

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

In the Matter of the Philadelphia Water Department’s Proposed Change in Water, Wastewater and Stormwater Rates and Charges	Fiscal Years 2026-2027
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JOINT PETITION FOR PARTIAL SETTLEMENT

The Philadelphia Water Department (“PWD” or “Department”)¹ and the Public Advocate (“Advocate” or “PA”) (collectively, “Joint Petitioners”)² submit this Joint Petition for Partial Settlement (“Joint Petition” or “Partial Settlement”) of the above-described general rate proceeding and request that (1) Hearing Officer Marlane Chestnut (“Hearing Officer”) issue a report recommending that this Partial Settlement be approved, without modification, by the Philadelphia Water, Sewer and Storm Water Rate Board (“Rate Board”); and, (2) the Rate Board (a) issue a Rate Determination consistent with this Partial Settlement and (b) authorize the Department to file modified Rates and Charges to become effective on September 1, 2025 (for FY 2026) and September 1, 2026 (for FY 2027), consistent with the terms and conditions set forth herein.

In support of the proposed Partial Settlement, the Joint Petitioners state the following:

I. BACKGROUND

1. The Department is one of the operating departments of the City of Philadelphia (“City” or “Philadelphia”). It provides integrated water and wastewater services, including services for sanitary wastewater and stormwater, for accounts and properties in Philadelphia.

2. On February 18, 2025, the Department filed its [Advance Notice](#) with Philadelphia City Council (“City Council”) and the Rate Board communicating the Department’s proposed changes in water, sewer, and stormwater rates and related charges to take effect on September 1, 2025 (for FY 2026) and on September 1, 2026 (for FY 2027).

¹ As used herein in Part II (Terms and Conditions), “PWD” means and includes the Philadelphia Water Department and/or the Philadelphia Water Revenue Bureau, as the context may require, whereas “Department” refers exclusively to the Philadelphia Water Department.

² As of this writing, PLUG has taken no position with regard the Partial Settlement. The individual (*pro se*) participants, Lance Haver and Michael Skiendzielewski, have not yet indicated their position with regard to the Partial Settlement.

3. On March 31, 2025, the Department filed its [Formal Notice](#) with the Rate Board and the Department of Records of the aforesaid application for rate relief. The Department's filings initiated a general rate proceeding pursuant to Section II.B of the Board's Regulations (hereinafter, the "[2025 general rate proceeding](#)").

4. Pursuant to Section II.B.1 of the Rate Board's Regulations, the Rate Board appointed Marlane Chestnut, Esquire ("Hearing Officer") to preside over the rate hearings and to prepare a report. The Rate Board also appointed Community Legal Services to serve as the Public Advocate in the proceeding.

5. Legal notices related to the technical and public hearings were timely published in local newspapers. Outreach by the Department is set forth in PWD Hearing Exhibit 1. Outreach by the Advocate is set forth in PA Hearing Exhibit (Outreach) (filed May 22, 2025). Both PWD Hearing Exhibit 1 and PA Hearing Exhibit (Outreach) are or will be posted on the Rate Board's [website](#).

6. Active participants in this proceeding (in addition to the Department, the Water Revenue Bureau³ ("WRB") and the Advocate) included, the Philadelphia Large Users Group ("PLUG"), Lance Haver, and Michael Skiendzielewski.

7. As a part of the proceedings, the Hearing Officer convened a total of four telephonic and virtual public input hearings on April 22 and 23, 2025. An afternoon hearing and evening hearing were separately held on each date. Transcripts of each public hearing are posted on the Rate Board's [website](#). Written comments received by the Rate Board are also posted on the Rate Board's [website](#).

8. Direct testimony was submitted in response to the Department's filing as follows: The Advocate submitted the direct testimony of Lafayette K. Morgan, Jr. ([PA Statement 1](#) with [errata](#)), Jerome D. Mierzwa ([PA Statement 2](#)), and Roger D. Colton ([PA Statement 3](#)), each with accompanying schedules and/or exhibits. PLUG submitted the direct testimony of Richard Baudino ([PLUG Statement 1](#)) with accompanying schedules and/or exhibits; Mr. Haver submitted his [direct](#) and [supplemental](#) direct testimony; and Mr. Skiendzielewski submitted three "motions and testimony" ([MS St. 1](#), [MS St. 2](#) and [MS St. 3](#)).

9. Rebuttal testimony was submitted as follows: The Department submitted rebuttal testimony to respond to Lafayette K. Morgan, Jr. ([PWD Rebuttal Statement 1R](#)), Jerome D. Mierzwa ([PWD Rebuttal Statement 2R](#)), Roger D. Colton ([PWD Rebuttal Statement](#)

³ The WRB, which is part of the City's Department of Revenue, provides all billing and collection functions for charges by the Department.

