rate
5 structure changes. Mr. Mierzwa's testimony fails to acknowledge this. It is important that
6 we (i) evaluate all reasonable rate structure alternatives, (ii) take the time to ask
7 stakeholders for their input, (iii) place well founded recommendations before the Rate
8 Board for consideration, and (iv) proceed to implementation with the benefit of a new
9 billing system.

10
11 **Q24. ARE THERE ANY ADDITIONAL FACTORS OUTSIDE OF THIS RATE**
12 **PROCEEDING THAT MAY RAISE NEAR TERM COMPLICATIONS FOR THE**
13 **RECOVERY OF WASTEWATER COSTS (INCLUDING BOTH ALLOCATED**
14 **SEWER AND STORMWATER COSTS)? PLEASE EXPLAIN.**

15 A24. Yes. There are a number of additional factors outside of this rate proceeding that may have
16 immediate implications on wastewater cost recover. We will focus our discussion on two,
17 such factors (out of many in the discussion below).

18
19 First, the case of the *Borough of West Chester v. Pennsylvania State System of Higher*
20 *Education*⁶, currently before the Pennsylvania Supreme Court (“PA Supreme Court”)
21 may have implications for the Department, as well as stormwater user fees throughout the
22 Commonwealth, if the lower court’s opinion is upheld. The outcome may influence what
23 types of properties can be included in the customer base. In the Department’s case, this
24 may mean that properties currently charged a stormwater fee may no longer be required

25

⁶ 291 A.3d 455 (Pa. Cmwlth. 2023), direct appeal, appeal docket 9 MAP 2023.

1 to pay. Such an outcome may require PWD to exempt (remove) certain properties from
2 stormwater service charges. In the absence of other changes, this would impact the
3 underlying units of service and potentially drive-up stormwater rates for remaining
4 customers. Further, since the Department is a combined sewer system and portions of wet
5 weather costs (including treatment) are allocated to stormwater, PWD may need to revisit
6 the allocation basis and approaches for the overall wastewater system.

7
8 The above are just examples of impacts and may not fully reflect all the implications of a
9 potential PA Supreme Court decision in this matter.

10
11 Second, potential adjustments to the City's Green City, Clean Waters ("GCCW")
12 program may influence the Department's stormwater management implementation
13 approach in the coming years. As stated in PWD Statement 4B – Direct Testimony of
14 Marc Cammarata ("the Planning and Environmental Services Panel"), the Department
15 *"has been adapting and enhancing the GCCW implementation approach since the*
16 *program started."* Mr. Cammarata's testimony also noted that the performance standards
17 increase over time and become more difficult to achieve,⁷ especially for milestones
18 associated with years 20 and 25. PWD Statement 4A ("the Operations Panel") also
19 discussed the increasing regulatory requirements facing the Department⁸.

20
21 As the Department considers both green and grey infrastructure options to meet
22 compliance requirements, this may result in an adjustment to the overall mix of solutions
23 employed in achieving CSO reductions.

24
25 ⁷ See PWD Statement 4B at 4 Lines 12 to 19.

⁸ See PWD Statement 4A at 15 Lines 18 to 25 and 16 Lines 1 to 11.

The above factors illustrate uncertainty and potential changes related stormwater management and its cost recovery. It also reinforces the importance of stormwater management practices that meet GCCW metrics.

Q25. HAS THE DEPARTMENT PREVIOUSLY RESPONDED TO MR. MIERZWA’S RECOMMENDATIONS REGARDING THE DESIGN OF THE PWD’S RESIDENTIAL STORMWATER RATE STRUCTURE?

A25. Yes. As alluded to above, the Water Department provided rebuttal testimony in the 2023 Rate Proceeding, that directly responded to Mr. Mierzwa’s recommendations.

In that proceeding, the Department also stated its willingness to provide periodic updates on the process, and “*advise when, if any, changes to the stormwater residential rate structure could be implemented in a timely fashion, such that the Rate Board can make a determination and the corresponding rate structure can go into place within a reasonable period of time.*”⁹

The Department further stated in the 2023 Rate Proceeding¹⁰:

- The current stormwater rate structure is appropriate and consistent with industry standards.
- A uniform flat fee is the most common residential rate structure¹¹.
- The current stormwater rate structure has been vetted with previous stakeholder groups.

