

In the Matter of the Philadelphia Water Department's Proposed Changes in Water, Sewer and Storm Water Rates and Related Charges : 2025 General Rate Proceeding for Fiscal Years 2026-2027

Adeolu A. Bakare (Pa. I.D. No. 208541)  
McNees Wallace & Nurick LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166  
Phone: (717) 232-8000  
Fax: (717) 237-5300

Dated: May 30, 2025

## Table of Contents

	<b>Page</b>
I. INTRODUCTION .....	1
II. SUMMARY OF ARGUMENT .....	2
III. ARGUMENT .....	3
A. The Board should phase-in the impact of PWD’s updated demand study in recognition of the limited scope of the updated demand data. ....	3
B. The Board should reject PWD’s proposal to effectively eliminate the 4 <sup>th</sup> block water rate as an unreasonable cost shift adversely impacting large users in PWD’s Hand Billed rate class. Instead, the Board should preserve the status quo pending a broader assessment of whether customers on the Hand Billed rate schedule should be reassigned other customer classes. ....	4
C. The Board should direct PWD to implement customer protections to ensure reasonable administration of its Charitable Discount program. ....	7
D. The Board should adopt PLUG’s proposal to increase the monthly service charges for sewer customers to 10% and reduce the volumetric rate increase to a flat 10% increase. ....	9
IV. CONCLUSION.....	11

## I. INTRODUCTION

On February 18, 2025, the Philadelphia Water Department (“PWD” or “Department”) submitted a preliminary rate increase proposal to the Philadelphia Water, Sewer and Storm Water Rate Board (“Board”). On March 31, 2025, the PWD submitted a final proposed rate increase preserving the same rate proposal initially presented on February 18, 2025. PWD proposes to establish rates for water, sanitary sewer, and stormwater services, projected to increase its annual revenues by \$132.5 million over Fiscal Years (“FY”) 2026 and 2027.

Pursuant to its Regulations, the Board appointed Marlane Chestnut as the Hearing Officer to preside over formal proceedings concerning the rate filing. In accordance with the Regulations, the Hearing Officer established a schedule for litigated proceedings, including intervention, testimony, technical hearings, and briefs. Consistent with the approved schedule, the Philadelphia Large Users Group (“PLUG”)<sup>1</sup> intervened in the proceeding on April 7, 2025. Additional intervenors include Community Legal Services (“Public Advocate”) and *pro se* intervenors Lance Haver and Michael Skiendzielewski.

PLUG, the Public Advocate, Lance Haver, and Michael Skiendzielewski submitted Direct Testimony between April 28, 2025, and May 1, 2025, with PLUG submitting the Direct Testimony and Exhibits of Richard A. Baudino. Between May 13, 2025, and May 16, 2025, PLUG and PWD submitted Rebuttal Testimony, with PLUG submitting the Rebuttal Testimony of Richard A. Baudino.

The Hearing Officer presided over technical hearings from May 21, 2025, to May 22, 2025, at which PWD and the Public Advocate offered witnesses for cross-examination.<sup>2</sup>

---

<sup>1</sup> PLUG is an *ad hoc* group of Large Commercial & Industrial (“C&I”) customers comprised of, for the purposes of this proceeding: AdvanSix, Inc.; Drexel University; Temple University; and Thomas Jefferson University.

<sup>2</sup> PLUG Statements 1 and 1-R were admitted to the record without cross-examination. Hearing Transcript, May 21, 2025, at 10, 108-109.

Pursuant to the approved procedural schedule, PLUG hereby submits this Main Brief addressing select issues from PWD's filing, other parties' testimony, and the technical hearings.