[3R](#)), Richard Baudino ([PWD Rebuttal Statement 4R](#)), Mr. Haver ([PWD Rebuttal Statement 5R](#)), Mr. Skiendzielewski ([PWD Rebuttal Statement 6R](#)). The Advocate submitted [rebuttal testimony](#) in response to the direct testimony of Richard Baudino submitted on behalf of the Philadelphia Large Users Group (“PLUG”); and PLUG submitted [rebuttal testimony](#) to respond to certain recommendations in the direct testimony filed by Jerome Mierzwa and Roger Colton on behalf of the Advocate.

10. The Joint Petitioners engaged in discussions to try to achieve a settlement of some or all of the issues in this case.

11. As a result of the above discussions, the Joint Petitioners have agreed to the incremental increase in base rate revenues for FY 2026 and FY 2027 as well as certain other issues. The remaining (non-resolved) issues identified below are reserved for litigation. See Paragraph 12.C of this Partial Settlement.

II. TERMS AND CONDITIONS

12. The Joint Petitioners hereby respectfully request that the Hearing Officer recommend, and the Rate Board approve the following modifications to the Department’s general rate proceeding proposals for FY 2026 and FY 2027:

A. Black Box Settlement

This Settlement is a “black box” settlement. Under a “black box” settlement, parties do not specifically identify adjustments to projected revenues and expenses. The Joint Petitioners believe that the “black box” concept facilitates settlement agreements because it permits parties to retain their positions on important ratemaking issues for the proceeding at hand as well as for future proceedings. The Department’s supporting documentation for the black box settlement is provided in Tables C-1, C-1A, C-1B and C-2 (appended to PWD Main Brief).

Additional Service Revenues (\$000)		
	FY 2026	FY 2027
Table C-1A, line 4	\$60,920	\$74,446
Table C-1A, line 5		\$54,000
Total Additional Service Revenues (\$000)		
Table C-1A, Line 9	\$60,920	\$128,446

B. Other agreements between the Joint Petitioners

In addition to the above-described incremental increase in base rate revenues, the Joint Petitioners agree that:

1. Cost of Service

The Department agrees to develop a plan for evaluation of rate structure alternatives including those listed below by January 2026. That plan is to be filed with the Rate Board, including target dates for commencement and completion of milestones.

- Stormwater rate structure issues (residential rate structure options, residential stormwater discounts/credits; recovery of SMIP/GARP related credits); and
- Rate structure alternatives, generally (including alternatives identified by the Advocate and PLUG and other stakeholders).

The Department agrees that it will re-evaluate the phase-in of the AMI based peaking factors once more data is available.

2. Customer Service

The Department and WRB agree to the following:

- Provide quarterly reporting regarding Raise Your Hand (RYH) program. Such reporting will set forth (on a monthly basis) (i) the number of new RYH households; (ii) total RYH households; and to the extent the following data is collected (iii) the number of shutoffs canceled due to RYH; (iv) the number of households restored due to RYH; and (v) the number of households requesting, but denied protection by RYH.
- Provide quarterly reporting regarding the Utility Emergency Services Fund (UESF) grant program and efforts being taken to support UESF's continued hardship fund operations, designate PWD employee as contact for hardship grants.
- Revise Customer Assistance Application language regarding income and eligibility to track the definition of "monthly household income" set forth in Philadelphia Code §19-1605(2)(e) and Philadelphia Water Regulation §200.1(h). The aforesaid revision will be implemented within approximately one year after the approval of this Partial

Settlement.

- To meet to discuss “Additional Subsidization” in workshop setting with PA and others. The timing for such meeting(s) and attendees to be mutually agreed upon between PWD and PA.
- To undertake cost/benefit analysis of the Low-Income Conservation Assistance Program (LICAP). The cost/benefit analysis will consider and report: intervention cost measures (on average and in the aggregate) and cost savings (on average and in the aggregate) based on reduced usage (ccf/mo) at applicable rates over a 12-month study period.⁴ The aforesaid analysis will be undertaken/completed by the next base rate proceeding.
- Comments as to PWD/WRB Joint Regulations regarding Charity Rate Administration are to be addressed in connection with the process pending before the Department of Records.

3. Other Issues Raised by the Public Advocate

All issues not explicitly agreed upon above or as a part of the “black box” settlement (additional service revenues) are withdrawn without prejudice.

C. Issues Reserved for Litigation

It is understood and agreed among the Joint Petitioners that any issues not expressly reserved for litigation or covered by Paragraph 12.B of this Joint Petition are not being fully litigated in this proceeding. The lack of full litigation on any issue raised in this proceeding is without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance on the merits of the issues in future proceedings, except to the extent necessary to effectuate the terms and conditions of this Partial Settlement.

It is understood and agreed among the Joint Petitioners that the issues expressly reserved for litigation are:

⁴ Stated differently, PWD understands that the cost/benefit analysis will compare what would have been charged under applicable rates for the amount of water saved (reduced usage) to what we spend on CMC Energy Services (CMC) contract over a 12-month period. CMC administers conservation services provided under LICAP.

1. Issues Raised by Written Testimony by L. Haver

All of the issues raised by written testimony by L. Haver are reserved for litigation.

