

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

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

HEARING OFFICER REPORT

Marlane R. Chestnut
Hearing Officer

July 1, 2025

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I.

II. INTRODUCTION

This report addresses the rate filing (the [2025 General Rate Proceeding](#)¹) made by the Philadelphia Water Department (PWD or the Department)² with the Philadelphia Water, Sewer and Storm Water Rate Board³ (Rate Board or Board) for approval to increase rates and charges for water, sewer, and stormwater service effective September 1, 2025 (FY 2026), and September 1, 2026 (FY 2027).⁴ PWD is a City department, with responsibility for provision of water, sewer, and storm water services in the City of Philadelphia.⁵

In November 2012, Philadelphia voters approved an amendment to Section 5-801 of the Philadelphia Home Rule Charter to allow the City Council of Philadelphia (City Council) to establish, by ordinance, an independent rate-making body responsible for fixing and regulating rates and charges for water and sewer services. Under the [Rate Ordinance](#) (effective January 20, 2014), [Chapter 13-100 of the Philadelphia Code](#),⁶ City Council replaced PWD with the Rate Board as the entity responsible for setting those rates, and established standards for the Board to consider when doing so. In order to fulfill the mandate in the ordinance, that an “open and transparent

¹ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-general-proceeding/>.

² Throughout this Hearing Officer Report, PWD includes the Philadelphia Water Revenue Bureau (WRB), to the extent required by the context. The Water Revenue Bureau, which is part of the City’s Department of Revenue, provides all billing and collection functions for the Department, and administers the Water Department’s customer assistance programs.

³ As of the date of this Report, the members of the Rate Board (nominated by the Mayor and approved by City Council) are Board Chair Sonny Popowsky, Vice Chair Tony Ewing, Secretary Abby Pozefsky, McCullough Williams III and Debra McCarty. Short biographies of each board member, as well as relevant legal authority and regulations, are available at the [Rate Board’s website](#) (<https://www.phila.gov/departments/water-sewer-storm-water-rate-board/about/>).

⁴ PWD’s fiscal years (FY) run from July 1 through June 30. The rates to be effective September 1, 2025 (within FY 2026) will continue into FY 2027 (July 1 – August 31, 2026), and the rate and charges that go into effect on September 1, 2026 (within FY 2027) will continue into FY 2028 until changed.

⁵ The Department also makes wholesale water sales to neighboring communities and conveys, treats and disposes of wastewater for certain outside-of-City customers. The rates for such off-system sales were not part of this filing, as the Rate Board does not determine rates for such off-system sales.

⁶ https://codelibrary.amlegal.com/codes/philadelphia/latest/philadelphia_pa/0-0-0-286499#JD_13-101.

process” be used in setting the rates and charges, the Rate Board promulgated [regulations](#),⁷ revised most recently in November 2022, regarding both substantive and procedural requirements.

The [current rates](#)⁸ are based on the Rate Board’s [Rate Determination](#)⁹ dated June 21, 2023. The Rate Board’s Rate Determination was issued after a thorough review of the record produced in connection with the [2023 general rate proceeding](#)¹⁰ and the [Hearing Officer Report](#)¹¹ dated May 30, 2023, which contained a number of recommended adjustments to the Department’s proposed revenue requirements and rates. In its [2023 Rate Determination](#), the Rate Board found that increases in revenue requirements for FY 2024 (\$61.022 million over the revenues generated by then current rates, rather than the \$80.41 million requested by PWD) and FY 2025 (\$132.283 million total increase over the revenues generated by then current rates, rather than the \$162.1 million requested) were supported by the record and were in compliance with the [Rate Ordinance](#) and other applicable requirements and covenants.

In this proceeding, the Department filed its [Advance Notice](#)¹² with City Council and the Rate Board on February 18, 2025, and its [Formal Notice](#)¹³ with the Rate Board and the Records Department on March 31, 2025. This rate filing¹⁴ contained proposed changes to the rates and related charges for water, sewer and storm water service, along with supporting statements

⁷ <https://www.phila.gov/media/20230120160159/WRB-regulations-restated-with-amendments-2022-11-09.pdf>.

⁸ <https://www.phila.gov/media/20230901093057/PWD-FY-2024-and-FY-2025-Final-Rates-and-Charges-Combined.pdf>.

⁹ <https://www.phila.gov/media/20230623151204/2023-General-Rate-Proceeding-Rate-Determination-2023-06-22.pdf>.

¹⁰ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2023-rate-proceeding/>.

¹¹ <https://www.phila.gov/media/20230530162301/2023-Hearing-Report-May-30-FINAL-with-Appendix.pdf>.

¹² <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-general-proceeding/#advance-notice>. Advance notice is required under [Philadelphia Code, § 13-101\(7\)](#), and Section II.A.2(a) of the Rate Board’s [Regulations](#).

¹³ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-general-proceeding/#formal-notice>. Formal notice is required under [Philadelphia Code, § 13-101\(\(7\)-\(8\)\)](#) and Section II.A.2(b) of the [Regulations](#). An [Updated Filing Index](#) to the statements and exhibits was provided and posted on the Rate Board’s website, <https://www.phila.gov/media/20250430134024/Updated-FILING-INDEX-with-Links-and-Navigation-April-2025.pdf>. Hereafter those revised statements and exhibits will also be linked to the [Filing Index](#).

¹⁴ Throughout this Hearing Officer Report, the term “rate filing” includes both the [Advance](#) and [Formal](#) Notices unless otherwise indicated.

and exhibits.¹⁵ The Department stated in [PWD Exh. 2](#)¹⁶ and [PWD St. 1](#)¹⁷ ([PWD St. 1 revised](#)¹⁸) that these proposed rates are intended to generate incremental first year revenues of approximately \$73.630 million in FY 2026 and an additional \$58.858 million in incremental revenue in FY 2027,¹⁹ with proposed effective dates of September 1, 2025, and September 1, 2026, respectively. As proposed, the overall increase in service revenues (which included the prospective revenue which is the subject of the separate [2025 TAP-R reconciliation](#)) would increase the total monthly bill for a residential customer using 430 cubic feet (cf) of water per month and not eligible for TAP assistance by 11.7% (from approximately \$81.77 to \$91.31) on September 1, 2025 and an additional 5.9% (from approximately \$91.31 to \$96.68) on September 1, 2026.²⁰

The Department's position is that without rate relief, it faces operating deficits in FYs 2026 and 2027 caused by a "combination of the following (a) a significant decline in operating revenues compared with prior projections; (b) unavoidable increases in operating costs (e.g., work

¹⁵ The Department also filed an [Advance Notice](#) (<https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-tapr-proceeding/#advance-notice>) related to its Annual TAP-R Reconciliation on February 18, 2025, and an associated [Formal Notice](#) (<https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-tapr-proceeding/#formal-notice>) on March 31, 2025. These rates are the subject of a separate proceeding, [2025 TAP-R Reconciliation](#) (<https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-tapr-proceeding/>).

¹⁶ <https://www.phila.gov/media/20210115161608/PWD-Exhibit-2-Summary-Fact-Sheet.pdf>.

¹⁷ <https://www.phila.gov/media/20250219102228/PWD-Statement-1-Direct-Testimony-and-Schedules-of-the-Water-Commissioner.pdf>.

¹⁸ <https://www.phila.gov/media/20250320092506/Errata-PWD-Statement-1-17-March-2025.pdf>.

¹⁹ The Department's service revenues are presented on a fiscal year basis. While the City's fiscal year starts on July 1, the Department plans to implement new rates on September 1 each year, two months later. Consequently, the new rates will be in effect for ten months in the first (fiscal) year of an increase and then for the full 12 months in subsequent years. In order to annualize the prospective revenues to determine the full annual impacts of the proposed increases, revenues from the first two months of the following fiscal year are added to the revenues from the ten months remaining in the fiscal year when the increase takes effect. PWD projects a service revenue increase of \$73.630 million in FY 2026, for the proposed rates effective September 1, 2025. In the following year (Fiscal Year 2027), the full 12-month effect of that rate increase is approximately \$89.938 million. Similarly, the proposed increase on September 1, 2026, would add incremental service revenue of \$58.858 million over the ten-month period the rates would be effective in FY 2027. On an annualized basis, this results in an increase in revenues of approximately \$71.728 million over the 12-month period of FY 2028. See [PWD St. 7](#), Schedule BV-1, Table C-1A, lines 4 and 5. Totalling these 12-month numbers, the rates proposed to begin September 1, 2026, would increase base service revenues by about \$161.666 million per year over base service revenues under current rates. No adjustment is necessary to calculate the absolute dollars and percentage impact on the customers' monthly bills as presented in the Advance and Formal Notices; the impacts are already annualized to correspond to FY 2026 and FY 2027.

²⁰ Advance Notice, [PWD Exh. 2](#), Summary Fact Sheet. <https://www.phila.gov/media/20210115161608/PWD-Exhibit-2-Summary-Fact-Sheet.pdf>.

force costs, contract services, materials/equipment, power) and (c) the need to replenish financial reserves and meet mandatory financial metrics.” [PWD Exh. 2](#); [PWD St. 2A](#)²¹ at 8.

Participants in the rate proceeding engaged in significant discovery.²² Four [public input hearings](#)²³ were held (two in-person and two virtual), and [public comments](#)²⁴ were received from individuals and organizations. The Board also held two prehearing conferences; participants’ experts and other witnesses were cross-examined in two days of technical hearings.

Following this extensive, transparent process and review of the substantial record produced, all of which has been posted on a Rate Board web page,²⁵ the Department and the Public Advocate reached agreement resolving a number of the issues that had been raised in the proceeding. They first outlined their agreements in a [Term Sheet](#)²⁶ distributed on May 23, 2025, and later formalized them in the [Joint Petition for Partial Settlement](#)²⁷ ([First Settlement Petition](#)) submitted on May 30, 2025. [Lance Haver](#), an individual participant,²⁸ and [the Philadelphia Large Users Group](#)²⁹ (PLUG) objected to the [First Settlement Petition](#). PLUG withdrew its objections and joined PWD and the Public Advocate in submitting a [Second Settlement Petition for Partial](#)

²¹ <https://www.phila.gov/media/20230124163836/PWD-Statement-2A-Direct-Testimony-and-Schedules-of-the-Financial-Panel.pdf>.

²² Information exchange (discovery) started the day of the [Advance Notice](#) was distributed in February 2025 and continued through May 16, 2025. In that time, the Department received and responded (or objected) to more than 330 formal and informal information requests from three of the active participants (16 sets from the Advocate, 2 sets from PLUG, and 1 set from Mr. Haver). [PWD Main Brief](#) at 10. The Public Advocate responded to 111 information requests (6 sets from PWD and 1 set from Mr. Haver). See [Information Requests](#) table,

<https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-general-proceeding/#information-requests>.

²³ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-general-proceeding/#public-input-public-hearings>.

²⁴ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-general-proceeding/#public-input-written-comments>.

²⁵ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-general-proceeding/>.

²⁶ <https://www.phila.gov/media/20250529100748/2025-PWD-Settlement-Term-Sheet.pdf>.

²⁷ <https://www.phila.gov/media/20250530164145/2025-GRC-JOINT-SETTLEMENT-PETITION-FINAL.pdf>.

²⁸ <https://www.phila.gov/media/20250606163809/Proposed-Settlement-Violates-SA-Haver-2025.pdf>.

²⁹ <https://www.phila.gov/media/20250612141550/Hearing-Officer-Letter-re-PLUG-Objections-to-2025-PWD-GRC-Joint-Settlement-Petition.pdf>. PLUG is an ad hoc group of Large Commercial & Industrial customers comprised of, for the purposes of this proceeding: AdvanSix, Inc.; Drexel University; Temple University; and Thomas Jefferson University. [PLUG Main Brief](#) at 1, fn. 1, <https://www.phila.gov/media/20250610092743/PLUG-2025-Rate-Case-Main-Brief.pdf>.

[Settlement](#)³⁰ (Second Settlement Petition) which addressed certain cost of service and rate design issues presented by PLUG. Mr. Haver also filed an [Objection](#)³¹ to the [Second Settlement Petition](#).

The [First Settlement Petition](#) proposed a base rate service revenue increase in FY 2026 of \$60.920 million,³² which is a reduction of the Department's original request of \$73.630 million and, for FY 2027, an incremental base rate service revenue increase of \$54.000 million,³³ which is a reduction from the Department's original request of \$58.858 million.³⁴ Rates and charges for water, sewer, and stormwater service would be increased in each year to provide the incremental revenues shown above.

The [Second Settlement Petition](#) did not modify or change the terms of the [First Settlement Petition](#) but provided that PWD would retain and modify the 3rd and 4th declining blocks for water service, thereby resolving all issues raised by PLUG other than the Charity Rate Administration Proposal, which is addressed below.

Mr. Haver raised [objections](#) to both the process and the specific terms of the [First Settlement Petition](#) and by email objected to the [Second Settlement Petition](#), alleging that the public was "shut out" of commenting on it.³⁵

As discussed in detail below, I do not find that these Objections provide a basis for rejecting the proposed [First Settlement Petition](#). Rather, the record fully supports adoption by the Rate Board of the incremental base rate service revenue increases agreed to by the Joint Petitioners. In addition, the record supports adoption by the Rate Board of the agreement contained in the

³⁰ <https://www.phila.gov/media/20250623091759/2025-GRC-Second-Joint-Petition-for-Partial-Settlement-Combined.pdf>.

³¹ <https://www.phila.gov/media/20250623161102/2025-Lance-Haver-objection-email-1.pdf> (June 22, 2025).

³² [PWD Main Brief](#), Table C-1A, Line 4. The revenue increase amounts shown are in comparison with projected revenues under current rates.

³³ [PWD Main Brief](#), Appendix Table C-1A, Line 5. The revenue increase amounts shown are in comparison with projected revenues under current rates.

³⁴ The revenue requirement provisions contained in the [First Settlement Petition](#) do not include the revenue loss associated with providing TAP discounts and TAP Rate Rider Surcharge revenues. [PWD Main Brief](#), fn 2.

³⁵ The [Second Settlement Petition](#) was provided by PWD (on behalf of itself and the other signatories) to me and the participants on late Friday afternoon (June 20, 2025). I established June 23, 2025, as the deadline for any objections.