## **II. SUMMARY OF ARGUMENT**

In reviewing the proposals in this rate case, the Rate Board will be addressing atypical circumstances. Historic rate cases have utilized rate models that have been virtually unchanged for numerous rate cases. In this case, PWD has introduced an updated Cost of Service Study (“COSS”) that marks only the beginning of a broader modernization of PWD’s rate-setting processes. As will be discussed below, PWD’s COSS updates, while important and well-meaning, are based on limited data sets. Additionally, PWD’s current billing systems lack the capacity to allow for development of class-based rates that would permit PWD and intervenors to even evaluate, much less implement, rate structure and rate design changes appropriately reflecting the results of its COSS. For these reasons, PLUG generally encourages that the Board take a measured and conservative approach with regard to COSS, rate structure, and rate design changes until PWD has collected a greater range of updated demand data and has updated its billings systems to allow for comprehensive review and consideration of rate structure and rate design updates. With that background in mind, PLUG's interests in this proceeding are as follows:

1. The Board should phase-in the impact of PWD’s updated demand study in recognition of the limited scope of the updated demand data.
2. The Board should reject PWD’s proposal to effectively eliminate the 4<sup>th</sup> block water rate as an unreasonable cost shift adversely impacting large users in PWD’s Hand Billed rate class. Instead, the Board should preserve the status quo pending a broader assessment of whether customers on the Hand Billed rate schedule should be reassigned other customer classes.
3. The Board should direct PWD to implement customer protections to ensure reasonable administration of its Charitable Discount program.

4. The Board should reject adopt PLUG's proposal to increase the monthly service charges for sewer customers and reduce the volumetric rate increase to a flat 10% increase.

Each of these matters is addressed in detail below.<sup>3</sup>

### **III. ARGUMENT**

#### **A. The Board should phase-in the impact of PWD's updated demand study in recognition of the limited scope of the updated demand data.**

As previously supported by PLUG, PWD took steps following its 2023 rate case to update the extra capacity factors in its COSS by conducting an updated Demand Study, using Advanced Metering Infrastructure ("AMI Demand Study").<sup>4</sup> PLUG commends PWD for beginning the process of updating the capacity factor inputs for its COSS. However, as acknowledged by PWD and further discussed by PLUG Witness Richard Baudino, the current AMI Demand Study presents numerous limitations, both in terms the scope of the data collected for the AMI Demand Study and the billing tools available to PWD and other stakeholders to evaluate and implement the results of the AMI Demand Study. While PWD was correct to initiate the AMI Demand Study, PLUG recommends that the Rate Board take a conservative approach to adopting the results of this early incantation.

The AMI Demand Study indicates that PWD has commenced the challenging process of updating its rate-setting processes and methods. However, PWD Witness Baudino raised concerns with the limited scope of data collected for this initial updated AMI Demand Study, noting that the Demand Study is based on only one year of AMI data from 2023.<sup>5</sup> Mr. Baudino observed that "additional studies using additional years of data, e.g., 2024 and 2025, will provide more insights regarding the consumption and peaking behavior of the water system's service classes" and recommended "that the Board avoid fully implementing the results of the Demand

---

<sup>3</sup> Silence on any matter shall not be construed as support thereof. PLUG reserves all rights to address additional issues through exceptions as may be appropriate, following review of the Hearing Officer's Report.

<sup>4</sup> PWD Statement 7, at 9.

<sup>5</sup> Direct Testimony of Richard A. Baudino ("PLUG Statement No. 1") at 6.

Study in this proceeding.”<sup>6</sup> Importantly, PWD observed similar limitations to the AMI Demand Study, adding that the future updates to the AMI Demand Study will include broader metering samples from customers allowing for examination of “peak water usage in 2024 and 2025 that would provide a wider range of weather conditions for comparison.”<sup>7</sup> PWD also advised that this initial AMI Demand Study update was completed just before the filing of the 2025 rate increase, which did not allow time for stakeholder outreach and input on the updated AMI Demand Study prior to the filing.<sup>8</sup> All of these factors support Board taking a conservative approach towards updating PWD’s rates to incorporate the results of the AMI Demand Study.