2. Issues Raised by Written Testimony by M. Skiendzielewski

All of the issues raised by written testimony by M. Skiendzielewski are reserved for litigation.

3. Issues Raised by Written Testimony by PLUG

All of the issues raised by written testimony by Richard A. Baudino on behalf of PLUG that are not addressed in Paragraph 12.B are reserved for litigation.

III. THE PARTIAL SETTLEMENT IS REASONABLE

13. The Joint Petitioners submit that this Partial Settlement is reasonable and in the public interest for the following reasons:

(a) The Partial Settlement provides for lower rates and charges than originally requested by the Department in the 2025 general rate proceeding.

This Partial Settlement increases revenues (Table C-1A, Line 4) by \$60.920 million, which is a reduction of the Department's original request of \$73.630 million in FY 2026.

This Partial Settlement increases revenues (Table C-1A, Line 5) by \$54.000 million, which is an additional reduction of the Department's original request of \$58.858 million in FY 2027.

(b) The Partial Settlement includes commitments from PWD regarding customer service issues.

(c) Acceptance of the Partial Settlement will avoid the necessity of further detailed technical hearings and/or court proceedings at substantial cost to Joint Petitioners, other participants and the Department's ratepayers.

(d) The Joint Petitioners arrived at terms of Partial Settlement after review of: (i) the rate filing for 2025 general rate proceeding submitted by the Department, (ii) extensive discovery responses, (iii) the direct and rebuttal testimony and related exhibits proffered by the participants; and (iv) following settlement

negotiations. The terms and conditions of the Partial Settlement constitute a carefully negotiated package representing reasonable compromises as to the majority of issues presented in the rate case.

IV. ADDITIONAL TERMS AND CONDITIONS

14. This Partial Settlement is proposed by Joint Petitioners to resolve the majority of issues presented in this proceeding and is made without admission against or prejudice to any position which any Joint Petitioner has taken in this case, might adopt during subsequent litigation or in further litigation of this case, or in future cases.

15. Each term and condition set forth in this Joint Petition, whether or not set out in a numbered paragraph, shown in a table or other graphic presentation, bolded, italicized or otherwise emphasized, or set forth in the body, a footnote, or parenthetical, or appendix, is material consideration to the entry into this Partial Settlement by the participants signing below. Any rate related proposal by the Department that is not specifically modified by the terms and conditions in this Joint Petition is hereby submitted for approval by the Rate Board.

16. This Partial Settlement is conditioned upon the Rate Board's approval of the terms and conditions contained herein without modification. If the Rate Board disapproves the Partial Settlement or modifies the terms and conditions herein, the Partial Settlement may be withdrawn, by a Joint Petitioner, upon written notice to the Rate Board and all active participants in this proceeding communicated within three business days of the entry of a final order of the Rate Board in this proceeding and, in such event, the Partial Settlement shall be of no force and effect. In the event the Rate Board disapproves the Partial Settlement, or any Joint Petitioner elects to withdraw as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including, but not limited to, cross-examination and legal argument through submission of Briefs and Exceptions. Joint Petitioners agree that while the Partial Settlement, upon Rate Board approval, will be fully enforceable according to its terms, the Joint Petition does not expressly or implicitly represent approval of any specific claims made in this proceeding and the Joint Petitioners agree not to contend otherwise in future proceedings.

17. Joint Petitioners will make reasonable, good faith efforts to obtain approval of the Partial Settlement by the Rate Board without modification. If the Hearing Officer recommends that the Rate Board adopt the Partial Settlement, as proposed herein, the Joint Petitioners agree to waive filing exceptions. Joint Petitioners, however, do not waive their rights to file exceptions with respect (a) to any modification of the terms and conditions of this Partial Settlement or any additional matter proposed by the Hearing

Officer in her report, (b) to correct an error or misstatement in the Hearing Officer's report, or (c) to any recommendations of the Hearing Officer on any issue either (1) described in Paragraph 12.C of this Joint Petition are not being resolved by this Partial Settlement or (2) otherwise litigated in this proceeding.

V. CONCLUSION

WHEREFORE, Joint Petitioners, by their respective counsel, request the following:

1. That the Hearing Officer admit this Partial Settlement and the other appendices hereto into the record of this general rate proceeding.
2. That the Hearing Officer recommend the approval of the Partial Settlement by the Rate Board, as described in this Joint Petition.
3. That the Rate Board approve the Partial Settlement and find the resulting additional revenues are just and reasonable and authorize the Department to file modified rates and charges related to become effective on September 1, 2025 (for FY 2026) and on September 1, 2026 (for FY 2027), consistent with the terms and conditions herein.
4. That the Rate Board enter its final Rate Determination in this matter consistent with the terms and conditions of the Partial Settlement and mark this proceeding closed.

[Signatures appear on next page]

The signatories to this Joint Petition for Partial Settlement indicate their acceptance of its terms and request the relief stated above.

Respectfully submitted,

/s/ Andre C. Dasent

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