[Second Settlement Petition](#) that PWD will maintain and modify the 3rd and 4th water rate blocks. I recognize that it is difficult to entertain the idea of any increase in rates and charges at this time, especially given the compelling concerns expressed by the Department's customers about the challenges they face. However, the record does establish the necessity of some level of rate relief. The [Rate Ordinance](#)³⁶ requires the Rate Board to determine rates and charges that generate sufficient revenue for the Department to cover its expenses and debt service, and satisfy applicable financial metrics in order to access the capital markets at reasonable rates (as well as other requirements and mandates) in order to ensure the delivery of the safe and reliable service that customers are entitled to. At the same time, these rates and charges must remain just, reasonable, and equitably apportioned.

After a comprehensive evaluation of the record - including the [Joint Petition for Partial Settlement](#), [Second Settlement Petition for Partial Settlement](#), statements in support or opposition, briefs, statements, exhibits, transcripts, discovery responses, orders and public comments - I recommend that Rate Board permit the proposed base rate service revenue increases contained in the [First Settlement Petition](#) to go into effect, and to permit the Philadelphia Water Department to prepare and file rates and charges to be effective September 1, 2025, and September 1, 2026, consistent with the terms and conditions contained in the [Joint Petition for Partial Settlement](#) and the [Second Settlement Petition for Partial Settlement](#).³⁷ It is evident that PWD requires additional revenue, and the partial settlement recognizes that, while still providing a significant reduction in the overall requested base rate service revenue increase. Furthermore, the settlement incorporates commitments from the Department regarding customer service and the exploration of cost of service/rate structure alternatives. I further recommend that to the extent it has jurisdiction, the Rate Board approve the uncontested changes to the Water Department's current [Rates and Charges](#). Finally, I recommend that the Rate Board reject PLUG's arguments addressed to PWD's Charity Rate Program.

³⁶ [Phila. Code, § 13-101\(4\)](#).

https://codelibrary.amlegal.com/codes/philadelphia/latest/philadelphia_pa/0-0-0-286499#JD_13-101.

³⁷ <https://water.phila.gov/wp-content/uploads/files/rates-charges-2024-09-01.pdf>. After the Rate Board reaches a rate determination, PWD must file its new rates and charges with the Department of Records at least ten days before their effective date, per Section II.A.3(d) of the Board's [regulations](#).

I commend both PWD and the Public Advocate for their hard work and willingness to address not just the Department's revenue requirements but other issues that impact the Department and its customers. I especially want to recognize the high degree of professionalism and integrity shown by counsel for these statutory participants (Andre Dasent, Esq., for PWD and Robert Ballenger, Esq., for the Public Advocate, and their respective associates) in advancing the interests they respectively represent.³⁸ I also want to thank the customers, organizations and elected officials who took the time to provide their thoughts on the proposed rate increase, either by attending the public hearings or by sending comments to the Rate Board (all of which I have read). These comments were thoughtful, sincere and helpful in putting a human face on the matters discussed, a reminder that decisions made in this proceeding directly impact the lives of real, individual people, not just "customers" as a group.

III. HISTORY OF THE PROCEEDING

As noted above, PWD filed its [Advance Notice](#)³⁹ on February 18, 2025, and its [Formal Notice](#)⁴⁰ on March 31, 2025. In compliance with the Rate Board's mandate for an open and transparent examination of the Department's proposed rates and charges, the Board [regulations](#) at II.A(c) require the submission of certain technical information, including (1) all financial, engineering and other data upon which the proposed rates and changes are based; (2) evidence demonstrating that the proposed rates were developed in accordance with sound utility rate-making practices, and are consistent with the current industry standards for water, wastewater and storm water rates and with the Department's bond covenants and other legal requirements; and (3) any material required by order of the Board in the last rate case. To support its proposed rates and charges, PWD presented the direct testimony, schedules, and exhibits of a number of witnesses:

³⁸ Counsel for PLUG also did a very effective job in representing the interests of their clients on matters relating to the [Joint Petition for Partial Settlement](#) and the [Second Joint Petition for Partial Settlement](#).

³⁹ It should be noted that the Advance Notice did not contain PWD [Exh. 6](#) (workpapers) which were not made available until February 28, 2025, in response to an information request (PA Set-I-1) propounded by the Public Advocate. Perhaps because, consistent with the 30-day Advance Notice requirement of [Section 13-101](#)(7) of the Philadelphia Code, PWD delayed filing the [Formal Notice](#) in order to allow additional time for preliminary review, no participant claimed to be disadvantaged. The Department, however, should not allow this to happen again, as decisions about when to file and what to include in the Notices are entirely within its control.

⁴⁰ An updated [filing index with links](#) was posted at the Rate Board's website.

- Randy E. Hayman, Esq. (PWD Water Commissioner) ([PWD St. 1](#), [PWD St. 1 revised](#));
- The Financial Panel, consisting of the testimony and exhibits of Lawrence Yangalay (PWD Deputy Commissioner of Finance), Lawrence Rich (PWD Assistant Deputy Commissioner of Finance) and Patricia Rogalski (PWD Fiscal Analyst Manager). ([PWD St. 2A](#)⁴¹) and the Financial Advisors, Peter Nissen, the Managing Director of Acacia Financial Group, Inc. and Charles Matthews, a Director of PFM Financial Advisors, LLC ([PWD St. 2B](#)⁴²);
- The Capital Panel, consisting of the testimony and exhibits of Stephen J. Furtek (PWD, General Manager, Engineering and Construction Division), Vahe Hovsepian (PWD Water Engineering Assistant Manager, Projects Control Unit), Matthew Fulmer (PWD Capital Program Manager) and William Dobbins (PWD Manager, Facilities and Water & Sewer Sections, in the Design Branch) ([PWD St. 3](#)⁴³);
- The Operations Panel, consisting of the testimony and exhibits of Benjamin Jewell (PWD First Deputy Commissioner), Brendan Reilly (PWD Assistant Deputy Commissioner of Field Operations), Linda Kramer (PWD Manager, Water Treatment) and Stephen Junod (Manager, Water Operations Administration) ([PWD St. 4A](#),⁴⁴ [PWD St. 4A revised](#)⁴⁵) and Marc Cammarata Deputy Water Commissioner for Planning and Environmental Services) ([PWD St. 4B](#)⁴⁶);
- The WRB (Water Revenue Bureau) Panel, consisting of the testimony and exhibits of Susan M. Crosby (Deputy Revenue Commissioner for Water) and Lakisha Gaymon-Foreman (Manager of the Customer Assistance Programs Division within the WRB) ([PWD St. 5](#),⁴⁷ [PWD St. 5 revised](#)⁴⁸);

⁴¹ <https://www.phila.gov/media/20230124163836/PWD-Statement-2A-Direct-Testimony-and-Schedules-of-the-Financial-Panel.pdf>.

⁴² <https://www.phila.gov/media/20250219102231/PWD-Statement-2B-Direct-Testimony-and-Schedules-of-the-Financial-Advisors.pdf>.

⁴³ <https://www.phila.gov/media/20230124163837/PWD-Statement-3-Direct-Testimony-and-Schedules-of-the-Capital-Panel.pdf>.

⁴⁴ <https://www.phila.gov/media/20250219102234/PWD-Statement-4A-Direct-Testimony-and-Schedule-of-the-Operations-Panel.pdf>.

⁴⁵ [Schedule BR-1](#) (March 2025) replaced in its entirety Brendan Reilly's prior resume of February 2025 to reflect his new position and responsibilities. <https://www.phila.gov/media/20250320092505/Errata-PWD-Statement-4A-17-March-2025.pdf>

⁴⁶ <https://www.phila.gov/media/20250219102235/PWD-Statement-4B-Direct-Testimony-and-Schedules-of-the-Planning-Environmental-Services-Panel.pdf>.

⁴⁷ <https://www.phila.gov/media/20230124163839/PWD-Statement-5-Direct-Testimony-and-Schedules-of-the-Water-Revenue-Bureau.pdf>.

⁴⁸ <https://www.phila.gov/media/20250327151251/Errata-PWD-Statement-5-Schedule-SMC-2-2025.pdf>

- The Raftelis Financial Consultants Panel, consisting of the testimony and exhibits of Jon Pilkenton Davis, Henrietta Locklear, and Jennifer Tavantzis ([PWD St. 6](#)⁴⁹);
- The Black & Veatch Panel, consisting of the testimony and exhibits of Ann Bui, Dave Jagt, Brian Merritt, and David Sayers ([PWD St. 7](#),⁵⁰ [PWD St. 7 revised](#)⁵¹); and
- The Communications and Engagement Panel, consisting of the testimony and exhibits of Glen Abrams (PWD Deputy Commissioner, Communications and Engagement), Laura Copeland (PWD Assistant Deputy Commissioner, Education, Community Engagement and Government Affairs) and Paul Fugazzotto (PWD, Assistant Deputy Commissioner, Communications and Customer Information) ([PWD St. 8](#)⁵²).

In addition, the filing included a number of exhibits: [PWD Exh. 1](#)⁵³ (Notification of Rate Filing); [PWD Exh. 2](#)⁵⁴ (Summary Fact Sheet); PWD Exhs. [3A](#), [3B](#), [3C](#) and [3D](#)⁵⁵ (Proposed Rates and Charges); [PWD Exh. 4](#)⁵⁶ (Documents Incorporated by Reference); [PWD Exh. 5](#)⁵⁷ (Official Statement - Series 2024C); [PWD Exh. 6](#), revised,⁵⁸ (Supplemental Financial, Engineering and Other Data) and [PWD Exh. 7](#)⁵⁹ (Consent Order and Agreement, June 1, 2011).

⁴⁹ <https://www.phila.gov/media/20250219102239/PWD-Statement-6-Direct-Testimony-and-Schedules-of-Raftelis-Financial-Consultants.pdf>.

⁵⁰ <https://www.phila.gov/media/20230124163844/PWD-Statement-7-Direct-Testimony-and-Schedules-of-Black-and-Veatch.pdf>.

⁵¹ An additional table was added to Appendix A in March 2025. Appendix H – Table 1 (March 2025) replaces the prior Appendix H – Table 1. A typographical error was corrected in an erratum in May 2025.

⁵² <https://www.phila.gov/media/20250219102246/PWD-Statement-8-Direct-Testimony-and-Schedules-of-the-Public-Affairs-Panel.pdf>.

⁵³ <https://www.phila.gov/media/20210115161627/PWD-Exhibit-1-Notification-of-Rate-Filing.pdf>.

⁵⁴ <https://www.phila.gov/media/20210115161608/PWD-Exhibit-2-Summary-Fact-Sheet.pdf>.

⁵⁵ <https://www.phila.gov/media/20250219102250/PWD-Exhibit-3A-Proposed-Rates-and-Charges-for-FY-2026-Clean.pdf>; <https://www.phila.gov/media/20250219102251/PWD-Exhibit-3B-Proposed-Rates-and-Charges-for-FY-2026-Redlined.pdf>; <https://www.phila.gov/media/20250219102253/PWD-Exhibit-3C-Proposed-Rates-and-Charges-for-FY-2027-Clean.pdf>; <https://www.phila.gov/media/20250219102257/PWD-Exhibit-5-Official-Statement-Series-2024C.pdf>.

⁵⁶ <https://www.phila.gov/media/20210115161634/PWD-Exhibit-4-Documents-Incorporated-by-Reference.pdf>.

⁵⁷ <https://www.phila.gov/media/20250219102257/PWD-Exhibit-5-Official-Statement-Series-2024C.pdf>.

⁵⁸ https://www.phila.gov/media/20250303140844/PWD_EXHIBIT_6_BV_Workpapers.pdf (filed 10 days after the [Advance Notice](#)).

⁵⁹ <https://www.phila.gov/media/20210115161805/PWD-Exhibit-7-Consent-Order-and-Agreement-June-1-2011.pdf>.

The general public was notified of the proceeding, hearing dates, and participation and comment deadlines through information made available on the Rate Board's [website](#)⁶⁰ as well as publication of the required legal notices in various Philadelphia newspapers.⁶¹ In addition, participants to PWD's [2023 General Rate Proceeding](#) were notified by e-mail of this proceeding and provided an opportunity to participate.

At its [August 14, 2024](#) meeting,⁶² the Rate Board approved a motion authorizing the Board Chair and Board Counsel to take all steps necessary under City procedures and applicable law to secure Board contracts for the Hearing Officer, Public Advocate and Technical Consultant for the period of December 2, 2024, to December 1, 2025, by renewing existing contracts and/or soliciting new contractors. The existing contracts were renewed for one-year terms for Community Legal Services to act as Public Advocate to represent the class of small user customers (all residential customers and small business customers, typically with 5/8-inch meters), for Amawalk Consulting to provide technical services and for me to serve as Hearing Officer.

The [Rate Ordinance](#) (Phila. Code § 13-101(4)(b)(.4)) provides that the decision by the Board to approve, modify, or reject the proposed rates and charges shall be made in a timely manner, but “no later than 120 days from the filing of notice of any proposed change in rates and charges.”⁶³ See also, the Rate Board's [regulations](#) at Section II.A.1(b): “Consistent with Section 13-101, the Rate Proceeding shall be conducted within 120 days of the filing of the Formal Notice and shall address only rates and charges and topics directly related thereto.” The schedule adopted in this proceeding was in compliance with this deadline, together with other timing requirements specified in the Board regulations.

⁶⁰ Generally, [2025 General Rate Proceeding](#); [Rate Board Website Notices](#), <https://www.phila.gov/media/20250617090815/2025-Rate-Proceeding-Website-Notices.pdf>, <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-general-proceeding/#board-notices-and-public-outreach>; and the [Meetings & hearings](#) page, <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/meetings/>.

⁶¹ [Rate Board Media Advertising](#), <https://www.phila.gov/media/20250613213442/2025-GRP-WRB-Media-Advertising.pdf>.

⁶² <https://www.phila.gov/media/20241015101051/8.14.2024-Meeting-Minutes.pdf>.

⁶³ “If the Board is unable to act on proposed rates and charges in the time required herein, the Water Department may establish emergency rates and charges on a temporary basis pending a final determination by the Board.” Phila. Code [§ 13-101\(8\)](#).