⁹ See 2023 Rate Proceeding – PWD Statement 2R at page 16 Lines 4 to 7.

¹⁰ See 2023 Rate Proceeding – PWD Statement 2R at page 14 Lines 4 to 11.

¹¹ See 2023 Rate Proceeding – PWD Statement 2R at page 14 lines.

- Stormwater rates are established holistically across the City regardless of location, sewershed or service time (i.e., combined versus separate).
- Costs are recovered equally from all residential customers.

Our point in offering this discussion is that we have responded to Mr. Mierzwa's recommendations (prior rebuttal testimony and Quarterly Reports). In addition, we note that Mr. Mierzwa's recommendations do not represent the total universe of reasonable options for changing residential stormwater rates.¹² Another reasonable alternative is to establish tiers for the Gross Area (GA) and Impervious Area (IA) components of the stormwater management service charge, which would more readily recognize the differences in residential properties. Establishing rates by building type would result in customers on the low and high end of the distribution of each respective building type. We previously provided examples of both small and large row and single-family residential, showing small single-family home with similar characteristics to row homes and large row homes with characteristics more similar to the large single-family home.¹³ Unless properties are billed individually¹⁴ (like non-residential customers), impacts such as these can be expected within any rate structure alternative.

Yet another alternative that should be evaluated is whether to retain the GA component of the current stormwater charges. The Rate Board should be aware that, IA is most typically used in establishing stormwater rates and charges (in jurisdictions we surveyed). As noted in the 2023 Rate Proceeding, any changes in the GA component would also impact non-residential customers. As such, PWD should engage stakeholders after an

¹² See 2023 Rate Proceeding – PWD Statement 2R at 14 lines 13 to 23.

¹³ See November 2022 Rate Case Settlement Progress Report.

¹⁴ Note – There are 460,000 residential stormwater accounts. Billing each account individual would have significant resources and cost implications.

1 internal review. Thus, the Water Department wishes to reaffirm the charge to discuss
2 whether this change is a reasonable alternative for consideration.¹⁵
3

4 **Q26. DO YOU HAVE ANY FURTHER COMMENTS ON MR. MIERZWA'S**
5 **RECOMMENDATIONS REGARDING THE DESIGN OF PWD'S RESIDENTIAL**
6 **STORMWATER RATE STRUCTURE?**

7 A26. Yes.

8
9 Mr. Mierzwa's proposal relies on the retention of the GA component. Mr. Mierzwa
10 expressed his general agreement with the overall wastewater cost allocation between sewer
11 and stormwater. He acknowledged the existing rate structure and allocation of costs to the
12 IA and GA components of the stormwater management service charge. Mr. Mierzwa does
13 not comment on the GA component in his testimony. However, an analysis of the GA
14 Component is important here because:

- 15 • The GA component of the stormwater charge can have a significant influence on
16 non-residential charges, resulting in many properties that are predominately open
17 space (i.e., mostly pervious) receiving large stormwater bills.
 - 18 • Review of the continued use of this component should be undertaken with both
19 residential and non-residential stakeholders. Given that IA and GA components
20 serve as the common basis for stormwater service charges for all stormwater
21 customers (i.e., residential, non-residential and condominium properties), as
22 stakeholder discussion is in order (analogous to discussions undertaken when the
23 current stormwater rate structure was implemented).
- 24
25

¹⁵ See 2023 Rate Proceeding – PWD Statement 2R at 15 lines 11 to 13.

- If a residential rate structure based upon building type was adopted prior to this dialogue, it would need to be revisited yet again, if the GA component is eliminated or modified in the future.

Further, Mr. Mierzwa's stormwater rate structure recommendations focuses only on building type, as if that is the only viable alternative to the current residential stormwater rate structure. In so doing:

- Mr. Mierzwa does not acknowledge PWD's alternative tiered rate structure proposal from its previous rebuttal testimony, nor does he comment on it conceptually in his testimony in this proceeding.
 - A tiered rate structure for both IA and GA components of the charge would more closely resemble the non-residential rate structure and charge residential in a way that is recognizes individual property characteristics.
- Mr. Mierzwa also discounts the fact that 75% of single-family homes within the City are located in the MS4 area and serviced by the separate stormwater system and not the combined system. Apartments and Twins are split nearly evenly, with 49% of the properties located within the MS4 area. These building types within the residential class would likely be adversely affected by Mr. Mierzwa's proposal which appears to favor row homes.

