

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

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

**REPLY BRIEF OF THE
PHILADELPHIA LARGE USERS GROUP**

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: June 11, 2025

Table of Contents

	Page
I. INTRODUCTION	1
II. ARGUMENT	2
A. The Board should reject PWD's arguments in support of its proposal to effectively eliminate the 4 th block water rate.	2
B. The Board should direct PWD to implement customer protections to ensure reasonable administration of its Charitable Discount program.	3
C. The Board should adopt PLUG's proposal to increase the monthly service charges for sewer customers and reduce the volumetric rate increase for sewer customers in order to arrive at a more uniform increase to the fixed and volumetric rates.	4
III. CONCLUSION	5

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")¹ 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.²

¹ 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.

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

On May 30, 2025, PWD and PLUG filed Main Briefs. PLUG hereby responds to issues raised in PWD's Main Brief.

II. ARGUMENT

A. The Board should reject PWD's arguments in support of its proposal to effectively eliminate the 4th block water rate.

PWD's Main Brief proposes to effectively eliminate the declining 4th block water rate by equalizing the 4th block rate to the 3rd block rate.³ PLUG addressed this issue in its Main Brief and incorporates the arguments from the PLUG Main Brief opposing PWD's proposal into this Reply Brief as if fully stated herein. As detailed in PLUG's Main Brief, PWD's Hand-Billed rate class is already at odds with cost-of-service because it assigns costs for water service based on sewer service characteristics.⁴ It is inappropriate to compound the situation by implementing major rate design changes further disadvantaging large customers in PWD's Hand-Billed rate class. Particularly where PWD has not yet completed the billing system updates that would allow for comprehensive rate design changes, including evaluating whether customers assigned to the Hand-Billed class for water service should be reassigned to another customer class based solely on the nature of their water service characteristics.

Notwithstanding the thorough discussion in PLUG's Main Brief, the specific argument offered in PWD's Reply Brief warrants a further reply. PWD states that its proposal to flatten the 3rd and 4th block water rates is justified because its cost-of-service study shows the Commercial class is recovering 100.9% of its cost of service and the Hand-Billed class is recovering 92.3% of its cost of service.⁵ However, that is a comparison of the total class revenue. As discussed by PLUG Witness Richard Baudino, the Hand-Billed class "contains an array of customers with

³ PWD Main Brief at 49.

⁴ PLUG Main Brief at 6.

⁵ PWD Main Brief at 49.

meter sizes ranging from 5/8-inches to 12-inches."⁶ The proposal to flatten the 3rd and 4th rate block is an intraclass rate design adjustment that forces the larger Hand-Billed customers to bear a higher proportion of the class revenue increase compared to smaller customers on the Hand Billed rate schedule. As reviewed in Mr. Baudino's testimony, even the results of PWD's updated Demand Study, at full implementation, continue to justify preservation of the declining 4th block rate.⁷

For the reasons stated above and in PLUG's Main Brief, the Rate Board should reject PWD's proposal and require that PWD preserve its existing water rate design, including the declining 4th block water rate.

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

PWD's Main Brief proposes that the Rate Board should defer any consideration of PWD's proposal to transfer administration of its Charitable Discount Program from PWD to the Water Revenue Bureau ("WRB") on the basis that consideration of this proposal is properly before the Philadelphia Department of Record.⁸ PWD also claims PLUG failed to identify specific terms in the proposed Regulations that concerned its members. Both of these points are incorrect. As discussed at length in PLUG's Main Brief (such arguments which are incorporated herein by reference), PWD's administration of the Charity Rate Discount directly impacts customer rates because the class revenues developed by PWD for consideration by the Rate Board assume certain customers receive the Charitable Discount.⁹ Contrary to PWD's representation that PLUG failed to identify specific concerns with the proposed Regulations, PLUG detailed very specific critiques of the several rules and policies that would allow PWD to remove customers

⁶ PLUG Main Brief at 5.

⁷ Rebuttal Testimony of Richard Baudino ("PLUG Statement 1R"), at 14-15.

⁸ PWD Main Brief at 55.

⁹ PLUG Main Brief, at 7-8.

from the Charitable Discount Program., including for failure to submit a renewal application two years¹⁰ As a result, the proposed changes to the Charitable Discount Program are rate-related and subject to the Rate Board's jurisdiction.

As proposed in PWD's Main Brief, the Rate Board should reject PWD's proposal to relinquish its jurisdiction over PWD's Charitable Discount Program and direct PWD to eliminate the mandatory two-year renewal rule as unjustified on the record. The Rate Board should also 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.

C. The Board should adopt PLUG's proposal to increase the monthly service charges for sewer customers and reduce the volumetric rate increase for sewer customers in order to arrive at a more uniform increase to the fixed and volumetric rates.

PWD's Main Brief opposes PLUG's proposal to more reasonably allocate the increased revenue requirement across PWD's fixed and volumetric sewer rates.¹¹ Much of PWD's argument relies on its claims that PLUG has not considered or presented the collateral impacts of this proposal on revenue allocation.¹² However, this is inaccurate. While PLUG presented the proposal as a uniform 10% increase to fixed and volumetric rates, this figure was based on Mr. Baudino's expectation that applying a 10% increase to fixed and volumetric rates would approximate the requested sewer revenue requirement. But to the extent that is not the case, then PLUG's proposal preserves flexibility for PWD to modify the flat fixed monthly and volumetric increase as necessary to achieve the required revenue target for the sewer customers. Accordingly, PLUG's proposal should not impact wholesale sewer customers or result in any

¹⁰ PLUG Main Brief, at 8.

¹¹ PWD Main Brief at 50-51.

¹² *Id.* at 51.

revenue shortfall as speculated by PWD.¹³ As PWD has not presented a rigorous analysis of its fixed overhead cost, the Rate Board should question the appropriateness of increasing volumetric sewer rates by 15.3% while increasing the monthly fixed service charges by only 6.5% to 7.5%.¹⁴

Under these circumstances, PLUG's proposal to moderate the proposed volumetric sewer increases by adopting a flat increase (10% or as otherwise deemed appropriate based on the approved revenue requirement) for the sewer service charges and volumetric rates is reasonable and should be adopted by the Board.

III. 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 Reply 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: June 11, 2025

¹³ *Id.*

¹⁴ PLUG Main Brief at 10.