In addition to the Department and the Public Advocate, participants⁶⁴ included the Water Revenue Bureau (WRB), PLUG, and three individual customers, Lance Haver, Michael Skiendzielewski and Susan Morris.⁶⁵

On March 31 2025, I issued an [Order Sustaining in Part and Denying in Part PWD Objections to Haver Set I](#),⁶⁶ in which I addressed PWD's contention that certain of the Information Requests were unreasonably burdensome, sought irrelevant information, and/or were unreasonably broad. Thereafter, counsel for the Rate Board filed a [Response to Haver Set II](#)⁶⁷ directed to the Rate Board, explaining that as the Rate Board is not a participant, such discovery is improper and no answers or documents would be provided. Mr. Haver's [Motion to Provide the Public With Accurate Information](#)⁶⁸ addressed to the Public Advocate was denied by my [Order](#)⁶⁹ dated May 1, 2025. On May 29, 2025, I issued an [Order Sustaining PA's Objections to Haver Set 3](#).⁷⁰ In addition, both PWD and the Public Advocate objected to certain information requests; these were resolved by those participants without my involvement.⁷¹

An [on-the-record prehearing conference](#)⁷² to address preliminary procedural issues was held via Zoom (a teleconferencing software platform) in this proceeding on April 8, 2025. All participants to the rate filing were invited by e-mail to participate. At that prehearing conference, a schedule was adopted, and directives were issued regarding discovery and the holding of

⁶⁴ 63 Section I(m) of the Board's [Regulations](#) makes the Water Department and Public Advocate automatic participants; otherwise defines "Participant" as "Any individual, corporation or other entity affected by the Department's proposed rates and charges who timely notifies the Board of a desire to participate in the technical review hearings"; and allows such participation as of right until "no later than seven (7) days after the filing of Formal Notice."

⁶⁵ Ms. Morris did not actively participate in the proceeding.

⁶⁶ <https://www.phila.gov/media/20250401090935/Order-Haver-PWD-Discovery-2025-FINAL.pdf>, requiring PWD to respond to 3 of 9 challenged information requests besides the 18 to which it had not objected.

⁶⁷ <https://www.phila.gov/media/20250402143525/Rate-Board-Response-to-Haver-2nd-Discovery.pdf>.

⁶⁸ <https://www.phila.gov/media/20250430142638/Haver-Accurate-Information-Motion-2025.pdf>.

⁶⁹ <https://www.phila.gov/media/20250501103327/Order-Denying-Haver-Motion-4-2025-Final.pdf>.

⁷⁰ <https://www.phila.gov/media/20250603114701/Order-Haver-PA-Discovery-2025-FINAL.pdf>.

⁷¹ [PWD Objections to PA Set II](#) (<https://www.phila.gov/media/20250221154922/2025-RATES-PWD-Objections-to-Information-Requests-Set-II.pdf>); [PWD Objections to PA Set](#)VII., (<https://www.phila.gov/media/20250326100852/PWD-PA-SET-7-OBJECTIONS-FINAL.pdf>); [PWD Objections to PA Set VIII](#) (<https://www.phila.gov/media/20250326100854/PWD-PA-SET-8-OBJECTIONS-FINAL.pdf>); [PA Objections to PWD Set IV](#) (<https://www.phila.gov/media/20250512151117/PA-Set-IV-Objections-to-PWD-General-Proceeding-2025.pdf>).

⁷² https://www.phila.gov/media/20250411152422/52964_2025-General-Rate-Proceeding_-_040825_Full.pdf.

hearings. These determinations were memorialized in a [Prehearing Conference Order](#)⁷³ dated April 10, 2025. By [Order](#)⁷⁴ dated April 30, 2025, I amended [the Prehearing Conference Order](#) to allow for an extension for the filing of the direct testimony of Public Advocate witness Lafayette K. Morgan, Jr. and to permit participants to supplement their direct testimony solely in response to statements made at any of the public input hearings held on April 22 and 23, 2025.

Four on-the-record public input hearings were conducted on April 22 and 23, 2025. Two were conducted in-person (afternoon and evening); two (afternoon and evening) offered customers the option to participate via Zoom online or telephonically.⁷⁵ Efforts were made by the Rate Board, the Department and the Public Advocate to ensure that the public was informed about the scheduled hearings. In addition to notices and guidelines about participation posted on the various websites (Rate Board, PWD and CLS/Public Advocate) and social media, there were flyers, newspaper notices, blast emails to various groups of customers and interested parties such as community energy agencies and political offices. As set out in PWD's response to Transcript Request TR-6, the Department also had in-person meetings with a number of City Council members. See, [Rate Board Media Advertising](#);⁷⁶ [Rate Board Website Notices](#);⁷⁷ [Public Advocate Outreach Report](#);⁷⁸ [PWD Hearing Exh. 1](#) (Outreach Report);⁷⁹ [PWD Transcript Request TR-6](#).⁸⁰ Advertising satisfied the requirements of the Board's [regulations](#),⁸¹ including Sections II.A.2(d)-(e), II.B.4(d), and II.B.5(a)(2).

The statements presented at these hearings, as well as other comments to the Rate Board, are available on the Board's website ([Public Input – Public Hearings](#)⁸² and [Public Input –](#)

⁷³ <https://www.phila.gov/media/20250411152417/GRP-PHC-Order-2025-FINAL.pdf>.

⁷⁴ <https://www.phila.gov/media/20250502123743/Order-Revising-Schedule-FINAL-2025.pdf>.

⁷⁵ The in-person public input hearings were conducted by Mr. Popowsky, pursuant to the Rate Board's [regulations](#) at Section II.B.1(d). I conducted the virtual public input hearings, as well as the technical hearings.

⁷⁶ <https://www.phila.gov/media/20250613213442/2025-GRP-WRB-Media-Advertising.pdf>.

⁷⁷ <https://www.phila.gov/media/20250617090815/2025-Rate-Proceeding-Website-Notices.pdf>.

⁷⁸ <https://www.phila.gov/media/20250522155248/PA-Exhibit-Outreach-Report-5.22.25.pdf>.

⁷⁹ <https://www.phila.gov/media/20250522095351/2025-Rates-Public-Hearing-Outreach.pdf>.

⁸⁰ <https://www.phila.gov/media/20250529095434/2025-PWD-Transcript-Response-Final.pdf>.

⁸¹ <https://www.phila.gov/media/20230120160159/WRB-regulations-restated-with-amendments-2022-11-09.pdf>.

⁸² <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-general-proceeding/#public-input-public-hearings>.

[Written Comments](#)⁸³) and discussed below. PWD later submitted a [Response](#)⁸⁴ that contained further information addressed to specific issues raised at the public hearings, and provided a “Summary of Public Hearings and Public Comments” in its [Main Brief](#),⁸⁵ Appendix B.

Direct testimony was filed by the Department in its [Advance](#) and [Formal](#) Notices, and by Mr. Haver, PLUG and the Public Advocate.⁸⁶ Mr. Haver submitted his own direct statement and supplemental direct testimony ([Haver St. 1](#)⁸⁷ and [Haver Suppl. St.](#)⁸⁸). PLUG submitted the statement and exhibits of Richard A. Baudino (Kennedy and Associates) ([PLUG St. 1](#)⁸⁹). The Public Advocate submitted the direct testimony of Lafayette K. Morgan, Jr. (Exeter Associates, Inc., [PA St. 1](#)⁹⁰), Jerome D. Mierzwa (Exeter Associates, Inc., [PA St. 2](#)⁹¹), and Roger D. Colton (Fisher Sheehan & Colton, [PA St. 3](#)⁹²), each with accompanying schedules and/or exhibits.⁹³

Rebuttal testimony responding to participants’ direct testimony was filed by PWD, the Public Advocate, and PLUG. PWD submitted [Rebuttal St. 1](#)⁹⁴ (addressed to PA witness Morgan), [Rebuttal St. 2](#)⁹⁵ (addressed to PA witness Mierzwa), [Rebuttal St. 3](#)⁹⁶ (addressed to PA

⁸³ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-general-proceeding/#public-input-written-comments>.

⁸⁴ <https://www.phila.gov/media/20250521090604/2025-GRC-PWD-Responses-to-PI-Hearing-Questions-5.12.25BCD-edits-3.pdf>.

⁸⁵ <https://www.phila.gov/media/20250530164146/2025-RATE-CASE-PWD-MAIN-BRIEF-FINAL-Combined.pdf>.

⁸⁶ Mr. Skiendzielewski submitted three statements, but none of them addressed the proposed rates in this proceeding; they contained information and arguments discussed and rejected by the Rate Board in numerous prior proceedings. [Skiendzielewski St. 1](#) (<https://www.phila.gov/media/20250430144509/Skiendzielewski-Motion-and-Testimony-I-2025.docx>); [Skiendzielewski St. 2](#) (<https://www.phila.gov/media/20250430144509/Skiendzielewski-Motion-and-Testimony-II-2025.docx>) ; [Skiendzielewski St. 3](#) (<https://www.phila.gov/media/20250430144511/Skiendzielewski-Motion-and-Testimony-III-2025.docx>).

⁸⁷ <https://www.phila.gov/media/20250430143209/Lance-Haver-Direct-Testimony-2025.pdf>.

⁸⁸ <https://www.phila.gov/media/20250506160838/Haver-Supplemental-testimony-20250505.pdf>.

⁸⁹ <https://www.phila.gov/media/20250502095803/PLUG-Direct-Testimony-of-Baudino-2025.pdf>.

⁹⁰ <https://www.phila.gov/media/20250502155517/Morgan-Testimony-for-PA-5.1.25.pdf>.

⁹¹ <https://www.phila.gov/media/20250430140902/PA-St-2-Mierzwa-2025.pdf>.

⁹² <https://www.phila.gov/media/20250502104103/Colton-Testimony-on-Behalf-of-PA-2025.pdf>.

⁹³ Mr. Morgan discovered an error in his direct testimony, and filed an [errata](#) containing a corrected Sch. LKM-1. <https://www.phila.gov/media/20250515102110/PA-Modified-Simple-Model-Errata-Schedule-LKM-1-2025.pdf>.

⁹⁴ <https://www.phila.gov/media/20250520143328/PWD-Rebuttal-Statement-1R-Morgan.pdf>.

⁹⁵ <https://www.phila.gov/media/20250515095759/PWD-REBUTTAL-STATEMENT-2R-REBUTTAL-TESTIMONY-TO-PA-ST-2-MIERZWA-MAY-2025.pdf>.

⁹⁶ <https://www.phila.gov/media/20230429143003/PWD-REBUTTAL-STATEMENT-3-COLTON.pdf>.

witness Colton), [Rebuttal St. 4](#)⁹⁷ (addressed to PLUG witness Baudino), [Rebuttal St. 5](#)⁹⁸ (addressed to participant Haver) and [Rebuttal St. 6](#)⁹⁹ (addressed to participant Skiendzielewski). The Public Advocate submitted [PA St. 1-R](#)¹⁰⁰ (addressed to Mr. Baudino), and PLUG submitted [PLUG St. 1-R](#)¹⁰¹ (addressed to PA witnesses Mierzwa and Colton).

After proper [notice and publication](#)¹⁰² as required by Rate Board regulations, on-the-record hearings were held as scheduled on May 20-22, 2025.¹⁰³ All hearings were conducted via Zoom and were open to the public. The first day, May 20, 2025, was employed as a further prehearing conference to address procedural issues, with the remaining days (May 21-22, 2025) devoted to the presentation for cross-examination of witnesses who had submitted written testimony. At the start of the May 21, 2023 technical hearing, the Department and the Advocate announced that they had reached an agreement regarding this proceeding providing for a service revenue increase in FY 2026 of \$60.920 million and a service revenue increase of \$54.000 million in FY 2027, and would be circulating a [term sheet](#)¹⁰⁴ (which was provided on May 23, 2025). Cross-examination of PWD witnesses and PA witnesses Morgan and Mierzwa was conducted by Mr. Haver, and PLUG conducted limited cross-examination on certain PWD rebuttal testimony. The transcripts of each day's hearing are posted on the Rate Board's website. [May 20, 2025](#);¹⁰⁵ [May 21, 2025](#);¹⁰⁶ and [May 22, 2025](#).¹⁰⁷

On May 30, 2025, the Joint Petitioners (signatories PWD and the Public Advocate) filed a (First) [Joint Petition for Partial Settlement](#) and the Public Advocate submitted a [Statement](#)

⁹⁷ <https://www.phila.gov/media/20250515184558/PWD-Statement-4R-Rebuttal-to-Baudino-May-2025.pdf>.

⁹⁸ <https://www.phila.gov/media/20250515095757/PWD-REBUTTAL-STATEMENT-5R-REBUTTAL-TESTIMONY-TO-L-HAVER-2025.pdf>.

⁹⁹ <https://www.phila.gov/media/20250515095758/PWD-REBUTTAL-STATEMENT-6R-REBUTTAL-TESTIMONY-TO-M-SKIENDZIELEWSKI-2025.pdf>.

¹⁰⁰ <https://www.phila.gov/media/20250515101906/PA-St-2R-Mierzwa-Rebuttal-2025.pdf>.

¹⁰¹ <https://www.phila.gov/media/20250515101700/PLUG-Rebuttal-Testimony-of-R.-Baudino-2025.pdf>.

¹⁰² <https://www.phila.gov/media/20250613213442/2025-GRP-WRB-Media-Advertising.pdf>; see also <https://www.phila.gov/media/20250617090815/2025-Rate-Proceeding-Website-Notices.pdf>.

¹⁰³ The hearing planned and noticed for May 23, 2025, was canceled as unnecessary.

¹⁰⁴ <https://www.phila.gov/media/20250529100748/2025-PWD-Settlement-Term-Sheet.pdf>.

¹⁰⁵ <https://www.phila.gov/media/20250529113446/Further-Prehearing-Conference-5.20.25.pdf>.

¹⁰⁶ <https://www.phila.gov/media/20250529113444/Technical-Hearing-Transcript-5.21.25.pdf>.

¹⁰⁷ <https://www.phila.gov/media/20250529113445/Technical-Hearing-Transcript-5.22.25.pdf>.

[in Support](#)¹⁰⁸ and a [Letter in Lieu of a Brief](#).¹⁰⁹ PWD submitted a [Main Brief](#). The [First Settlement Petition](#) set out a brief history of the proceeding, and described the agreement between the signatories. The Department and the Public Advocate requested that I recommend that the Rate Board find the proposed incremental service revenue increases contained in the [First Settlement Petition](#) to be “just and reasonable” and to authorize the Department to file modified rates and charges to become effective on September 1, 2025 (FY 2026), and on September 1, 2026 (FY 2027), consistent with the terms and conditions contained in the [Petition](#). [Mr. Haver](#) and [PLUG](#) filed Objections to the [First Settlement Petition](#).

Also on May 30, PWD submitted a [Main Brief](#)¹¹⁰ on the merits; the Public Advocate submitted a [Letter in Lieu of Brief](#);¹¹¹ addressed to Mr. Haver’s and PLUG’s respective Objections to the [First Settlement Petition](#) and PLUG submitted a [Main Brief](#)¹¹² addressed to the issues contained in Mr. Baudino’s testimony.