There are also additional policies, such as the minimum non-residential charge, that should be revisited when alternative residential stormwater rate structures are being evaluated. For example, currently, no non-residential parcel may be charged less than a residential parcel under the uniform fee approach. If the residential rate structure was

adjusted, this policy would need to be revisited along with any associated revenue implications.

Q27. WHAT IS THE WATER DEPARTMENT’S DIRECT RESPONSE TO MR. MIERZWA’S PROPOSAL WITH RESPECT TO CHANGES IN RESIDENTIAL STORMWATER RATE STRUCTURE IN THIS RATE PROCEEDING?

A27. As noted above, there are a number of factors outside of this rate proceeding that may significantly impact the stormwater fee and related cost recovery in the future. Considering these issues, coupled with the ongoing billing system replacement efforts, the challenges related to OPA data and the current focus of billing staff, it should be evident that stormwater rate structure recommendations cannot be implemented in the near term. In view of the above, it would be prudent to take a reasonable period to evaluate all reasonable alternative stormwater rate structures. PWD will provide a proposed schedule to achieve this following this rate proceeding. Additionally, discussion with both residential and non-residential stakeholders is needed before arriving recommendations for stormwater rate structure on the whole.

Q28. DID THE DEPARTMENT PREVIOUSLY RESPOND TO MR. MIERZWA’S SUGGESTION THAT CREDITS AND/OR DISCOUNTS BE PROVIDED TO CUSTOMERS “HAVING RESIDENTIAL RAIN BARRELS.”

A28. Yes. The Department provided rebuttal testimony in the 2023 Rate Proceeding on this subject. PWD noted its disagreement with Mr. Mierzwa’s rain barrel credit recommendation and maintains its position¹⁶ that residential practices such as rain barrels

¹⁶ See 2023 Rate Proceeding – PWD Statement 2R at 16 to 19.

1 do not offer an equivalent level of stormwater management offered by SMPs designed to
2 meet with Department's stormwater management requirements¹⁷.

3
4 As the Rate Board is aware, PWD provides and installs rain barrels to customers at no cost.
5 Through March of 2025, 5,145 rain barrels have been provided City-wide via the Rain
6 Check Program. As stated in response to PA-III-22, Rain Check is primarily intended to
7 promote education, awareness and acceptance with respect to stormwater management
8 practices and technologies. It is not directly designed or intended to reduce stormwater
9 volumes.¹⁸

10
11 To be sure, the Department cannot rely upon residential rain barrels to help reduce
12 stormwater overflows nor can residential practices be counted toward greened acre goals.¹⁹
13 Under the current COA requirements, greened acres require the establishment of an O&M
14 agreement between PWD and the property owner.

15
16 Providing residential discounts or credits does not reduce PWD's costs or avoid
17 maintenance costs, as private SMPs and SMIP/GARP practices do. Also, a rain barrel
18 discount would increase PWD's administrative costs. It would also need to be implemented
19 and enabled within the billing systems, which, as discussed in prior responses, are the
20 subject of ongoing replacement and improvement efforts. In addition, the provision of
21 discounts would need to be addressed in the development of the rate design alternatives. If
22

23
24 ¹⁷ See Chapter 6 of PWD's regulations for additional information regarding stormwater management associated
design requirements.

25 ¹⁸ For example, a single rain barrel offers less than 5% of the required storage for an SMP and, to provide the full
storage benefit, requires that it be drained manually between rainfall events.

¹⁹ See response to PA-X-3.

1 handled in the same manner as current discounts, such as senior citizen discounts, cost
2 recovery would shift to non-discount customers.²⁰

3
4 With respect to rain barrel credits, Mr. Mierzwa again references the Township of
5 Ferguson as an example of a rain barrel credit program as he did in his testimony in the
6 2023 Rate Proceeding. In the last proceeding, the Department provided additional details
7 on Ferguson to illustrate the marked difference in their stormwater program and fees in
8 comparison to the Department. Updating those details from 2023, Ferguson,
9 Pennsylvania has a population of 18,939 people²¹ is served by a municipal separate storm
10 sewer system (MS4), with an expected stormwater cost of service of \$1.35 million²² in
11 FY 2026. In contrast, Philadelphia has a population of over 1.55 million²³, who are
12 served by both CSS and MS4 systems, with a projected stormwater cost of service of
13 \$226 million in FY 2026.

