

PUBLIC ADVOCATE 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,       | ) | FISCAL YEARS 2026-2027 |
| WASTEWATER AND STORMWATER       | ) |                        |
| RATES AND RELATED CHANGES       | ) |                        |

REBUTTAL TESTIMONY

OF

JEROME D. MIERZWA

ON BEHALF OF THE PUBLIC ADVOCATE

May 13, 2025

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**EXETER**  
ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300  
Columbia, Maryland 21044

BEFORE THE  
PHILADELPHIA WATER, SEWER AND STORM WATER RATE BOARD

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Rebuttal Testimony of Jerome D. Mierzwa

**I. INTRODUCTION**

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Q.           WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A.    My name is Jerome D. Mierzwa. I am a Principal at and the President of Exeter Associates, Inc. (“Exeter”). My business address is 10480 Little Patuxent Parkway, Suite 300, Columbia, Maryland 21044. Exeter specializes in providing public utility-related consulting services.

Q.           HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS PROCEEDING?

A.    Yes. My direct testimony was previously submitted as Public Advocate Statement No. 2.

Q.           WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A.    The purpose of my rebuttal testimony is to response to the direct testimony of Richard A. Baudino submitted on behalf of the Philadelphia Large Users Group (“PLUG”).

Q.           BRIEFLY DESCRIBE THE WATER CLASS COST OF SERVICE (“CCOS”) STUDY PRESENTED BY THE PHILADELPHIA WATER DEPARTMENT (“PWD”) IN THIS PROCEEDING.

1 A. The water CCOS study presented by PWD in this proceeding utilizes the base-extra  
2 capacity method set forth in the American Water Work Association (“AWWA”)  
3 *Principles of Water Rates, Fees and Charges, Manual of Water Supply Practices*  
4 (“AWWA M1 Manual”).

5 Q. HOW DID THE PWD DEVELOP THE MAXIMUM DAY AND  
6 MAXIMUM HOUR EXTRA CAPACITY FACTORS FOR THE VARIOUS  
7 GENERAL RETAIL CUSTOMER CLASS INCLUDED IN ITS WATER  
8 CCOS STUDY?

9 A. As initially explained in my direct testimony, in PWD’s 2023 proceeding in which rates  
10 for Fiscal Years (“FYs”) 2024-2025 were established, several parties including the  
11 Public Advocate challenged the maximum day and maximum hour extra capacity  
12 factors used by PWD in its water CCOS study because the factors inappropriately  
13 utilized data dating back to FY 2012. In the 2023 proceeding the Board directed PWD  
14 to perform a study of customer extra capacity usage factors prior to its next rate  
15 proceeding and to incorporate the results of this study into the CCOS study filed by  
16 PWD in its next rate proceeding to ensure that the CCOS study was reflective of PWD’s  
17 current operating characteristics.<sup>1</sup> In response to this directive PWD engaged Black &  
18 Veatch Management Consulting LLC (“Black & Veatch Management”) to conduct an  
19 Advanced Metering Infrastructure (“AMI”) Demand Study to determine the  
20 appropriate maximum day and maximum hour extra capacity factors for each customer  
21 class. The AMI Demand Study is presented as Schedule BV-4: WP-1.

22 However, rather than directly including the extra capacity factors determined  
23 by the AMI Demand Study in the CCOS study filed by PWD in this proceeding, as  
24 discussed in PWD Statement 7, page 49, PWD is proposing to phase-in the AMI

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<sup>1</sup> See 2023 General Rate Proceeding Rate Determination dated June 21, 2023 at 38.

1 Demand Study capacity factors in its COSS study. More specifically, for FY 2026,  
2 PWD is proposing moving 25% of the way towards the new extra capacity factors as  
3 determined by the AMI Demand Study, and for FY 2027, PWD is proposing to move  
4 50% of the way towards the AMI Demand Study factors. PWD is proposing to phase-  
5 in adoption of the AMI Demand Study factors due to the significant impact the new  
6 factors would have on the cost-of-service of the various customer classes. A  
7 comparison of the various customer class extra capacity factors utilized to set rates in  
8 the 2023 rate proceeding and the factors determined by the AMI Demand Study is  
9 presented in Schedule BV-4: WP-2, Table 1.