PLUG filed a [Reply Brief](#)¹¹³ addressing issues raised in PWD’s [Main Brief](#). The Public Advocate submitted a [Letter in Lieu of a Reply Brief](#),¹¹⁴ addressed to [Mr. Haver](#) and [PLUG](#)’s respective Objections to the First [Joint Petition](#). PWD submitted a [Reply Brief](#),¹¹⁵ that includes (Appendix A) tables showing the rate impact of the settlement revenue increase on the proposed rates of the customer classes.¹¹⁶

¹⁰⁸ <https://www.phila.gov/media/20250530164148/PA-Statement-in-Support-FINAL-2025.pdf>.

¹⁰⁹ https://www.phila.gov/media/20250530164147/PA-Letter-in-Lieu-of-Brief_FINAL-2025.pdf.

¹¹⁰ <https://www.phila.gov/media/20250530164146/2025-RATE-CASE-PWD-MAIN-BRIEF-FINAL-Combined.pdf>.

¹¹¹ https://www.phila.gov/media/20250530164147/PA-Letter-in-Lieu-of-Brief_FINAL-2025.pdf.

¹¹² <https://www.phila.gov/media/20250610092743/PLUG-2025-Rate-Case-Main-Brief.pdf>.

¹¹³ <https://www.phila.gov/media/20250612092032/PLUG-2025-Rates-Reply-Brief.pdf>.

¹¹⁴ <https://www.phila.gov/media/20250612092031/PA-Letter-in-Lieu-of-Reply-Brief-2025.pdf>.

¹¹⁵ <https://www.phila.gov/media/20250612092030/2025-GRP-PWD-Reply-Brief.pdf>.

¹¹⁶ Tables C-4 (comparison of typical bills for residential customers); C-5 (comparison of example bills for non-residential customers); C-10 (proposed rates for general service - water); C-11 (proposed rates for fire protection); C-11a (proposed rates for residential fire protection); C-12 (proposed rates for general service - sanitary sewer) and C-13 (proposed rates for residential and non-residential stormwater service). A revised Table C-10 was included with the [Second Settlement Petition](#).

Subsequently, on June 20, 2025, PWD, the Advocate and PLUG filed a [Second Settlement Petition for Partial Settlement](#), addressed solely to certain issues raised by PLUG.¹¹⁷ Mr. Haver [objected](#)¹¹⁸ to the short time frame for responses and the Rate Board’s failure to post the Second Settlement Petition on its website for public review in advance of the response deadline,¹¹⁹ alleging that the public has therefore been “shut out.”

Pursuant to the Rate Board’s [regulations](#), Section II.B.6(b), the record in this proceeding includes the documents that have been or will be posted at the following sections of the Rate Board’s website at [2025 General Rate Proceeding](#): (1) the [Advance Notice](#) and [Formal Notice](#), including supporting documents and any documents incorporated by reference; (2) [Information Requests](#) (including responses); (3) [Motions and Procedural Orders](#); (4) [Public Input -written comments](#); (5) [Public Input – public hearings](#); (6) [Technical Hearings](#), including transcripts, exhibits and other documents; (7) [Participant Testimony](#), including Errata; (8) [Settlement](#); (9) [Participant Briefs](#); (10) [Board Notices and Public Outreach](#);¹²⁰ (11) this July 1, 2025 Hearing Officer Report; and (12) any timely exceptions to this Report.

III. RATE DETERMINATION STANDARDS

As explained above, the Rate Board was established to determine whether the rates and charges for water, sewer, and storm water service proposed by the Water Department should be accepted, rejected, or modified, after an open and transparent review process. The Rate Ordinance that established the Rate Board contains standards that the Board must consider in making its rate determinations. See, the [Rate Ordinance](#), Phila. Code § 13-101(4), which provides:

(4) Standards for Rates and Charges.

¹¹⁷ [Tables](#) demonstrating the bill impact of the Second Settlement Petition were filed separately, <https://www.phila.gov/media/20250627134954/2025-General-2nd-Joint-Settlement-Tables.pdf>. These included C-4, C-5, C-11, C-11A, C-12, and C-13.

¹¹⁸ <https://www.phila.gov/media/20250623161102/2025-Lance-Haver-objection-email-1.pdf>

¹¹⁹ The [Second Settlement Petition](#) was provided by PWD (on behalf of itself and the other signatories) to me and the participants on late Friday afternoon (June 20, 2025). I established June 23, 2025, as the deadline for any objections. It was posted on the Rate Board’s website ([Settlements](#)) on Monday morning (June 23, 2025).

¹²⁰ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-general-proceeding/#board-notices-and-public-outreach>

(a) Financial Standards. The rates and charges shall yield to the City at least an amount equal to operating expenses and debt service, on all obligations of the City in respect of the water, sewer, storm water systems and, in respect of water, sewer and storm water revenue obligations of the City, such additional amounts as shall be required to comply with any rate covenant and sinking fund reserve requirements approved by ordinance of Council in connection with the authorization or issuance of water, sewer and storm water revenue bonds, and proportionate charges for authorization or issuance of water, sewer and storm water revenue bonds, and proportionate charges for all services performed for the Water Department by all officers, departments, boards or commissions of the City.

(b) The rates and charges shall yield not more than the total appropriation from the Water Fund to the Water Department and to all other departments, boards or commissions, plus a reasonable sum to cover unforeseeable or unusual expenses, reasonably anticipated cost increases or diminutions in expected revenue, less the cost of supplying water to City facilities and fire systems and, in addition, such amounts as, together with additional amounts charged in respect of the City's sewer system, shall be required to comply with any rate covenant and sinking fund reserve requirements approved by ordinance of Council in connection with the authorization or issuance of water and sewer revenue bonds. Such rates and charges may provide for sufficient revenue to stabilize them over a reasonable number of years.

(.1) In fixing rates and charges the Board shall recognize the importance of financial stability to customers and fully consider the Water Department's Financial Stability Plan. In addition, the Board shall determine the extent to which current revenues should fund capital expenditures and minimum levels of reserves to be maintained during the rate period. When determining such levels of current funding of capital expenditures and minimum levels of reserves, the Board shall consider all relevant information presented including, but not limited to, peer utility practices, best management practices and projected impacts on customer rates. ...

(.2) Rates and charges shall be developed in accordance with sound utility rate making practices and consistent with the current industry standards for water, wastewater and storm water rates. Industry standards include the current versions of American Waterworks Association (AWWA) Principles of Rates, Fees and Charges Manual (M-1) and Water Environment Federation's Wastewater Financing & Charges for Wastewater Systems.) ...

(c) The rates and charges shall be equitably apportioned among the various classes of consumers.

(d) The rates and charges shall be just, reasonable and nondiscriminatory as to the same class of consumers.

In addition, the [Rate Ordinance](#) provides for other types of special rates and charges, including those for service provided to charitable institutions, places of worship, public and private schools, public housing and the determination of various sewer charges. See, Phila. Code §§ 13-101(4) – (6).¹²¹

Further, § 13-101(2) of the [Rate Ordinance](#) provides that the Water Department:

. . . shall develop a comprehensive plan (“Financial Stability Plan”) which shall forecast capital and operating costs and expenses and corresponding revenue requirements. It shall identify the strengths and challenges to the Water Department’s overall financial status including the Water Fund’s credit ratings, planned and actual debt service coverage, capital and operating reserves and utility service benchmarks. It shall compare the Water Department to similar agencies in peer cities in the United States. A Financial Stability Plan shall be submitted to Council every four (4) years and updated prior to proposing revisions in rates and charge.¹²²

Reduced to its essentials, this standard requires that rates be set at a level that produces revenue sufficient for the Department to meet its expenses and debt service, including other applicable requirements and covenants. Other factors to be considered include the impact of its rate decisions on customers as well as the Department, industry standards applicable to water, wastewater and storm water rates, recognition of the parameters set forth in the Financial Stability Plan required by City Council and that rates be just, reasonable, nondiscriminatory and equitably apportioned among the various classes of consumers.

As described above, PWD’s rates must also be set at a level that produces sufficient revenue to ensure compliance with the covenants made by the City pursuant to the 1989 General Bond Ordinance. As explained in [PWD St. 2A](#), Sch. FP- 5 at 3-4:

In the 1989 General Bond Ordinance, the City covenanted with the bondholders that it will impose, charge and collect rates and charges in each fiscal year sufficient to produce annual net revenues which are at least 1.20 times the debt service requirements, excluding the amounts required for subordinated bonds (as defined in the 1989 General Bond Ordinance). In addition, the City’s covenants to

¹²¹ The full text of the relevant ordinances and regulations are posted on the Rate Board’s website, at the section entitled “Regulations & Relevant Legal Authority.” [About | Water, Sewer & Storm Water Rate Board | City of Philadelphia](#) (<https://www.phila.gov/departments/water-sewer-storm-water-rate-board/about/>)

¹²² The updated Financial Plan is included with [PWD St. 2A](#), Schedule FP-1.

its bondholders require that net revenues in each fiscal year must be equal to 1.00 times (A) annual debt service requirements for such fiscal year, including the amounts required for subordinated bonds, (B) annual amounts required to be deposited in the debt reserve account, (C) the annual principal or redemption price of interest on General Obligation Bonds payable, (D) the annual debt service requirements on interim debt, and (E) the annual amount of the deposit to the Capital Account (less amounts transferred from the Residual Fund to the Capital Account).

Further, pursuant to the 1989 General Bond Ordinance, the City will, at a minimum, impose, charge and collect in each fiscal year such water and wastewater rents, rates, fees and charges and shall yield Net Revenues (defined for purposes of this covenant particularly, calculated to exclude any amounts transferred from the Rate Stabilization Fund to the Revenue Fund in, or as of the end of, such fiscal year) which will be equal to at least 0.90 times Debt Service Requirements for such fiscal year (excluding principal and interest payments in respect of Subordinated Bonds and transfers from the Rate Stabilization Fund). In this testimony, the above covenants are referred to collectively as the “Rate Covenants.”

In the [2018 Rate Determination](#), the Rate Board set forth targets for several financial metrics to be considered by the Department in its future operations and by the Board in its future rate decisions. These targets included a 1.3x senior debt service coverage ratio; a \$150 million combined reserve balance in the Department’s Rate Stabilization Fund (RSF, \$135 million) and Residual Fund (\$15 million); and 20% cash financing for capital expenditures. The reasons for setting such targets included the need to support the credit ratings for the Department's bonds as higher credit ratings make it easier and less expensive to borrow money, providing interest savings for all customers for many years to come. The Board noted in its Order that those financial targets “are not mandated requirements and should not be considered to be either strict ceilings or floors.” [2018 Rate Determination](#) at 23.

During the [2022 Special Rate Proceeding](#),¹²³ the Rate Board revisited certain financial metrics from previous determinations. This limited proceeding focused on assessing whether the incremental rates and charges for water, sewer, and stormwater services, which had been approved to take effect on September 1, 2022 (FY 2023), warranted downward adjustments due to the Department's improved financial performance in FY 2021. Specifically, the Rate Board

¹²³ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2022-special-rate-proceeding/>.

evaluated whether the unexpectedly high Rate Stabilization Fund (RSF) balance as of June 30, 2021, justified reducing the previously approved revenue increase for FY 2023.¹²⁴ Ultimately, the Rate Board authorized a \$3 million reduction to the incremental increase for FY 2023 base rates, but emphasized that using a lower RSF balance threshold for this specific proceeding did not signal a change to the \$135 million RSF target or broader financial goals on an on-going basis.¹²⁵

IV. PUBLIC INPUT

To fulfill the mandate in the [Rate Ordinance](#), that an “open and transparent process for public input and comment on proposed water rates and charges” be used, the ordinance requires that “prior to fixing and regulating rates, the Board shall hold public hearings.” [Phila. Code](#) §§ 13-101(3)(e) and (f). To accomplish that, the [Rate Board’s regulations](#) at Section II.B.(a)-(h) describe the number and timing of such hearings, how they are to be conducted and the use of the information, comments and suggestions received:

4. Public Hearings.

(a) The Board, or a designated member or Hearing Officer on its behalf, shall hold public hearings for the following purposes: (1) to ensure an open and transparent Rate Proceeding; (2) to make Departmental personnel available to answer relevant questions about the proposed changes in rates and charges; (3) to permit the Department and any person or entity affected by the proposed rates and charges to provide information to the Board regarding any change in rates or charges as proposed by the Department; and (4) to assist the Board in the collection of information relevant to the Department’s proposed changes in rates and charges.

In this proceeding, four on-the-record public input hearings were conducted, in the afternoons (1:00 p.m.) and evenings (6:00 p.m.) of April 22 and April 23, 2025. In order to provide options for customer participation, both in-person and virtual public input hearings were held. Two hearings (April 22 at 1:00 p.m. and April 23 at 6:00 p.m.) were conducted in-person; two (April 22 at 6:00 p.m. and April 23 at 1:00 p.m.) were conducted virtually via Zoom, with the

¹²⁴ This special rate proceeding resulted from a [Joint Petition for Partial Settlement](#), agreed upon by the Department and the Public Advocate, which was approved without modifications in the June 16, [2021 Rate Determination](#).

¹²⁵ “We are not here making any changes to the previous Board financial targets or the appropriate level of the RSF balance for ratemaking or any other purpose in the future.” [2022 Special Rate Determination](#), <https://www.phila.gov/media/20220622164351/2022-Special-Rate-determination-06-15.pdf>, at 16.

option to participate via internet or telephonically. Outreach and notice were provided to ensure that the public was aware of the rate proposal and the scheduled hearings. Notices and guidelines about participation were posted on the various websites (Rate Board, PWD and CLS/Public Advocate), social media, a flyer in both English and Spanish, newspaper notices, blast emails to various groups of customers and interested parties such as community energy agencies and offices of elected officials. In addition, PWD representatives (including Commissioner Hayman) met with City Council members. See, [Rate Board Media Advertising](#); [Rate Board Website Notices](#); [Public Advocate Outreach Report](#); [PWD Hearing Exh. 1](#) (Outreach Report); [PWD Transcript Request TR-6](#). The stenographic records of these public input hearings are posted on the Rate Board's website, at the [Public Input - Public Hearing](#) table of the [2025 General Rate Proceeding](#).¹²⁶ Attached to [PWD's Main Brief](#) as Appendix B is a summary of the testimony given at each session and PWD responses.