PWD concurred with PLUG Witness Baudino on the need avoid fully implementing the results of the AMI Demand Study. PWD’s rate filing proposed to implement 25% of the AMI Demand Study for the FY 2026 revenue allocation and 50% of the AMI Demand Study for the FY 2027 revenue allocation. While PLUG Witness Baudino recommended that PWD cap the initial implementation of the AMI Demand Study to 25% for both FY 2026 and FY 2027, he also noted that the revenue allocation recommended in PWD’s Direct Testimony based on its proposal to increase the AMI Demand Study phase-in to 50% for FY 2027 reflects a reasonable outcome. Accordingly, the Rate Board should reject any proposal to further accelerate the phase-in the results of the AMI Demand Study beyond PWD’s proposed method and direct PWD to implement any approved revenue increase (including scaling back any reductions to the requested revenue increase) in proportion to the revenue allocation proposed PWD and set for in Column 4 of Table 2 of Mr. Baudino’s Direct Testimony.<sup>9</sup>

**B. The Board should reject PWD’s proposal to effectively eliminate the 4<sup>th</sup> block water rate as an unreasonable cost shift adversely impacting large users in PWD’s Hand Billed rate class. Instead, the Board should preserve the status quo pending a**

---

<sup>6</sup> *Id.*

<sup>7</sup> PWD Statement No. 7 at 52.

<sup>8</sup> PWD Statement No. 7 at 51.

<sup>9</sup> See PLUG Statement No. 1R at 7 *citing* PLUG Statement No. 1 at 11.

**broader assessment of whether customers on the Hand Billed rate schedule should be reassigned other customer classes.**

Just as PWD has recognized the need for further study of its COSS, it has additionally acknowledged the necessity for updates to its billing system. However, despite observing its inability to assess or implement customer class-based rates, PWD has proposed to implement a significant rate design change that would effectively eliminate the declining 4<sup>th</sup> block water rate by equalizing the 4<sup>th</sup> block rate to the 3<sup>rd</sup> block rate. Until PWD has the tools to comprehensively address rate design, it is premature and discriminatory to adopt one isolated rate design modification, particularly where the customers in the affected rate class may not be assigned to a rate class that appropriately reflects their cost-of-service characteristics.

PWD addressed its billing system limitations in its direct testimony, offering the following:

PWD is currently limited in its ability to change the rate structure significantly due to the constraints inherent in the Basis2 billing system. As previously noted, the current Basis2 billing system is scheduled for replacement in the next few years. It is understood that due to this planned transition, PWD prefers to minimize the effort placed on updating or modifying Basis2, as it focuses efforts and resources on the implementation of a more sophisticated billing system that will serve the City better in the future.<sup>10</sup>

Seemingly in recognition of these limitations, PWD represents that “[w]ith this Rate Proceeding, the Water Department is committing to continue to explore alternatives rate structures (for both the water and stormwater charges) and intends to develop updated rate structure proposals and if warranted bring them before the Rate Board in a future rate proceeding.”<sup>11</sup> Specifically on the issue of flattening rate blocks, PWD states that:

The estimated impacts on the quantity charge rate schedule within the current rate structure due to the application of the AMI Demand Study peaking factors, implies a more uniform rate structure should be further examined. However, *this*

---

<sup>10</sup> PWD Statement No. 7 at 52.

<sup>11</sup> PWD Statement No. 7 at 51-52.

*examination should be conducted within the context of the overall existing water rate structure and rate design.*<sup>12</sup>

Despite this forward-looking commitment to evaluate rate design modifications for all customers, PWD paradoxically proposes to immediately modify its declining 4<sup>th</sup> block water rate to effectively eliminate it by tying the 4<sup>th</sup> block water rate to the 3<sup>rd</sup> block water rate. This proposal unreasonably and discriminatorily impacts large users in PWD's Hand Billed rate class and compounds adverse rate impacts resulting from these customers being assigned to a rate class that may not reflect their service characteristics in the first place.