14
15 In the 2023 Rate Proceeding, the Department also provided additional background on the
16 Ferguson rain barrel credit program which is summarized below:

- 17 • Rain barrels must be installed on each downspout²⁴ to be eligible for 20% credit.
- 18 • A credit of 10% credit is offered credit program when only half of the downspouts
19 are connected to rain barrels.

20
21 ²⁰ Based upon the 5,145 rain barrels installed, roughly 1% of the 465,000 residential customers would be eligible for
22 a credit or discount under Mr. Mierzwa's proposal. During the 2023 Rate Proceeding, the Department noted that the
23 administrative costs of offering such a discount program to residential customers would likely be more than the
24 overall level of discounts provided under such a program. Initial implementation would also add to these costs. This
25 does not account for the cost of providing and installing the rain barrels to customers in the first place.

²¹ July 2023 U.S. Census Bureau estimate.

²² <https://www.twp.ferguson.pa.us/public-works/files/cost-service>

²³ 2023 U.S. Census Bureau estimate.

²⁴ See Ferguson's Stormwater Fee Credit Policy Manual:

https://www.twp.ferguson.pa.us/sites/g/files/vyhlf9771/f/uploads/2021-05_stormwater_fee_credit_policy_manual_0.pdf

- A single rain barrel for a home with one or more downspouts does not result in full credit offered under their program.
- Credits are not automatically administered, and customers must also apply for credit.

Based upon further review of Ferguson’s credit program, it does not appear that the Township provided or installed rain barrels to customers. Rather, customers had to purchase and install rain barrels themselves.

Also, please be aware that Ferguson Township’s website, as of 2025, shows that its stormwater fee (which incorporated a credit for rain barrels) is no longer assessed (i.e., it was repealed). A local news article noted that according to the Ferguson Township Manager “a series of 17 credits and exemptions ‘created a very complex ordinance’.”²⁵

Q29. DO YOU HAVE ANY FURTHER COMMENTS ON MR. MIERZWA’S PROPOSAL THAT DISCOUNTS BE PROVIDED TO RESIDENTIAL CUSTOMERS “HAVING RESIDENTIAL RAIN BARRELS.”

A29. Yes. First, we would note that both credit and discount programs require administration. Beyond billing and data management system needs, technical criteria, application and renewal requirements, business processes, and workflows would be required to stand up a residential discount or credit program.

We also note that Mr. Mierzwa did not offer any further examples of discounts for residential rain barrels (other than Ferguson Township). PWD completed additional research into several rain barrel credit programs and found that most “credits” actually take

²⁵ <https://www.statecollege.com/articles/local-news/ferguson-township-supervisors-repeal-stormwater-fee/>

the form of a one-time reductions in stormwater fees or rebates to customers for the purchase/installation of a rain barrel at the property owner's expense.

A summary of these communities is provided in the table below. For presentation purposes in this rebuttal testimony, one-time credits or reimbursements are referred to as rebates.

Utility	Population	System	Type	Description
Des Moines, IA ²⁶	214,000	MS4	Rebate	50% of total cost of labor and materials
Pittsburgh Water ²⁷	303,000	CSS &MS4	Rebate	\$40 per rain barrel (limit 1 per parcel)
Ross Township, PA ²⁸	33,000	MS4	Rebate	\$25 per rain barrel (min 50 gallons)
DC Water ²⁹	700,000	CSS &MS4	Rebate	\$2 per gallon (min 50 gallons)
Arlington County, VA ³⁰	235,000	MS4	Credit	Ongoing 5% of fee (min 100 gallons)
Baltimore, MD ³¹	568,000	CSS &MS4	Rebate	\$25 per rain barrel (min 50 gallons)

As alluded to above, PWD provides and installs rain barrels for residential customers.

The cost associated with RainCheck program (including the purchase and installation of rain barrels) is recovered from all customers.