At these public input hearings, the Department, the Public Advocate and pro se participant Haver made brief presentations. Every attempt was made to answer questions that were raised, either right then by PWD or the Public Advocate, or by a later response from PWD.¹²⁷ Also, customers with specific affordability, billing or service concerns were provided with contact information so that the Department or the Public Advocate could assist them directly and privately.

Each public hearing lasted from approximately one to two hours, during which customers shared their views on the proposed rate increase or asked questions. Additionally, many attendees joined the hearings without offering comments. Concerns raised included: the affordability of water services, suggestions for cost-saving measures, calls for improved collection efforts, exploration of alternative funding sources, and discussions of stormwater management charges.

While some customers acknowledged the Water Department's increasing expenses, there were concerns about affordability, especially for customers who do not qualify for the senior

¹²⁶ <https://www.phila.gov/departments/water-sewer-storm-water-rate-board/rate-proceedings/2025-general-proceeding/#public-input-public-hearings>.

¹²⁷ PWD submitted a written response to questions that were raised by customers. [PWD Responses to Public Input Hearing Questions](#), <https://www.phila.gov/media/20250521090604/2025-GRC-PWD-Responses-to-PI-Hearing-Questions-5.12.25BCD-edits-3.pdf>.

discount or the TAP program but still struggle to pay for water service. MacAllister Gartner, a member of the Eastern Service Workers Association (ESWA), stated, “We must meet certain criteria to receive assistance, sometimes making us ineligible because we do not meet the income guidelines.” [April 23, 2025, 6:00 p.m.](#), Tr. 48. This sentiment was echoed by other ESWA members who attended the same session including Judith Sussholtz (Tr. 30-35), Jillian Tadrzynski (Tr. 37-44), Antonia Batts (Tr. 52-56) and Thomas Skoken (Tr. 57-62).

Relevant and compelling testimony of the impact of higher rates on lower-income workers was given by several members of the Workers Benefits Council (WBC). On behalf of the WBC, Lisa Spera requested that, in order “to ensure the availability and sustainable management of water,” that rates not be raised, that service shutoffs be prohibited and rates capped as a percentage of income for those earning at or under 300% of the federal poverty level as well as those who earn above that level who have suffered financial hardship, in addition to other forms of debt relief. [April 23, 2025, 6:00 p.m.](#), Tr. 28-29.

In addition to the public hearings, the Rate Board received written comments from concerned customers regarding the proposed rate increase, all of which are made part of the record and posted on the Rate Board’s website at the 2025 General Rate Proceeding, [Public Input – Written Comments](#) section. All of the comments were thoughtful and helpful and some offered constructive suggestions. For example, [Jeremy Hancher](#)¹²⁸ suggested that a fixture replacement/rebate program be implemented to assist ratepayers in reducing their demand, thereby decreasing the need for future rate relief while also promoting conservation and sustainability goals. [John Chin](#),¹²⁹ the Executive Director of the Philadelphia Chinatown Development Corporation, expressed opposition to the proposed rate increase. His concerns included the economic hardships faced by many residents, insufficient transparency regarding the use of funds from previous increases and the implementation of cost-saving measures, the importance of enhancing outreach and enrollment for assistance programs, prioritizing the pursuit of state and federal funding before shifting financial burdens to residents, and addressing environmental equity

¹²⁸ <https://www.phila.gov/media/20250424092842/J-Hancher.pdf>.

¹²⁹ <https://www.phila.gov/media/20250516140344/Philadelphia-Chinatown-Development-Corp.pdf>.

issues. City Councilmember Katherine Gilmore Richardson, by [letter dated May 27, 2025](#),¹³⁰ asked the Rate Board to consider the impact of higher water and sewer rates on customers, who are facing affordability challenges, and requested that the Rate Board “reject the proposed increases and work through the process to find a more sustainable rate for the coming period.” The organization HELP: MLP¹³¹ in its [comment](#)¹³² pointed out that many of their clients rent their homes, and that any water rate increases will disproportionately and inevitably harm renters who are “unable to enjoy the benefits of the TAP program because their landlord refuses to allow them to enroll or they are not complying with rental licensing requirements.”¹³³

I must thank the customers, organizations and public officials who were able to take the time to attend one of the public hearings or who sent a comment. This information was thoughtful, helpful, sincere and compelling and serves to remind us all that the Rate Board’s rate determinations are not made in a vacuum. The decision about the rates and charges for water service, an essential utility, has a direct impact on the lives of the Department’s customers. I know that I was very affected by these testimonies and have considered them in making my recommendations concerning the Water Department’s proposed rates and charges.

V. NECESSITY FOR RATE RELIEF

As set out in its testimony ([Sts. 2A, 7](#)), PWD asserted that the revenue produced by the existing rates will not be sufficient during the prospective rate period, FYs 2026 and 2027, for it to perform its “primary mission” as set out by Water Commissioner Hayman in his direct testimony, [PWD St. 1](#) ([PWD St. 1 revised](#)) at 2-3: “(i) to plan for, operate, and maintain both the infrastructure and organization necessary to purvey high quality drinking water; (ii) to provide an adequate and reliable water supply to meet all household, commercial and community needs; and,

¹³⁰ <https://www.phila.gov/media/20250527120307/Katherine-Gilmore-Richardson.pdf>.

¹³¹ Health, Education, and Legal Assistance Project: A Medical Legal Partnership, partners with maternal and child health home visiting programs in southeastern Pennsylvania to support families with their civil legal needs.

¹³² <https://www.phila.gov/media/20250606163713/HELP-MLP-Water-Rate-Increase-Comments-5-30-25.pdf>.

¹³³ This appears to be a serious issue, and I thank HLP-MLP for raising it. I strongly recommend that the Water Department, Water Revenue Board and the Public Advocate address it in their post-proceeding discussions.

(iii) to sustain and enhance the region’s watersheds and quality of life by managing wastewater and stormwater effectively.” In [PWD St. 2A](#) 5-6, the Financial Panel stated that:

Current rates are insufficient to pay day-to-day operating expenses, debt service and support the Department’s capital program for the Study Period, FY 2025-2030. Importantly, current rates will be insufficient to meet the Department’s mandatory covenants with investors (e.g., debt service coverage) during the Rate Period.

Additional revenues are needed in FY 2026 and FY 2027 to (i) offset the underperformance in operating revenues; (ii) pay for the operating and maintenance needs of the Department; (iii) support its ongoing capital improvement program (“CIP”); and (iv) improve the Department’s financial reserves and metrics.

The approval of the requested rate increases will ensure funding for safety and reliability. of the system. The requested rate relief is also essential to make progress in meeting the enumerated financial goals and metrics as well as remain in compliance with all rate covenant requirements (including the 90% Test and debt service coverage in FY 2027) and maintain reasonable liquidity for FY 2026 and FY 2027.

The financial difficulties being experienced in FY 2025 will only get worse in FY 2026 and FY 2027 without rate relief. The demonstrated need for rate relief is shown in Table C-1A in Schedule BV-1, PWD Statement 7, and should be approved to ensure that the Department can meet the objectives of the updated Financial Plan, Schedule FP-1.

The Public Advocate thoroughly scrutinized the Department’s filing, conducted extensive discovery and recommended that the Rate Board make a number of downward adjustments to the revenue requirement requested by PWD. [PA St. 1](#), [Sch. LKM-1](#) (revised). It did, however, recognize that some amount of rate relief is necessary.¹³⁴

¹³⁴ In [PA St. 1, Errata](#) Sch. LKM-1(corrected), the Public Advocate recommended service revenue increases of \$53.216 million (FY 2026) and \$49.384 million (FY 2027) above the amounts projected under existing rates.

In his direct testimony, pro se participant Haver did not address specific financial projections or requirements, but recommended that the Rate Board deny the proposed rate increase entirely, based on based on complaints about alleged lack of diligence and scrutiny by the Public Advocate and Hearing Officer, unspecified costs of counsel and consultants, and what he described as PWD’s failure to adequately control costs or improve operations. He characterized the process of the current general rate proceeding as a “wayang.”¹³⁵

The record produced in this proceeding, however, makes it clear that the revenue produced at the current level of rates and charges is simply inadequate for PWD to continue to provide safe and adequate service to its customers at a reasonable cost, including the ability to finance infrastructure improvements. Certainly, PWD should attempt to reduce expenses (including the costs of borrowing) as much as possible, and to seek alternative funding from sources other than its customers. There was no showing, however, that such measures are available beyond those already included in the filing or would result in savings during the rate period that would obviate the need for any incremental revenues. To deny the requested rate increase entirely would be irresponsible, and possibly a violation of the [Rate Ordinance](#) (and the bond covenants, should PWD fail to sustain the required coverages) if PWD were denied sufficient revenues to meet its FY 2026 and FY 2027 expenses and debt obligations.

VI. JOINT PETITION FOR PARTIAL SETTLEMENT

A. Proposed Partial Settlement Terms and Conditions

The (First) [Joint Petition for Partial Settlement](#) is a “black box” settlement, in which specific adjustments to projected expenses and revenues are not made. This agreement is designed to produce additional water, wastewater, and storm water service revenue of \$60.920 million in FY 2026 reflecting an increase in base rates effective September 1, 2025, and additional service revenue of \$54.00 million for FY 2027 based on an increase in rates effective September 1, 2026. [First Settlement Petition](#), ¶ 12.A; [PWD Main Brief](#), Tables C-1, C-1A, C-1B and C-2.

¹³⁵ According to [Wikipedia](#), wayang “is a traditional form of puppet theatre play originating from the Indonesian island of Java.” <https://en.wikipedia.org/wiki/Wayang>.

Moreover, it includes additional commitments made by PWD and the Water Revenue Bureau (WRB), focusing on cost of service and customer service improvements:¹³⁶

Cost of Service: (§ 12.B.1)

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

- Stormwater rate structure issues (such as but not limited to residential rate structure options, residential stormwater discounts/credits; recovery of SMIP/ GARP¹³⁷ related credits); and

- Rate structure alternatives, generally (including alternatives identified by the Advocate, and PLUG, and other stakeholders).

- The Department agrees that it will reevaluate the phase-in of the AMI-based¹³⁸ peaking factors once more data is available.

Customer Service (§ 12.B.2):

The Department and WRB agreed to:

- Provide quarterly reporting regarding Raise Your Hand (RYH) program.¹³⁹ 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.

¹³⁶ It should be noted that the Rate Board has no jurisdiction over non-rate items, and they are recognized here only for the purpose of discussing the proposed agreement.

¹³⁷ Stormwater Management Incentives Program, Greened Acre Retrofit Program. These are two PWD initiatives that provide financial incentives for stormwater management projects.

¹³⁸ Advanced Metering Infrastructure. This upgrades customer water meters across the city to allow for real-time water usage monitoring, more accurate meter readings, and leak detection alerts.

¹³⁹ The Raise Your Hand program is designed to protect vulnerable residents from water shutoffs. If a senior (65 years or older), a person with a disability or serious illness, or a child (under 18 years old) resides in a household, water service will not be shut off due to unpaid balances.

- Provide quarterly reporting regarding the Utility Emergency Services Fund (UESF) grant program¹⁴⁰ 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 Phila. 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.

- Discuss "Additional Subsidization" in workshop setting with PA and others.¹⁴¹ The timing for such meeting(s) and attendees to be mutually agreed upon between PWD and PA.

- 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. 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.

Finally, the [First Settlement Petition](#) in Section IV contains standard terms and conditions that the agreement is made without prejudice to any position taken by either of the Joint Petitioners in this or future proceedings, that any proposal not specifically addressed in the Joint Petition continues as proposed by the Department, that it is conditioned upon the Rate Board's approval of the agreement without modification, that if the Rate Board fails to grant approval of the Settlement Petition or modifies any material term or condition of the Settlement, any Joint Petitioner may elect to withdraw, in whole or in part, from the Settlement upon written notice to the Rate Board and the other participants within three business days of the entry of the Rate

¹⁴⁰ The Utility Emergency Services Fund (UESF) is a program that helps Philadelphia residents who are struggling to pay their utility bills. It provides financial assistance to low-income individuals and families facing utility shutoffs or service terminations. The program works by offering grants to bring a customer's delinquent account up to date. PWD and PECO match each dollar provided by UESF.

¹⁴¹ In its [Statement in Support](#), at 13-14 the Public Advocate explained that its witness Colton had testified that a deferred rate mechanism could serve as an important means through which PWD could allocate the benefit of "additional subsidization" (principal forgiveness, for example) associated with PennVest state revolving funds for which PWD qualifies. The goal of this effort is to increase access to Federal funding without repayment obligation, pursuant to the Clean Water Act §1383(i)(1)(A)(ii).

Board’s final order, and in that case, the settlement will be of no force and effect and each participant reserves its right to fully litigate the case, and that the settling participants will support the settlement and make reasonable good faith efforts to obtain approval of the settlement by the Rate Board, and that Joint Petitioners reserve the right to file exceptions in the event of (a) any modification or of the terms of the proposed settlement; (b) any additional matter proposed by the Hearing Officer; or (c) to correct errors or misstatements in the Hearing Officer Report.

B. Discussion

1. Revenue Requirement and Proposed Rates

The [First Settlement Petition](#) at Section II, ¶12.A describes the proposed incremental revenue increase. It proposes additional water, wastewater, and stormwater service revenue of \$60.920 million for FY 2026, effective from September 1, 2025, and an additional \$54.000 million for FY 2027, effective from September 1, 2026, as compared to PWD’s original request of \$73.630 million in FY 2026 and \$58.858 million in FY 2027.¹⁴²

With respect to the revenue requirement, this partial settlement agreement is a “black box” agreement between the signatories. This means that the Joint Petitioners did not agree on the specific elements of the revenue requirement calculation. This type of revenue requirement resolution is not unusual and was the basis for the Rate Board’s service revenue determination in the [2021 General Rate Proceeding](#). In its [2021 Rate Determination](#)¹⁴³ at 33-34, the Rate Board quoted with approval the Pennsylvania Public Utility Commission’s finding¹⁴⁴ that such agreements:

. . . can serve an important purpose in reaching consensus in rate cases and encourages their use . . . We have historically permitted

¹⁴² [Table C-4](#) included with PWD’s [Reply Brief](#) in Appendix A, displays the impact on typical bills for residential customers (not receiving the senior discount) of the proposed settlement incremental service revenue requirement (including TAP surcharge revenue). It shows that the current monthly rates for residential customers with a monthly water usage of 430 cubic feet (cf) would increase from the current \$81.77 to \$89.42 on September 1, 2025 (an increase of 9.4%) and to \$94.31 on September 1, 2026 (an incremental increase of 5.5%).