10 Q. IN YOUR DIRECT TESTIMONY DID YOU AGREE WITH PWD'S  
11 PROPOSAL TO PHASE IN THE AMI DEMAND STUDY FACTORS IN  
12 ITS CCOS STUDY?

13 A. No. As explained in greater detail in my direct testimony, the demand factors included  
14 in PWD's CCOS study were not reflective of the actual current maximum day and  
15 maximum hour usage characteristics of the customer classes served by PWD.  
16 Therefore, PWD's CCOS study did not reasonably reflect the cost of serving the  
17 various customers classes served by PWD. In my direct testimony I explained that I  
18 understood PWD's desire to mitigate the significant impact of adopting the AMI  
19 Demand Study factors in this proceeding. However, I noted that mitigation of the  
20 impact should be accomplished through the class revenue allocation and rate design  
21 process and mitigation should not be accomplished by distorting the results of PWD's  
22 CCOS study. In my direct testimony I presented a CCOS study utilizing the AMI  
23 Demand Study factors and presented a class revenue allocation based on the results of  
24 my CCOS study that provided for mitigation.

1 Q. DOES MR. BAUDINO AGREE WITH PWD'S PHASED APPROACH TO  
2 ADOPTING THE RESULTS OF THE AMI DEMAND STUDY?

3 A. Yes. Mr. Baudino notes that the AMI Demand Study is based on only one year of data  
4 from 2023, and that the maximum day and maximum hour extra-capacity factors could  
5 vary substantially from year to year. Therefore, Mr. Baudino recommends that the  
6 Board avoid fully implementing the results of the AMI Demand Study in this  
7 proceeding.

8 Q. WHAT IS YOUR RESPONSE TO MR. BAUDINO'S  
9 RECOMMENDATION?

10 A. If the Board does not fully implement the results of the AMI Demand Study in PWD's  
11 CCOS study, the CCOS study will not reasonably reflect the current cost of serving the  
12 various customer classes served by PWD. Under PWD's proposed 25% phase-in of the  
13 AMI Demand Study factors for FY 2026, the maximum day and maximum hour extra  
14 capacity utilized in PWD's CCOS study will be based 75% on estimates of customer  
15 usage patterns which date back to 2012, and only 25% based on actual usage patterns.

16 As shown in Tables 1 and 4 in my direct testimony, fully adopting the AMI  
17 Demand Study factors in the CCOS study would reduce the cost of service of the  
18 Residential, Senior Citizens, Housing Authority, and Hand Billed customer classes. In  
19 this proceeding, to maintain gradualism, I have proposed a class revenue allocation  
20 which assigns 50% of the cost-of-service reduction determined to be appropriate by  
21 the Board to PWD's initial revenue requirement claim in this proceeding to these four  
22 classes. Therefore, in the future, if additional data indicates that different maximum  
23 day and maximum hour extra-capacity factors are appropriate, class revenue  
24 allocations can be readily modified to reflect different extra-capacity factors without  
25 significant rate volatility.

1 Q. MR. BAUDINO RECOMMENDS A CLASS REVENUE ALLOCATION  
2 UNDER WHICH THE INDUSTRIAL AND HOSPITAL/UNIVERSITY  
3 CLASSES RECEIVE A LOWER THAN SYSTEM AVERAGE INCREASE.  
4 DO YOU AGREE WITH THIS RECOMMENDATION?

5 A. No. Mr. Baudino's recommendation is based on PWD's CCOS study which provides  
6 for a 25% phase-in of the AMI Demand Study factors. The class revenue allocations in  
7 this proceeding should be based on the CCOS study I have presented which adopts the  
8 AMI Demand Study factors, adjusted to assign 50% of the cost of service reduction  
9 determined to be appropriate by the Board to the Residential, Senior Citizens, Housing  
10 Authority, and Hand Billed customer classes as previously discussed.

11 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

12 A. Yes, it does.