²⁶ https://www.dsm.city/departments/public_works-division/stormwater_management.php

²⁷ <https://www.pgh2o.com/your-water/stormwater/stormwater-fee/rain-barrel-credit-application>

²⁸ <https://www.ross.pa.us/451/Rain-Barrel-Rebate-Program>

²⁹ <https://doee.dc.gov/service/rain-barrel-rebates>

³⁰ <https://www.arlingtonva.us/Government/Programs/Sustainability/Stormwater/Stormwater-at-Home/Rain-Barrels>

³¹ https://publicworks.baltimorecity.gov/sites/default/files/SFP%20Stormwater%20Guidance%20Document%20Rev%2011_6_24.PDF

1 **Q30. MR. MIERZWA CLAIMS THAT RAIN BARRELS “REDUCE THE IMPACT OF**
2 **HEAVY RAINFALL ON PWD’S STORMWATER CONVEYANCE SYSTEM.” DO**
3 **YOU AGREE?**

4 A30. No, we do not agree. PWD does not rely on rain barrels to reduce runoff to the conveyance
5 system or reduce the occurrence of overflows³². Again, rain barrels cannot be counted
6 toward greened acre goals. In addition, rain barrels need to be drained manually between
7 rainfall events³³ to provide the maximum amount of storage available.

8
9 Based on the above, the Department does not believe that rain barrels reduce the impact of
10 heavy rainfall on the stormwater convey system. Further, as greened acres are the PWD’s
11 primary metric by which to evaluate the reduction of runoff to the system, rain barrels
12 clearly do not meet this criteria.

13
14 **Q31. WHY HASN’T THE DEPARTMENT DIRECTLY RESPONDED TO MR.**
15 **MIERZWA’S PROPOSAL TO PROVIDE DISCOUNTS TO RESIDENTIAL**
16 **CUSTOMERS “HAVING RESIDENTIAL RAIN BARRELS” IN THIS RATE**
17 **PROCEEDING?**

18 A31. Similar to the responses to proposals regarding the residential stormwater rate structure,
19 rather than further weigh in on potential options, the Department reiterates its intent to
20 continue evaluation and dialogue of residential discounts and credits. Please also note that
21 PWD has previously communicated this position to the Rate Board via the Quarterly
22 Reports. A decision on the rate barrel credit can be made in tandem with the evaluation of
23 stormwater rate structure alternatives.

24
25 ³² See also PWD Statement 7 and response to PA-III-22.

³³ In response to PWD-PA-I-17, Mr. Mierzwa acknowledges that rain barrels won’t drain on their own.

1
2 If pressed to make a recommendation or decision today, the Department would not
3 recommend a residential stormwater discount or credit program for the myriad of reasons
4 previously stated.

5
6 **Q32. DID THE DEPARTMENT PREVIOUSLY RESPOND TO MR. MIERZWA'S**
7 **SUGGESTION THAT CREDITS RELATED TO SMIP/GARP CREDITS BE**
8 **"SHARED ACROSS ALL CUSTOMER CATEGORIES."**

9 A32. Yes. The Department provided rebuttal testimony in the 2023 Rate Proceeding.

10
11 Mr. Mierzwa reiterates his previous recommendation to establish stormwater rates based
12 upon the average of rates developed with and without credits. In response to this
13 recommendation during the 2023 Rate Proceeding, the Department noted that rates
14 resulting from his suggested calculation approach would not recover the stormwater cost
15 of service. This is due to the fact that non-residential customer bills are calculated based
16 upon their billing units after accounting for credits (i.e., reducing the final billable IA and
17 GA components). His approach would result in a revenue shortfall.

18
19 Mr. Mierzwa did not revise his proposal in his testimony in this rate proceeding nor
20 acknowledge the Department's rebuttal in the 2023 rate proceeding. He simply reiterates
21 his recommendation, as if it is a viable alternative, and does not address the fact that rates
22 from his approach will not cover stormwater cost of service³⁴.

23
24 ³⁴ In response to PWD-PA-I-10, Mr. Mierzwa states that he didn't revise his calculations or present a revised
25 Schedule in this rate proceeding. He does not acknowledge PWD's prior rebuttal responded directly to his suggest
and showed the deficiencies in his proposal. He claims that his calculation shows how the rates would recovery the
revenue requirements, but it only presents how he averaged bill units to develop a rate. He did not provide a proof of
revenue. His approach in the 2023 Rate Proceeding results in a similar shortfall as illustrated herein.