¹⁴³ <https://www.phila.gov/media/20210618105014/2021-General-Rate-Determination-as-filed-with-Records-Dept-20210616.pdf>.

¹⁴⁴ *Pa. Pub. Util. Commission v. Philadelphia Gas Works*, Docket No. R-2020-3017206, Commission Opinion and Order entered November 19, 2020, at 14.

the use of black box’ settlements as a means of promoting settlement among the parties in contentious base rate proceedings. Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company’s revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company’s cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases.

The [First Settlement Petition](#) at ¶ 12.A explained how such an approach facilitates settlements “because it permits parties to retain their position on important ratemaking issues for the proceeding at hand as well as for future proceedings,” and “has no precedential value but serves to preserve each participant’s positions in future cases.” See also, [PWD Main Brief](#) at 32.

The proposed settlement includes incremental base rate revenue of \$60.920 million for FY 2026 (based on rates to go into effect September 1, 2025), and additional incremental base rate revenue of \$54.000 million for FY 2027 (based in rates to go into effect on September 1, 2026). See Public Advocate [Statement in Support](#) at 6-7, presenting a useful comparison of the total incremental base rate service revenue requirements agreed to in the [First Settlement Petition](#) to those presented by the Advocate and PWD in their respective statements and exhibits:¹⁴⁵

PWD Proposal ¹⁴⁶		
	FY 2026	FY 2027
September 1, 2025 Increase	\$73.630 million	\$89.938 million (12 months of revenue at Sept. 1, 2025 rates) ¹⁴⁷
September 1, 2026 Increase		\$58.858 million
TOTAL		\$222.426 million

¹⁴⁵ The [Second Settlement Petition](#) does not modify the overall revenue requirement agreed to by PWD and the Advocate; it is also revenue neutral with respect to the anticipated effect on the bills of residential and small commercial customers (the Small Users) and will not change the anticipated bill impacts shown on [Table C-4, PWD Reply Brief](#), Appendix A. [Second Settlement Petition](#) at 2. The [Second Settlement Petition](#) included as an appendix a revised Table C-10, showing the proposed water rates and charges for the General Service customers.

¹⁴⁶ See [PWD St. 7A](#), Sch. BV-1 (Table C-1A).

¹⁴⁷ See, fn 18, *supra*.

PA Testimony ¹⁴⁸		
	FY 2026	FY 2027
September 1, 2025 Increase	\$53.216 million	\$65.033 million (12 months of revenue at Sept. 1, 2025 rates)
September 1, 2026 Increase		\$49.384 million
TOTAL		\$167.633 million
Joint Petitioners' Proposal		
	FY 2026	FY 2027
September 1, 2025 Increase	\$60.920 million	\$74.446 million (12 months of revenue at Sept. 1, 2025 rates)
September 1, 2026 Increase		\$54.000 million
TOTAL		\$189.366 million

There can be no question that the incremental service revenue increase established in the [First Settlement Petition](#) represents a substantial decrease from the originally requested revenue increase. It is possible that had this proceeding been fully litigated, the Rate Board would have approved an increase in rates and charges to produce at least that amount of incremental revenue, including the possibility of an amount higher than that proposed by the Public Advocate.

The Advocate described the effect of the revenue requirement agreement in its [Statement in Support](#) at 7: “In all, the Joint Petition recommends rate increases designed to produce approximately 85% of the Department’s requested revenue increases. At the same time, the Joint Petition’s recommendation reflects a reduction amounting to \$33.060 million over the two-year rate period, constituting more than 60% of the sum of revenue adjustments identified by the Public Advocate. In other words, the revenue requirements set forth in the Joint Petition reflect a serious and significant compromise between the positions advanced by PWD and the Public Advocate concerning the level of rate increase to be authorized.”

PWD’s [Main Brief](#) has attached as Appendix A several tables showing the impact of the settlement revenue increase for FYs 2026 and 2027. Table C-1 shows the combined system projected revenue and revenue requirements on base rates (including TAP-R surcharge); Table C-1A shows the combined system projected revenue and revenue requirements on base rates

¹⁴⁸ See [PA St. 1, Errata](#) Sch. LKM-1 (May 14, 2025).

(excluding TAP-R surcharge); Table C-1B shows the effect on TAP-R surcharge revenue. Table C-2 shows the projected impact of the settlement rates (combined system, base and TAP-R surcharge) on the Rate Stabilization Fund and the covenant metrics. As shown on Table C-2, the proposed settlement rates are projected to result in satisfaction of the applicable metrics in each of the fiscal years at issue.¹⁴⁹ PWD’s [Reply Brief](#), Appendix A, includes [Table C-4](#), which demonstrates the impact of the settlement revenue requirements on the bills of typical residential customers.¹⁵⁰

As discussed earlier in Section IV, the need for additional revenues for FYs 2026 and 2027 has been established on the record. However, it is important to acknowledge that rate increases, while necessary, can be particularly difficult for customers to manage, especially during challenging times. This concern was emphasized by the customers who provided testimony at public hearings or submitted comments on the initial rate proposal. Affordability remains a significant issue, as highlighted in PWD’s [Main Brief](#) on pages 50-51:

At present, Philadelphia falls below the affordability threshold recommended by industry standards.¹⁵¹ Also, we note that the average water bill, as a percentage of median household income, is at 1.8% which compares favorably with other peer utilities. The foregoing is not to suggest that there is no more to do. It is to state, however, that we are very concerned about affordability and engaged in addressing this issue.

The Department emphasizes that it (in conjunction with WRB) offers a variety of payment assistance programs.¹⁵² For

¹⁴⁹ As addressed above in Section III, the ratemaking standards established by City Council and applicable to this rate proceeding require the Rate Board to establish rates and charges sufficient to fund budgeted operating expense and annual debt service obligations from current revenues and to comply with rate covenants and debt service reserve requirements. [Phila. Code](#) §13-101(4). The incremental revenue anticipated to be produced by the proposed settlement rates must be examined to ensure compliance with this mandate.

¹⁵⁰ Other included Tables are: C-5 (comparison of example bills for non-residential customers); C-10 (proposed rates for general service - water); C-11 (proposed rates for fire protection); C-11a (proposed rates for residential fire protection); C-12 (proposed rates for general service - sanitary sewer) and C-13 (proposed rates for residential and non-residential stormwater service).

¹⁵¹ This statement appears on page 41 of PWD’s Financial Stability Plan, document page 81 of [PWD St. 2A](#), Schedule FP-1. The “Typical Bill Comparison vs Peer Utilities,” compares both rates and “combined bill as percentage of each city’s medium [sic] income” for Cleveland, St. Louis, Philadelphia, Baltimore, Pittsburgh, Boston, and Philadelphia. This evidence is uncontradicted by the record.

¹⁵² PWD’s [Main Brief](#) cited to [PWD St 5](#).

example, PWD, WRB and other City agencies have worked successfully to increase TAP participation to ensure that our most vulnerable customers maintain utility service. The City has also established shut-off constraints to also ensure that many households (with household members who are children, elderly or infirm) are protected from utility service termination. WRB has also established the Raise Your Hand program to protect vulnerable households given concerns as to affordability and other reasons.¹⁵³

The Department described the “. . . safety net to protect our most vulnerable (residential) customers” ([Main Brief](#) at 2-3, citing [PWD St. 5](#)):

These payment plans and protections include: (1) the Tiered Assistance Program (TAP)¹⁵⁴; (2) discounts to eligible groups, including: Senior Citizens, Hospitals, Schools, Charities, Faith-Based Organizations and Philadelphia Housing Authority; (3) payment agreements and other programs, including the Utility Emergency Services Fund (“UESF”) grant program. UESF provides financial assistance to low-income individuals and families who are facing utility terminations or who have had their utilities shut off; (4) the minimum delinquency threshold eligible for shutoff is \$1,000. For the typical customer currently, that is over 11 months of service; and (5) the Raise Your Hand program to protect certain vulnerable households (e.g., those who identify themselves as vulnerable with seniors, young children or infirm members whose service is either subject to shutoff or actually shut off).

The proposed partial settlement recognizes the Department’s need for rate relief but, as noted by the Public Advocate, importantly attempts to mitigate the effect on customers in several ways besides substantially reducing the incremental revenue requirement by providing “customer service enhancements, reporting enhancements, and provides concrete commitments to next steps regarding cost of service and rate design, as well as an exploration of additional capital funding opportunities. The proposed settlement mitigates the overall bill impact of the proposed

¹⁵³ [PWD St. 5](#); [PWD Reb. St. 3R](#).

¹⁵⁴ [PWD St. 5](#). As PWD noted, TAP participants will not be affected by the increase in rates resulting from the proposed joint settlement as their bills are based on a percentage of household income.

rate increase on the average small user customer by reducing revenue requirements in an amount in excess of 60% of the aggregate revenue requirements adjustments identified by the Public Advocate’s witnesses.” Public Advocate [Statement in Support](#) at 4-5.

I therefore recommend that, based on the record adduced in this proceeding, the Rate Board find that the proposed base rate service revenue increases for FYs 2026 and 2027 as set out in revised [Table C-1](#) and [Table C-1A](#) attached to PWD’s [Main Brief](#) are supported by the record, are in compliance with the [Rate Ordinance](#) and other applicable requirements, and direct PWD to prepare and file rates and charges consistent with this Hearing Officer Report.

2. Other Terms¹⁵⁵

In addition, the proposed agreement contains certain commitments agreed to by PWD (and WRB, as appropriate) at Section II.B, including: (1) the commencement of a process to evaluate rate structure and rate design alternatives by January 2026, with a plan to be filed with the Rate Board including target dates for commencement and completion milestones, which in evaluation will include: (a) stormwater rate structure issues (residential rate structure options, residential stormwater discounts/credits, and recovery of credits related to PWD’s Stormwater Management Incentive Program and Greened Acres Retrofit Program; (b) rate structure alternatives generally, including alternatives identified by the Advocate, PLUG and other stakeholders); and (c) re-evaluation of the Department’s proposed phase-in of the AMI- based peaking factors once more data is available; (2) quarterly reporting regarding Raise Your Hand and Utility Emergency Services Fund support; (3) updates to Tiered Assistance Program application materials to align with the definition of monthly income set by the Philadelphia Code, implemented within one year after Rate Board approval of the Settlement Petition; (4) participation in a workshop process to address potential capital funding via state revolving fund (i.e., PennVest) to be used for additional customer subsidization; and (5) conduct a cost-benefit

¹⁵⁵ The non-rate agreements and commitments are extensively described and discussed in the Advocate’s [Statement in Support](#) at 8-15. It should be noted that the Rate Board has no jurisdiction over non-rate items, and they are recognized here only for the purpose of discussing the proposed agreement. See, [2018 Rate Determination](#) at 38, the discussion of the conclusion of the City’s Law Department that “the Rate Board’s rate-setting authority does not include the right to require the Water Department to undertake any particular program, other than implementation of rates and charges.”

analysis of low income conservation assistance provided by PWD. In addition, PWD and the Public Advocate agreed that comments concerning the PWD/WRB joint [regulations](#)¹⁵⁶ concerning Charity Rate Administration are to be addressed through the process pending before the City Department of Records,¹⁵⁷ rather than by the Rate Board.

3. Opposing Participant Position – Lance Haver

In his [Objections](#), Mr. Haver has objected both to the “Process and Terms of the Proposed Settlement.” He alleges that the “proposed settlement violates the Sunshine Act,” that the public has been “shut out of the commenting on the settlement,” that the proposed settlement improperly contains “the promise of additional work for the [Public] Advocate,”¹⁵⁸ that the size of the rate increase is “excessive” in light of the Advocate’s original testimony,¹⁵⁹ that the agreement to utilize a black box settlement is improper and that the [First Settlement Petition](#) should be rejected because it fails to include his suggestions for particular cost-cutting actions he believes should be undertaken.

Mr. Haver’s first argument is that the Sunshine Act has been violated, although he did not cite any specific provisions or reference the Act itself.¹⁶⁰ His argument fails to demonstrate how the Sunshine Act has been violated, as the Rate Board meetings are properly noticed, votes are recorded and public comment periods are provided. Furthermore, the hearing process has been completely open and transparent, as required by the Rate Board’s regulations, with notice and links to each public input hearing and technical hearing contained on the Rate Board’s [website](#) as well

¹⁵⁶ Proposed Regulation 207, <https://www.phila.gov/departments/department-of-records/regulations/207.0-charity-rates-and-charges-program-regulations.pdf>.

¹⁵⁷ The proposed regulation was filed with the [City Department of Records](#) on May 14, 2025 (see <https://www.phila.gov/departments/department-of-records/proposed-regulations/#/>), pursuant to [Section 8-407](#) of the Philadelphia Home Rule Charter, https://codelibrary.amlegal.com/codes/philadelphia/latest/philadelphia_pa/0-0-0-265863. A [hearing](#) has been scheduled for July 21, 2025. <https://www.phila.gov/departments/department-of-records/regulations/hearing-notice.pdf>.

¹⁵⁸ This assertion is an example of his personal hostility toward counsel for the Public Advocate and does not warrant further consideration.

¹⁵⁹ Mr. Haver incorrectly states that the proposed settlement gives PWD 97% of what it requested; actually, the settlement FYs 2026 and 2027 incremental revenue requirement of \$189.366 million represents approximately 85% of the originally requested \$222.426 million.

¹⁶⁰ The Pennsylvania Sunshine Act is codified under Title 65, Chapter 7 of the Pennsylvania Consolidated Statutes, specifically [65 Pa.C.S. §§ 701-716](#). <https://www.legis.state.pa.us/WU01/LI/LI/CT/HTM/65/65.HTM>.

as [media advertising](#). Clearly, these hearings were not “closed to the public” as alleged in the [Objections](#) at unnumbered page 2.