PLUG Witness Baudino provides the below review of the Hand Billed customer composition that illustrates the cost-of-service concerns with these customers:

According to PWD's response to PA-VI-1, the Hand Billed customer line consists of customers coded H in its billing system. These accounts are for surcharge and sewer credit accounts, referencing Regulations Section 303.4 and 303.5. It appears that the department does not classify these customers based on their water service characteristics.<sup>13</sup>

As noted by Mr. Baudino, customers in PWD's Hand Billed customer class are assigned to that class because they have sewer surcharge and credit accounts. That would be a questionable basis for the existence of a separate customer class for sewer service, as any surcharge or credits could be assigned to those customers through a rider outside of base rates. However, with regard for water rates, there is absolutely no basis for PWD's assigning these customers to a separate water class because they receive sewer surcharges. Accordingly, PLUG Witness Baudino, recommends that "In future cases, the Department should consider reclassifying these [Hand Billed] customers into service classes that reflect their water service characteristics."<sup>14</sup>

Unfortunately, rather than take steps to develop more rational rate structure and rate design for these customers, PWD seeks to compound the unreasonable rate structure for large

---

<sup>12</sup> PWD Statement No. 7 at 50. (Emphasis added).

<sup>13</sup> PLUG Rebuttal Testimony of Richard Baudino ("PLUG Statement No. 1R"), at 5-6..

<sup>14</sup> PLUG Statement No. 1R at 6.



users assigned to the Hand Billed rate by eliminating the declining 4<sup>th</sup> block water rate. PWD attempts to justify this rate design change by arguing that its COSS reflecting the 50% implementation of the AMI Demand study shows a general flattening of the rate blocks.<sup>15</sup> However, PLUG Witness Mr. Baudino's Direct Testimony shows the results of the AMI Demand Study, even at full implementation, still support the declining 4<sup>th</sup> block rate.<sup>16</sup> So while large users in the Hand Billed rate class are already being allocated costs based on their inclusion in a water rate class that is not consistent with their service characteristics, PWD proposes to further disadvantage these customers by ignoring its own proposal to address rate design changes comprehensively and selectively eliminate the declining 4<sup>th</sup> water block.

The Rate Board should reject this proposal and direct PWD to preserve the current rate design for Hand Billed customers, including the declining 4<sup>th</sup> water rate block, pending more comprehensive updates to its rate structure and rate design.

**C. The Board should direct PWD to implement customer protections to ensure reasonable administration of its Charitable Discount program.**

As part of its 2025 rate case, PWD proposed that the administration of its Charitable Discount Program applicable to non-profit and educational institutions shall be transferred from PWD to the Water Revenue Bureau ("WRB"). In his Direct Testimony, PLUG Witness Richard Baudino noted that the changes to the WRB Regulations modify the eligibility requirements for the Charitable Discount Program. This should be of critical importance to the Rate Board, because changes to the eligibility requirements to the Charitable Discount Program are not customer service matters and directly impact the rates paid by PWD customers. When developing its COSS, PWD builds the Charitable Discount into its projected revenues and rates

---

<sup>15</sup> PWD Statement No. 7 at 50.

<sup>16</sup> PWD Statement No. 1 at 14.

for the Hospitals and University customer class.<sup>17</sup> Accordingly, if customers are removed from the program, PWD will earn additional revenues beyond revenue approved by the Board based on PWD's projected revenues for FY 2026 and FY 2027. Therefore, any suggestion that the Rate Board lacks jurisdiction to address the eligibility requirements for PWD's Charitable Discount conflicts with the Board's authority to "fix *and regulate* rates and charges for supplying water, sewer and storm water service"<sup>18</sup>

Mr. Baudino highlighted three changes proposed to PWD's Charitable Discount Program in the WRB Regulation amendments set forth at Schedule SMC-2 as follows:

Section 204.5 contains a provision that a customer receiving a discount must renew every two years in order to continue receiving the discount. Section 204.6 contains language that would allow the Department to remove a customer from the Charity Rate program for violation of any City law or regulation, no matter how minor or unrelated to water service. Section 204.8 contains language regarding exclusion of certain facilities that are not used exclusively for the principal purpose of the applicant.<sup>19</sup>

With regard to the two-year renewal, PWD's current regulations allow for periodic review of a customer's eligibility, but do not establish a fixed two-year renewal period.<sup>20</sup> The exclusion of certain facilities that are not used exclusively for the principal purpose of the applicant does not appear in the current PWD Rates and Charges tariff rules. While Mr. Baudino initially observed the exclusion of a customer from the Charitable Discount program for violation of any City law or regulation to be a change, cross-examination at hearings confirmed that this authority is replicated in Section 5.7 of PWD's Rates and Charges.<sup>21</sup> However, Mr. Baudino's testimony that the Department of Revenue "failed to explain or justify why a customer that violates a City law or regulation that is minor (such as a parking violations), and/or completely unrelated to

---

<sup>17</sup> Schedule BV-2, at 3-5, 3-6.