To illustrate his suggestion, we calculated Mr. Mierzwa's suggested rates by determining the GA and IA unit rates with and without credits and the averaging the two. We then compare the resulting revenue at the billings level, by applying the resulting rates to the initial stormwater cost of service. Based upon the proposed Test Year 1 (FY 2026) cost of service, Mr. Mierzwa's approach results in a \$11.5 Million shortfall. The results are summarized in the table below with further information provided in PWD Rebuttal Schedule 2R-1.

Line No.	Description	Gross Area (GA)	Impervious Area (IA)	Total
1	Annual Cost of Service from GA & IA (\$ 1,000)	42,694	170,776	213,470
2	Average System Monthly Unit Cost with and without credits (\$/500 square feet)	0.796	5.765	
3	Billable GA & IA (1,000 square feet)	2,064,036	1,174,611	
4	Annual GA & IA Billings under Average Rates (Line 2 X Line 3 X 2 X 12) (\$1,000)	39,424	162,525	201,949
5	Variance COS Vs Billings under Average Rates (Line 4-Line 1) (\$ 1,000)	-3,270	-8,251	-11,521

Note - Cost of service comparisons are made at the billings level.

If the Board were to adopt such an approach, we would recommend that rates be determined by:

1. Calculating the system-wide unit cost for GA and IA rates utilizing the stormwater units of service prior to the reduction related to SMIP/GARP credits;

2. Calculating the residential GA and IA cost of service by applying the system-wide unit costs rates;
3. Determining the initial non-residential³⁵ cost of services (as the net of total system-wide cost of service less residential costs);
4. Adjusting the non-residential cost of service for Enhanced CAP costs;
5. Calculating the non-residential IA and GA unit rates based upon the non-residential units of service including reductions from SMIP/GARP credits.

Q33. DO YOU HAVE ANY FURTHER COMMENTS ON MR. MIERZWA’S SUGGESTION THAT CREDITS RELATED TO SMIP/GARP CREDITS BE “SHARED ACROSS ALL CUSTOMER CATEGORIES.”

A33. Yes. We offer the following additional commentary concerning Mr. Mierzwa’s recommendation that SMIP/GARP credits should be shared across all customer categories.³⁶

A. SMIP/GARP Requires a Long-Term Contractual Commitment

First, it is important to understand that customers that receive support from the SMIP/GARP Program (for the construction of stormwater management facilities also referred to as stormwater management practices or SMPs, enter into long-term operation and maintenance agreements³⁷ with the Department. The stormwater management facilities are deed restricted and the customer agrees to allow PWD access to inspect the facility and its functionality. Customers that participate in SMIP/GARP do not simply

³⁵ Note – as referenced herein Non-residential includes condominiums.

³⁶ Mr. Mierzwa states on pages 28-29 of PA Statement 2 that “*Under the existing approach, all stormwater customers were responsible for funding SMIP/GARP Program costs. However, only customers that actually participated in the SMIP/GARP Program received the financial benefits of the program (i.e., reduced stormwater charges).*” He further suggests that “*all customers should share in the financial benefits.*”

³⁷ O&M agreements remain in place for the useful life of the SMP or 45 years, whichever is longer.

1 receive credit for having a facility. Such customers, receive credit for operating and
2 maintaining a facility that can be counted toward the greened acre requirements under
3 GCCW. The avoided operational costs are also a form of a financial benefit.
4

5 B. Stormwater Management Facilities Supported by SMIP/GARP Benefit the PWD
6 System as a Whole

7 Second, SMIP/GARP credits, along with private stormwater management credits, are
8 currently recovered by all retail stormwater customers. This cost recovery approach is
9 similar to the cost recovery of discounts, such as those provided to senior citizens, as well
10 as discounts provided to TAP enrollees (i.e., TAP credits), which are recovered for retail
11 water and wastewater customers alike. Customers receiving these discounts are provided
12 a form of support from all other customers. The benefit to the individual customer comes
13 in the form of a reduced bill. However, customers receiving stormwater credit for
14 maintaining stormwater management facilities which reduce flows to the system and
15 helps to minimize costs for the Department. In this case, the individual customer is
16 performing an activity that benefits the overall system.
17

18 Currently, the costs of the Enhanced Customer Assistance Program (CAP)³⁸ are
19 recovered only for non-residential stormwater customers. Enhanced CAP provides
20 assistance to non-residential customers that experience significant increases in their
21 stormwater charges due to the phase-in of the parcel area-based system, non-residential
22 Stormwater Customer Assistance Program (CAP). The application of CAP costs to non-
23 residential stormwater costs within the CCOS study is presented in PWD Statement 7:
24
25

³⁸ See PWD Regulations Section 204.0.