There is no legal or regulatory mandate for an additional round of public input hearings when a settlement has been arrived at after the public has an opportunity to comment on the original filing, especially where, as here, the amount of the proposed incremental revenue increase is less than that originally requested.¹⁶¹ Clearly, the public input hearings worked as intended by providing testimony that contributed to PWD and the Advocate agreeing on a reduced revenue requirement. Nor is it in any way improper or inappropriate that a record cut-off date of May 28, 2025, was established, as there needs to be finality in case any comment needs to be addressed or responded to in some way.¹⁶²

Generally, it has long been established and understood that settlement discussions should be confidential and not discoverable. The purpose is to encourage open and candid negotiations among parties, free from concern that preliminary positions or compromises might later be used against them. This confidentiality encourages resolution without litigation and may serve to protect sensitive financial or strategic information. See, for example, 42 Pa. C.S. § 5949, which shields mediation communications from disclosure in legal proceedings.¹⁶³

Mr. Haver’s second argument, that a “black box” settlement is “improper” because it “prohibits the public from participating in the rate making process” and “den[ies] the public information” ([Objections](#), unnumbered page 3), is misguided. As discussed below, such revenue requirement agreements are a common element of utility rate settlements. They have long been endorsed by the Pennsylvania Public Utility Commission, as well as the Rate Board in PWD’s [2021 General Rate Proceeding](#). As the signatories explained in the [First Settlement Petition](#) at ¶

¹⁶¹ Nor is that the practice of the Pennsylvania Public Utility Commission (PaPUC). See, [52 Pa. Code § 69.405\(d\)](#), which provides that “At least one public input session will be held prior to the date the settlement is filed.”

¹⁶² Despite that, public comments received shortly after May 28, 2025, were in fact accepted and considered. See, e.g., the [comment](#) received from HELP:MLP which is discussed above in Section IV.

¹⁶³ Similarly, the PaPUC “. . . encourage(s) the “negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation.” [52 Pa. Code § 69.391\(a\)](#); see also, [52 Pa. Code §§5.231](#) (“It is the policy of the Commission to encourage settlements.”) and [§ 69.401](#) (“In the Commission’s judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding.”).

12.A: “Petitioners believe that the ‘black box’ concept facilitates settlement agreements because it permits the parties to retain their positions on important ratemaking issues for the proceeding at hand as well as for future proceedings.” And, further at ¶ 13(d): “The terms and conditions of the partial Settlement constitute a carefully negotiated package representing reasonable compromise as to the majority of issues presented in the rate case.”

Additionally, as highlighted in the Public Advocate's [Letter in Lieu of a Reply Brief](#), it is important to note that even in a fully contested rate proceeding, the Rate Board's authority remains confined to determining the revenue requirement that PWD's rates and charges must recover. The Board does not have the jurisdiction to oversee PWD's operations or mandate specific cost reductions or service delivery approaches.

While the Rate Board's jurisdiction is limited to the proposed settlement's revenue requirement to be recovered through rates and charges, it is important to note that the partial settlement includes additional voluntary commitments from PWD, aimed at benefiting the Department's customers. These are concessions that the Rate Board itself could not have mandated had these participants not reached a settlement.

Finally, Mr. Haver asserts that the proposed settlement is not the public interest, because it does not contain steps he recommends be undertaken to control costs, provide “living wage job opportunities” and avoid the necessity of rate increases. He argues that the [First Settlement Petition](#) should be rejected because PWD did not agree to undertake activities he identified.¹⁶⁴ [Objections](#) at unnumbered pages 5-6.

While I agree with Mr. Haver that it is important for PWD to focus on minimizing expenses and maximizing revenue to avoid the necessity of base rate increases, the failure to include his recommendations as part of the agreement do not justify rejecting the [First Partial Settlement](#). First, these are general suggestions only. The associated costs, timelines or potential savings from implementing them have not been identified or established. Even if PWD agreed to

¹⁶⁴ These recommendations (such as management and operational audits, local purchasing, sale of excess capacity, issuance of RFPs) are addressed in detail in PWD's [Main Brief](#) at 37-45.

adopt one or all of these suggestions, there has been no evidence presented to show they would reduce costs or produce sufficient incremental service revenue to further reduce or eliminate the need for revenue relief in FYs 2026 and 2027.

In addition, it is important to recognize that the Rate Board cannot order PWD to undertake any of the suggestions made by Mr. Haver. PWD must voluntarily agree to implement any of these recommendations, as the Rate Board lacks authority to mandate such actions. For example, the Rate Board cannot require PWD to undertake a management audit, issue requests for proposals, or prioritize local purchasing, even had it been established on the record that these initiatives might offer potential benefits to the city and its residents.¹⁶⁵

In establishing the Rate Board under [Section 13-101](#)¹⁶⁶ of the Philadelphia Code, City Council has given the Rate Board no authority beyond its mandate to “fix and regulate rates and charges for supplying water, sewer and storm water service for accounts and properties located in the City of Philadelphia” Phila. Code [§ 13-101](#)(3) and to “approve, modify or reject the [Water Department’s] proposed rates and charges.” Phila. Code [§ 13-101](#)(8). The Rate Board thus does not have oversight authority over the Department, in the way that the Public Utility Commission has over the rates and service of the jurisdictional utilities it regulates. Responsibility for supervising the Department’s budget and operations lies with City Council, which, during its yearly budget hearings can address any of these recommendations should it choose to do so.¹⁶⁷

Nor can the Rate Board penalize the Department by denying a necessary revenue increase. As explained above, the need for some level of rate relief is clear. To disallow the entire revenue request, potentially compromising service to the public and jeopardizing the Department’s

¹⁶⁵ I do urge the Department, however, to be sensitive to explore these or other suggestions as appropriate.

¹⁶⁶ https://codelibrary.amlegal.com/codes/philadelphia/latest/philadelphia_pa/0-0-0-286499.

¹⁶⁷ In fact, as pointed out by PWD in its [Main Brief](#) at 12, both of the Department’s budgets (operating and capital) for FY 2026 were the being reviewed by City Council. The Budget Hearings for the Department were held on April 2, 2025, and City Council passed legislation approving the budget on June 12, 2025, and Mayor Parker signed it into law the next day. <https://phila.legistar.com/LegislationDetail.aspx?ID=7260992&GUID=10B0DB4D-7113-45AC-A44C-A8AA8C886E40&Options=ID|Text|&Search=budget, and before the end of the fiscal yearcapital budget, https://phila.legistar.com/LegislationDetail.aspx?ID=7261013&GUID=97AD52B0-2108-4207-BCB0-B5D4963F8042&Options=ID|Text|&Search=budget>. In addition, a number of Mr. Haver’s suggestions involve activities performed by other City Departments (such as procurement and marketing) or other state entities (such as the Pennsylvania Public Utility Commission (PaPUC, which regulates PGW) that would have to be involved.

credit rating, would be irresponsible and contrary to the [Rate Ordinance](#), Phila. Code § 13-101(4). This Ordinance requires that rates be set at a level that produces revenue sufficient for the Department to meet its expenses and satisfy its debt service and other covenants. There is no legal authority for the Rate Board to set rates and charges that fail to recover reasonably forecasted expenses, simply to compel PWD to undertake certain actions proposed by a participant. Although the Rate Board has the authority to adjust PWD's rate proposals to better reflect more appropriate projections of revenue requirements, it would likely cause long-term harm, as well as violate the [Rate Ordinance](#) if the revenue requirement were set at a level insufficient to enable PWD to meet its financial obligations for FY 2026 and FY 2027.

There is no question that there have been ample opportunities for public notice and input, and that there is a substantial record upon which the [First Settlement Petition](#) can be evaluated to determine whether the Rate Board should accept the proposed rates and charges.

4. Opposing Participant Position – PLUG

The [Second Settlement Petition](#) states at Section II, ¶ 7 that “This Second Partial Settlement does not resolve issues related to the Charity Rates Regulation which PLUG wishes to litigate. All other PLUG issues are addressed in the First Partial Settlement, the Second Partial Settlement, or withdrawn.” It therefore is unnecessary to address PLUG's [Objections](#) to the [First Settlement Petition](#).

5. Non-signatory Participant Position – Skiendzielewski

In his written testimony, Mr. Skiendzielewski expressed concerns regarding “the professionalism, competence, integrity of significant and prominent participants and attorneys in the [Rate Board] hearing process and procedure.” He referenced excavation work at his property in 2016 and his earlier HELP loan. These issues, which he has raised repeatedly in multiple rate proceedings, have consistently been deemed outside the Rate Board's jurisdiction.¹⁶⁸ Most recently, this was reaffirmed in the Rate Board's Rate Determination in [the 2023 General Rate](#)

¹⁶⁸ In testifying at a public hearing, Mr. Skiendzielewski stated that he was speaking about circumstances that he had “shared with the board over and over and over again.” [Transcript](#) for April 23, 2025 (1:00 PM) at 27.

[Proceeding](#) at 58-59. See, [PWD Rebuttal St. 6](#); [PWD Main Brief](#) at 60-61. Devoting additional resources to these matters would not serve the interests of the Department or its customers. Therefore, it is strongly recommended that the Rate Board decline to address any filings or communications from Mr. Skiendzielewski unless they directly pertain to a matter then under the Board's consideration.¹⁶⁹

VII. SECOND SETTLEMENT PETITION FOR PARTIAL SETTLEMENT

The [Second Settlement Petition](#) is limited to the cost of service and rate design issues presented by PLUG, and reserves the issue of the Charity Rates Regulation, including PLUG's suggested tariff modifications. It contains the following terms and conditions, Section II, ¶ 7:

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

This Second Partial Settlement resolves the cost of service and rate design issues presented by PLUG in this proceeding by modifying the 3rd and 4th blocks in the Department's water rate design. The supporting documents as well as the final rates and charges for the Second Partial Settlement are to be provided by PWD consistent with the provisions of Section V hereof. Table C-10 (Water - Proposed Rates for General Service) is provided in Appendix A. Joint Petitioners agree that rates are subject to Participants' review and comment in connection with the future PWD Compliance Filing.

This Second Partial Settlement does not resolve issues related to the Charity Rates Regulation which PLUG wishes to litigate. All other PLUG issues are addressed in the First Partial Settlement, the Second Partial Settlement, or withdrawn.

¹⁶⁹ The Rate Board's [Regulations](#) at II.B.1(b)(4) expressly states that the Hearing Officer has the power and authority to "Make all procedural rulings necessary to conduct a fair, impartial and expeditious hearing process, including the exclusion of irrelevant or redundant testimony or evidence." Clearly, that same power and authority resides in the Rate Board itself.

This Second Partial Settlement does not resolve any issues raised by Mr. Haver or by Mr. Skiendzielewski.

The signatories (PWD, Public Advocate and PLUG) take the position that the Rate Board should find that the [Second Settlement Petition for Partial Settlement](#) is reasonable and in the public interest as its terms and conditions “. . . constitute a carefully negotiated package representing reasonable compromises as to the majority of issues presented in the rate case.” In addition, they point to the avoidance of future judicial proceedings and note that it is revenue-neutral for the Department and the Small User customers as compared to the terms and conditions in the Partial Settlement.” [Second Settlement Petition](#), Section I; Section III(b).

I agree. The [Second Settlement Petition](#) is a reasonable resolution of the issues raised by PLUG. Most importantly, it does not increase the proposed revenue requirement, and ensures that the residential and small user customer rates and charges resulting from the [First Settlement Petition](#) for FYs 2026 and 2027 will remain unchanged.

Mr. Haver objected to the [Second Settlement Petition](#), alleging that the Rate Board and the Public Advocate had “disenfranchise[d] the public.”¹⁷⁰ He did not address the substantive issues contained in the second partial settlement.

The [Second Settlement Petition](#) was provided by PWD (on behalf of itself and the other signatories) to the participants and me on late Friday afternoon (June 20, 2025). I established June 23, 2025, as the deadline for any objections. The document was posted on the Rate Board’s website ([Settlements](#)) on Monday morning (June 23, 2025). Clearly, every participant had an opportunity to review and object to the second settlement agreement, which was limited to issues no other participant had addressed and would not appear to affect the rates of any other participant.

¹⁷⁰ His [Objection](#) in full states” “This is preposterous. It proves the points I have been making: the public is shut out, the well-paid and well-connected get the work, and the ratepayers are being forced to pay for the corrupt acts of those raising rates. In no other proceeding would such actions be legal. Everyone who approves this humiliates themselves and does an injustice to the concepts of due process and the public’s right to participate.” These accusations are wholly without basis in law or fact.

Nor is it correct that the public was “disenfranchised” or prevented from commenting, although given the limited issue addressed in the [Second Settlement Petition](#) public comment would be unlikely. It did not modify the overall revenue requirement agreed to by the signatories or have any impact on the service rates of any customer who does not take service under the 3rd and 4th water rate blocks.¹⁷¹

VIII. CONTESTED ISSUE – PLUG

The [Second Settlement Petition](#) (Section II) expressly states that the sole issue left for resolution¹⁷² concerns the administration of PWD’s Charity Discount program, which was addressed by PWD and the Public Advocate in the [First Settlement Petition](#) at ¶ 12.B.2: “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.” This issue arises from PWD’s intention that administration of this rate discount¹⁷³ available to certain identified groups of “Special Customers” be transferred to the Water Revenue Bureau, which administers PWD’s other customer assistance programs such as TAP. The charity rate provides that seniors, public and private schools, institutions of purely public charity, places used for actual religious worship and the Philadelphia Housing Authority should be afforded a discounted rate for water, sewer and stormwater service if they meet certain criteria. PWD’s [Main Brief](#) at 55-56 stated that “PWD and WRB filed joint Regulations with Department of Records addressing the administration of the charity discount program in order to improve efficiency of the application and approval process for the customer and the City. Simply put, the proposed [Regulations](#)¹⁷⁴ move the charity discount program from the “Rates and Charges” portion of the Department’s Regulations to Chapter 2 (Assistance Programs) of the Department’s Regulations. PWD Statement

¹⁷¹ The modifications to the third and fourth rate block proposed in the second settlement only affect the allocation of revenues among customers who use more than 100,000 cubic feet of water per month. [PWD Rates and Charges, Rule 2.1](#), General Customers. The typical residential customer uses 430 cubic feet per month (PWD Reply Brief, [Table C-4](#)); The typical small business customer uses 550 cubic feet per month (PWD Reply Brief, [Table C-5](#)).

¹⁷² “This Second Partial Settlement does not resolve tissues related to the Charity Rates Regulation which PLUG wishes to litigate. All other PLUG issues are addressed in the First Partial Settlement, the Second Partial Settlement, or withdrawn.”

¹⁷³ See [PWD Rates and Charges](#), Section 5; [PWS St. 5](#) (revised) at 18. Council included “charity water rates and charges” as Section 13-101(4)(e) in the original Rate Ordinance, and amended Paragraph (e) in [2019](#) (<https://files.amlegal.com/pdffiles/Philadelphia/190911.pdf>) and again in [2021](#) (<https://files.amlegal.com/pdffiles/Philadelphia/210500.pdf>).

¹⁷⁴ <https://www.phila.gov/departments/departments-of-records/regulations/207.0-charity-rates-and-charges-program-regulations.pdf>.