<sup>18</sup> Chapter 13-100 of The Philadelphia Code. ("Emphasis added")

<sup>19</sup> PLUG Statement No. 1 at 18.

<sup>20</sup> PWD Rates and Charges, Effective September 1, 2024, Rule 5.4 available at [PWD Rates & Charges Effective Sept. 1, 2024](#).

<sup>21</sup> Tr. 51.

PWD's service, should be removed from the Charity Rate program” should be addressed by the Board. The Board should consider that some of PWD’s customers that are eligible for the Charitable Discount operate large and complex organizations such that removal for *any* violation of a City law or regulation could authorize PWD or to remove customers for unreasonably minor violations.

Because PWD’s testimony represents that “there will be no change in the substantive content of qualification nor the rate of the discount, which remains in Rate and Charges under the authority of the Water, Sewer and Stormwater Rate Board,”<sup>22</sup> PLUG proposes that the Board reject any portion of the new Rule 204 that is modifies in any way the eligibility requirements for PWD’s Charitable Rate Discount program. Additionally, with respect to the removal of customers for violation of any City law or regulation, the Board should direct PWD to develop customer protections by defining reasonable parameters for the exercise of such authority to ensure that customers are not arbitrarily removed from the Charitable Discount program.

**D. The Board should adopt PLUG’s proposal to increase the monthly service charges for sewer customers to 10% and reduce the volumetric rate increase to a flat 10% increase.**

For sewer customers, PWD proposes to increase volumetric rates by 15.3% while increasing the monthly fixed service charges by 6.5% to 7.5%.<sup>23</sup> PWD bases the proposed rate structure on its COSS, but also confirms that “judgment must enter the final choice of rates, and factors such as public reaction to the extent of changes and adjustments, previous rate levels, contractual agreements, and past local practice are recognized in making rate adjustments.”<sup>24</sup> PLUG generally supports cost-based rates, but Mr. Baudino challenges PWD’s assignment of the majority of its sewer costs to volumetric rates, stating that sewer infrastructure is generally

---

<sup>22</sup> PWD Statement No. 5 at 18.

<sup>23</sup> PLUG Statement No. 1 at 15.

<sup>24</sup> Schedule BV-2, at 8-1.

considered to be comprised of mostly fixed costs.<sup>25</sup> Indeed a review of PWD's wastewater cost of service study indicates that all treatment and collection system costs are 100% assigned as volumetric cost components, despite those costs likely including some degree of fixed cost overhead such as labor.<sup>26</sup> In light of these circumstances, Mr. Baudino's proposal to moderate the proposed volumetric sewer increases by adopting a flat 10% increase for the sewer service charges and volumetric rates is reasonable and should be adopted by the Board.<sup>27</sup> If the Board approves lower revenues for PWD, the rates for sewer customers should be proportionately scaled back based on Mr. Baudino's proposal.

---

<sup>25</sup> See PLUG Statement No. 1R at 16.

<sup>26</sup> *Id.*

<sup>27</sup> See PLUG Statement No. 1R at 16-17


#### **IV. CONCLUSION**

**WHEREFORE**, the Philadelphia Large Users Group respectfully requests that the Philadelphia Water, Sewer and Storm Water Rate Board:

- (1) Deny the rate increase request proposed by the Philadelphia Water Department; or
- (2) Grant modified relief consistent with this Main Brief.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

---

Adeolu A. Bakare (Pa. I.D. No. 208541)  
McNees Wallace & Nurick LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166  
Phone: (717) 232-8000  
Fax: (717) 237-5300

Counsel to the Philadelphia Large Users Group

Dated: May 30, 2025