1 Schedule BV-2 – Table 7-23 Test Year 1 Estimate of Customer Type GA and IA COS
2 Adjusted for CAP.

3
4 Mr. Mierzwa appears to be advocating for the recovery of discount and credit programs
5 within customer classes. Intervenors in prior proceedings (i.e., PLUG) have noted their
6 concern over the current cost recovery approaches for discounts and affordability
7 program from all retail water and wastewater customers. Such potential shifts should not
8 be considered in isolation (in fairness to all customers) and should be discussed more
9 broadly with stakeholders.

10
11 **Q34. WHY HASN'T THE DEPARTMENT DIRECTLY RESPONDED TO THE**
12 **PROPOSAL REGARDING THE SHARING OF SMIP/GARP CREDITS IN THIS**
13 **RATE PROCEEDING?**

14 A34. As with the residential stormwater rate structure options, rather than further weigh in on
15 potential proposals, the Department states its intent to continue evaluation and dialogue.
16 The Department had previously communicated this to the Rate Board via the Quarterly
17 Reports.

18
19 If pressed to make a decision today, the Water Department does not recommend that
20 SMIP/GARP credits be shared as recommended by Mr. Mierzwa. As alluded to earlier,
21 PWD does not believe that Mr. Mierzwa's suggested approach would establish rates
22 sufficient to recover the cost of service. Additionally, changes in how stormwater credits
23 are reflected in cost recovery needs to be considered in concert with how cost for other
24 assistance programs are recovered.

Q35. DO YOU HAVE ANY FURTHER COMMENTS ON MR. MIERZWA'S STORMWATER RATE STRUCTURE, DISCOUNT AND RATE DESIGN PROPOSALS?

A35. Yes. While we can appreciate Mr. Mierzwa's clear desire to evolve the residential stormwater rate structure and offer residential customers rate relief, we emphasize that the Department will not be able to implement changes or updates during the Rate Period. As stated earlier, PWD is willing to continue to explore residential stormwater rate structure updates and supporting programs in the future, with input from stakeholders and in alignment with billing system replacement efforts.

Q36. HAS THE DEPARTMENT INDICATED ITS INTENT TO MORE HOLISTICALLY REVIEW COST ALLOCATION AND RATE STRUCTURE DESIGN AHEAD OF THE BILLING SYSTEM REPLACEMENT?

A36. Yes. As noted earlier, the Department intends to continue to evaluate stormwater rate structure alternatives. Given some of the potential risks facing stormwater cost recovery and the existing rate structure, as well as possible changes in the City's compliance approach under GCCW, review of wastewater allocations (i.e., sewer and stormwater) allocations, may also necessitate review. In other words, cost recovery and rate design as it relates to both stormwater and sewer service will need to be considered in tandem.

With respect to water rate structure, the Department stated in PWD Statement 7 that *“potential changes should not be limited to the existing block rate structure. Other considerations for rate structure adjustments could include: redefining the block volume levels; changing the number of blocks; implementing class-based rates; consideration of alternative block rates structures (such as inclining blocks and/or uniform rates); and*

1 *combinations, thereof. Beyond the water quantity block rate structure, the overall cost*
2 *recovery approach within rate design would warrant exploration coupled with the Water*
3 *Department's overall mission, management of customer bill impacts and also addressing*
4 *ongoing affordability concerns. The types of changes mentioned above should be*
5 *discussed with customers and stakeholders prior to implementation.*³⁹

6
7 Moreover, as stated in PWD Statement 7 at 52, the Department maintains its commitment
8 *"to continue to explore alternatives rate structures (for both the water and stormwater*
9 *charges) and intends to develop updated rate structure proposals and if warranted bring*
10 *them before the Rate Board in a future rate proceeding."*

11
12 PWD also expressed interest in considering a rate rider related to the recovery lead
13 service line replacement costs⁴⁰.