5 explained that this would happen. The [filing](#) with the Department of Records took place on May 14, 2025.”

Although PWD’s testimony is that this proposal does not include any substantive changes to the Charity Rate program, this is not quite accurate as pointed out by PLUG witness Baudino. The proposed [Regulation](#) does affect the eligibility for this discount, by providing for a 2-year renewal process, removal from the program for violations and exclusion of certain nonqualifying property. [PLUG St. 1](#) at 18-19; [PLUG Main Brief](#) at 7-9. However, while these proposed amendments may be substantive in nature, they “do not fix or regulate rates and charges. They deal with eligibility for the charity discount program.” [PWD Main Brief](#) at 56. In other words, the changes proposed by PWD to the regulations do not include any changes to the rates and charges for this service and therefore do not fall within the jurisdiction of the Rate Board.

PLUG’s recommendation is that the Rate Board should “. . . reject any portion of the new Rule 204¹⁷⁵ that 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.” PLUG [Main Brief](#) at 8-9; [PLUG St. 1](#) at 18. See also, PLUG [Reply Brief](#) at 3-4; PWD [Reply Brief](#) at 4-5.

After reviewing the testimony and filings from the participants, I recommend that the Rate Board reject PLUG’s position with respect to administration of PWD’s Charity Rate program, and the specific amendments proposed. There is no dispute that the proposed Charity Rate [Regulations](#) do not alter the rates, charges, or the amount of the Charitable Discount provided to Special Customers. The concerns raised by PLUG pertain solely to program administration, particularly the eligibility provisions.¹⁷⁶ PLUG remains free to bring these concerns regarding the regulations and their implementation at the hearing that has been scheduled on the proposed

¹⁷⁵ The rule at issue is actually proposed Regulation 207.

¹⁷⁶ In fact, [PLUG’s Main Brief](#) at 7 identified this issue as “The Board should direct PWD to implement customer protections to ensure reasonable administration of its Charitable Discount program.”

Regulations.¹⁷⁷ In addition, this issue has been specifically included in the [First Settlement Petition](#) as a subject for future discussion among those participants who wish to engage in those discussions. [First Settlement Petition](#) at II.B.2. PLUG’s assertion that the change in administration of this discount program, from the Department to the Water Revenue Bureau, and the necessity for periodic reapplication, and the Water Revenue Bureau’s ability to remove customers from the program under certain circumstances, may affect the cost of service (by changing a customer’s designation and therefore eligibility for the discount) is speculative, and, in any case, insufficient to confer jurisdiction on the Rate Board as neither the rates for service nor the amount of the discount are affected by this particular tariff amendment.

IX. OTHER ISSUES

In its [Main Brief](#) at 54, PWD raised other miscellaneous issues. First, to the extent the Rate Board has jurisdiction, the language changes shown in [PWD Exh. 3](#) that are not otherwise addressed by the partial settlements should be permitted to go into effect, as they appear to be reasonable and were not contested by the active participants. Second, the Department proposed raising miscellaneous fees and charges, as summarized in [Schedule BV-3](#) and as discussed in [PWD St. 7](#) (revised). These proposed fees and charges should be permitted to go into effect, as they appear to be reasonable and (once the issues raised by the Public Advocate were resolved) not contested.

X. CONCLUSION

For the reasons stated above, I recommend:

- (1) That the Rate Board approve without modification the [Joint Petition for Partial Settlement](#) and the [Second Joint Petition for Partial Settlement](#);
- (2) That the Rate Board find that the FYs 2026 and 2027 revenue requirements set out in revised [Tables C-1](#) and [C-1A](#) (PWD’s Main Brief, Appendix A) are supported by the

¹⁷⁷ [Phila Code, § 8-407](#). A [hearing](#) on the [proposed regulation](#) has been scheduled for July 21, 2025. <https://www.phila.gov/departments/departments-of-records/regulations/207.0-charity-rates-and-charges-program-regulations.pdf>.

record, are in compliance with the Rate Ordinance and other applicable requirements, and permit the Philadelphia Water Department to prepare and file rates and charges to be effective September 1, 2025, and September 1, 2026, consistent with the terms and conditions contained in the [Joint Petition for Partial Settlement](#) and the [Second Joint Petition for Partial Settlement](#);

(3) That, to the extent that it has jurisdiction, the Rate Board permit the Philadelphia Water Department to place into effect the uncontested language changes and the uncontested changes to miscellaneous fees and charges set forth in PWD [Exhibit 3B](#)¹⁷⁸ beginning September 1, 2025, and [Exhibit 3D](#)¹⁷⁹ beginning September 1, 2026;

(4) That the Rate Board reject the Philadelphia Large Users Group's proposals addressed to administration of PWD's Charity Rate program; and

(5) That the Rate Board reject any remaining issues, proposals, modifications and/or adjustments that are not contained in the [Joint Petition for Partial Settlement](#) and the [Second Settlement Petition for Partial Settlement](#) except as otherwise directed.

Marlane R. Chestnut
Hearing Officer

July 1, 2025

¹⁷⁸ <https://www.phila.gov/media/20250219102251/PWD-Exhibit-3B-Proposed-Rates-and-Charges-for-FY-2026-Redlined.pdf>.

¹⁷⁹ <https://www.phila.gov/media/20250219102254/PWD-Exhibit-3D-Proposed-Rates-and-Charges-for-FY-2027-Redlined.pdf>.

APPENDIX: TABLES

TABLE C-1: PROJECTED REVENUE AND REVENUE REQUIREMENTS

Base and TAP-R Surcharge Rates
(in thousands of dollars)

Line		Fiscal Year Ending June 30,					
No.	Description	2025	2026	2027	2028	2029	2030
OPERATING REVENUE							
1	Water Service - Existing Rates	372,118	380,862	378,850	375,484	373,600	371,932
2	Wastewater Service - Existing Rates	545,992	560,132	559,080	556,063	542,627	540,713
3	Total Service Revenue - Existing Rates	918,109	940,994	937,930	931,547	916,227	912,645
	Additional Service Revenue Required						
	Year	Percent Increase	Months Effective				
4	FY 2026	8.53%	10	65,435	79,863	78,105	77,824
5	FY 2027	6.51%	10	54,000	65,807	64,695	64,445
6	FY 2028	9.11%	10		79,975	96,472	96,099
7	FY 2029	8.37%	10			78,798	96,314
8	FY 2030	7.83%	10				79,590
9	Total Additional Service Revenue Required	-	65,435	133,862	225,137	318,070	414,272
10	Total Water & Wastewater Service Revenue	918,109	1,006,429	1,071,793	1,156,684	1,234,297	1,326,917
	Other Income (a)						
11	Other Operating Revenue	(6,719)	(4,810)	(14,563)	(14,654)	(14,702)	(14,749)
11a	Settlement Adjustment	-	12,650	20,262	-	-	-
12	Debt Reserve Account Interest Income	82	394	930	1,993	3,406	4,719
13	Operating Fund Interest Income	3,650	3,925	4,042	4,132	4,242	4,376
14	Rate Stabilization Interest Income	2,619	2,659	2,772	2,870	2,987	3,105
15	Total Revenues	917,741	1,021,247	1,085,236	1,151,025	1,230,230	1,324,367
OPERATING EXPENSES							
16	Total Operating Expenses	(638,475)	(678,707)	(713,789)	(739,978)	(767,409)	(795,504)
NET REVENUES							
17	Transfer From/(To) Rate Stabilization Fund	10,971	(14,510)	(4,083)	(5,032)	(5,515)	(4,727)
18	NET REVENUES AFTER OPERATIONS	290,237	328,031	367,364	406,015	457,305	524,137
DEBT SERVICE							
	Senior Debt Service						
	Revenue Bonds						
19	Outstanding Bonds	(220,303)	(231,843)	(231,844)	(218,499)	(209,623)	(210,974)
20	PENNVEST Loans	(16,412)	(24,506)	(31,321)	(36,294)	(39,100)	(40,437)
21	Projected Future Bonds	(0)	-	(16,667)	(54,771)	(100,294)	(149,015)
22	Commercial Paper	(1,349)	(1,349)	(1,349)	(1,349)	(1,349)	(1,349)
23	WIFIA	(356)	(593)	(1,407)	(1,407)	(1,407)	(1,407)
24	Total Senior Debt Service	(238,420)	(258,292)	(282,588)	(312,319)	(351,773)	(403,182)
25	TOTAL SENIOR DEBT SERVICE COVERAGE (L18/L24)	1.21 x	1.27 x	1.30 x	1.30 x	1.30 x	1.30 x
26	Subordinate Debt Service	-	-	-	-	-	-
27	Transfer to Escrow	-	-	-	-	-	-
28	Total Debt Service on Bonds	(238,420)	(258,292)	(282,588)	(312,319)	(351,773)	(403,182)
29	CAPITAL ACCOUNT DEPOSIT	(34,362)	(36,290)	(38,326)	(40,477)	(42,749)	(45,147)
30	TOTAL COVERAGE (L18/(L24+L26+L29))	1.06 x	1.11 x	1.14 x	1.15 x	1.15 x	1.16 x
31	End of Year Revenue Fund Balance	17,455	33,449	46,450	53,219	62,783	75,807
RESIDUAL FUND							
32	Beginning of Year Balance	30,847	15,018	15,071	15,023	15,075	15,064
33	Interest Income	454	298	317	406	412	418
	Plus:						
34	End of Year Revenue Fund Balance	17,455	33,449	46,450	53,219	62,783	75,807
35	Deposit for Transfer to City General Fund (b)	4,994	4,994	4,994	4,994	4,994	4,994
	Less:						
36	Transfer to Construction Fund	(29,300)	(25,600)	(40,000)	(48,600)	(60,400)	(74,900)
37	Transfer to City General Fund	(4,994)	(4,994)	(4,994)	(4,994)	(4,994)	(4,994)
38	Transfer to Debt Reserve Account	(4,438)	(8,094)	(6,815)	(4,973)	(2,806)	(1,337)
39	End of Year Balance	15,018	15,071	15,023	15,075	15,064	15,053
RATE STABILIZATION FUND							
40	Beginning of Year Balance (c)	132,438	121,467	135,977	140,061	145,092	150,608
41	Deposit From/(To) Revenue Fund	(10,971)	14,510	4,083	5,032	5,515	4,727
42	End of Year Balance	121,467	135,977	140,061	145,092	150,608	155,334

(a) Includes other operating and nonoperating income, including interest income on funds and accounts transferable to the Revenue Fund and reflects projected contra revenue credits for Affordability Program Discounts (TAP Costs).

(b) Transfer of interest earnings from the Debt Reserve Account to the Residual Fund as shown in Line 35 to satisfy the requirements for the transfer to the City General Fund shown on Line 37.

(c) FY 2025 beginning balance is estimated based on preliminary FY 2024 results.

TABLE C-1A: PROJECTED REVENUE AND REVENUE REQUIREMENTS

Base Rates Excluding TAP-R

Line	Fiscal Year Ending June 30,						
No	Description	2025	2026	2027	2028	2029	2030
OPERATING REVENUE							
1	Water Service - Existing Rates	360,384	365,313	362,873	359,609	357,815	356,225
2	Wastewater Service - Existing Rates	529,333	538,149	536,504	533,635	520,326	518,523
3	Total Service Revenue - Existing Rates	889,717	903,462	899,377	893,245	878,141	874,748
	Additional Service Revenue Required						
	Percent	Months					
	Year	Increase	Effective				
4	FY 2026	8.28%	10	60,920	74,446	72,688	72,407
5	FY 2027	6.80%	10	54,000	65,807	64,695	64,445
6	FY 2028	9.50%	10		79,975	96,472	96,099
7	FY 2029	8.69%	10			78,798	96,314
8	FY 2030	8.11%	10				79,590
9	Total Additional Service Revenue Required	-	60,920	128,446	219,720	312,653	408,855
10	Total Water & Wastewater Service Revenue	889,717	964,383	1,027,822	1,112,965	1,190,794	1,283,603
	Other Income (a)						
11	Other Operating Revenue	29,644	29,726	29,624	29,533	29,486	29,438
11a	Settlement Adjustment		12,650	20,262			
12	Debt Reserve Account Interest Income	82	394	930	1,993	3,406	4,719
13	Operating Fund Interest Income	3,650	3,925	4,042	4,132	4,242	4,376
14	Rate Stabilization Interest Income	2,619	2,659	2,772	2,870	2,987	3,105
15	Total Revenues	925,711	1,013,737	1,085,453	1,151,493	1,230,914	1,325,240
OPERATING EXPENSES							
16	Total Operating Expenses	(638,475)	(678,707)	(713,789)	(739,978)	(767,409)	(795,504)
NET REVENUES							
17	Transfer From/(To) Rate Stabilization Fund	3,000	(7,000)	(4,300)	(5,500)	(6,200)	(5,600)
18	NET REVENUES AFTER OPERATIONS	290,237	328,031	367,364	406,015	457,305	524,137
DEBT SERVICE							
	Senior Debt Service						
	Revenue Bonds						
19	Outstanding Bonds	(220,303)	(231,843)	(231,844)	(218,499)	(209,623)	(210,974)
20	PENNVEST Loans	(16,412)	(24,506)	(31,321)	(36,294)	(39,100)	(40,437)
21	Projected Future Bonds	(0)	-	(16,667)	(54,771)	(100,294)	(149,015)
22	Commercial Paper	(1,349)	(1,349)	(1,349)	(1,349)	(1,349)	(1,349)
23	WIFIA	(356)	(593)	(1,407)	(1,407)	(1,407)	(1,407)
24	Total Senior Debt Service	(238,420)	(258,292)	(282,588)	(312,319)	(351,773)	(403,182)
25	TOTAL SENIOR DEBT SERVICE COVERAGE (L18/L24)	1.21 x	1.27 x	1.30 x	1.30 x	1.30 x	1.30 x
26	Subordinate Debt Service	-	-	-	-	-	-
27	Transfer to Escrow	-	-	-	-	-	-
28	Total Debt Service on Bonds	(238,420)	(258,292)	(282,588)	(312,319)	(351,773)	(403,182)
29	CAPITAL ACCOUNT DEPOSIT	(34,362)	(36,290)	(38,326)	(40,477)	(42,749)	(45,147)
30	TOTAL COVERAGE (L18/(L24+L26+L29))	1.06 x	1.11 x	1.14 x	1.15 x	1.15 x	1.16 x
31	End of Year Revenue Fund Balance	17,455	33,449	46,450	53,219	62,783	75,807