14
15 In addition, in PWD Statement 7 at page 52, the Department noted that it *"intends that*
16 *any future rate structure changes would be planned and implemented in alignment with*
17 *the development and deployment of the updated billing system, avoiding disruptions to*
18 *operations and allowing for adequate customer notifications."*

19
20 The Department does not believe a Special Rate Proceeding to review potential residential
21 stormwater rate structure changes within 90 days of the final rate determination is
22 appropriate or realistic at this time for all the reasons stated in this rebuttal testimony.

23
24
25 ³⁹ See PWD Statement 7 at 51.

⁴⁰ See PWD Statement 7 at 52.

1 To be clear, the Department will undertake a holistic review of its rate structure in the near
2 term. PWD will develop an overall schedule to evaluate rate structure options following
3 this rate proceeding. Development of the schedule must be done in concert and close
4 consultation with the billing system replacement team, and will involve multiple City
5 departments (such as OIT, OPA, etc.) beyond PWD and WRB. The Department is willing
6 to coordinate its evaluation with interested parties and open to ongoing constructive
7 dialogue as part of such a process. PWD is proposing to provide the Rate Board with a
8 proposed schedule along with an associated stakeholder engagement and public outreach
9 plan following this rate proceeding.

10
11 We respectfully request that the Rate Board allow the Department, along with WRB and
12 supporting City departments, the opportunity to develop a schedule and plan for the rate
13 structure reevaluation process that aligns with the billing system replacement efforts,
14 allows for stakeholder engagement.

15 16 **III. CONCLUSION**

17
18 **Q37. DOES THIS CONCLUDE THIS REBUTTAL TESTIMONY?**

19 **A37.** Yes, it does.
20
21
22
23
24
25

**In the Matter of the Philadelphia Water
Department's Proposed Change in Water,
Wastewater and Stormwater Rates and Related
Charges**

Fiscal Years 2026-2027

Philadelphia Water Department

Rebuttal Statement No. 2

Schedule 2R-1

Dated: May 2025

Annual Cost of Service (FY 2026)				
Line No.	DESCRIPTION	FY 2026		
		GA	IA	Total
		20%	80%	
1	Annual Cost of Service (\$ 1000) from GA & IA (Excluding CAP)	\$42,694	\$170,776	\$213,470
Sources:				
1	PWD-Statement-7 Table 7-22 line 1			

Average Rate (with and without credits)-Prior to Application of CAP, Lag Factor and Discount Recovery			
		FY 2026	
Line No.	DESCRIPTION	GA	IA
System Monthly Unit Cost (\$/500 Square Feet)-Prior to Application of Discount Recovery or Lag Factor or CAP Adjustment			
1	With Credits	\$0.86	\$6.06
2	Without Credits	\$0.73	\$5.47
Average System Unit Cost (\$/500 Square Feet)-Prior to Application of Discount Recovery or Lag Factor or CAP Adjustment			
3	Average System Monthly Unit Cost (\$/500 Square Feet) (Average of Line 1 and Line 2)	\$0.80	\$5.77
4	Average System Annual Unit Cost (\$/500 Square Feet) (Line 3 X 12)	\$9.55	\$69.18
Line No.	DESCRIPTION	TOTAL SYSTEM	
5	Total Billable IA (Projected 1,000 sqft)	1,174,611	
6	Total Billable GA (Projected 1,000 sqft)	2,064,036	
7	Annual Cost of Service (\$)-Excluding CAP, Lag Factor and Discount Recovery (\$1,000)	\$213,470.00	
8	IA Billings with Average Rate (Line 4 X Line 5) (\$1,000)	\$162,525.00	
9	GA Billings with Average Rate (Line 4 X Line 6) (\$1,000)	\$39,424.00	
10	Total with Average Rate (Line 8 + Line 9) (\$1,000)	\$201,949.00	
11	Billings Vs COS Difference (Line 10-Line 7) (\$1,000)	(\$11,521.00)	
12	Billings Vs COS Difference (%) (Line 11/Line 7)	-5.40%	
Line No.	Source:		
1	PWD-Statement-7 Table 7-22 line 4		
2	Table SW-20 line 4		
5	PWD-Statement-7 Table 6-8 line 12		
6	PWD-Statement-7 Table 6-7 line 12		
7	PWD-Statement-7 Table 7-21 line 2		