

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

In the Matter of the Philadelphia Water Department's Proposed Change in Water, Wastewater and Stormwater Rates and Related Charges	Fiscal Years 2019-2021
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**Philadelphia Water Department's Interrogatories and Requests for  
Production of Documents Directed to the Public Advocate  
(Set III)**

**PWD-III-1.** With respect to the testimony of Lafayette Morgan (PA Statement 1) please provide the workpapers and model supporting his testimony and exhibits.

**Response:**

Please find attached an Excel workbook prepared by Lafayette Morgan, the content of which is discussed in PA Statement No. 1 and/or shown on Schedules LKM-1 and LKM-2. The numbers shown in these spreadsheets were manually entered for the purposes of producing Schedules LKM-1 and LKM-2. There are no other workpapers.

Mr. Morgan did not create a model for purposes of calculating the adjustments described in his testimony and/or shown on his exhibits. The adjustments were calculated utilizing one Excel workbook provided as part of the Black & Veatch Cost of Service Model (B&V Model). The B&V Model was supplied in response to PA-ADV-2 and is subject to the terms and conditions of the Confidentiality and Non-Disclosure Agreement executed as of January 23, 2018 ("Confidentiality Agreement"). The B&V Model is in PWD possession and Mr. Morgan has signed a Non-Disclosure Certificate acknowledging that he is bound by the terms of the Confidentiality Agreement. Mr. Morgan is prohibited by the express terms of the Confidentiality Agreement from providing the B&V Model in response to discovery. See Confidentiality Agreement, ¶5 ("Confidential Material obtained from PWD shall not be disclosed to any person....")

Mr. Morgan's use of the B&V Model is governed by the First Appendix to the Confidentiality Agreement, which includes the following:

The requested Cost of Service Model is provided subject to the requirements of the Hearing Officer, the Rate Board the terms and conditions of this Agreement. The Cost of Service Model is proprietary in nature (i.e., it is technology possessed and/or developed by Black & Veatch) and is provided to Participants in the Rate Proceeding that agree to the terms and conditions of this Agreement, as evidenced by such Participant(s) executing a Non-Disclosure Certificate (attached above). In addition to the requirements of the Hearing Officer, the Rate Board and the terms and conditions of this Agreement, and except as required to utilize the Cost of Service Model as

authorized hereby, the Recipient will not sublicense, copy, decompile, modify or reverse engineer the Cost of Service Model, or any portion thereof.

Participants in the Rate Proceeding are authorized under this Confidentiality and Non-Disclosure Agreement to utilize the Cost of Service Model in connection with their analysis, preparation and/or presentation of testimony, exhibits or other materials for their use in the Rate Proceeding; and the use, or product of the use of the Cost of Service Model, within this Rate Proceeding for the purposes stated above, shall not be confidential or restricted by this Confidentiality and Non-Disclosure Agreement.

Mr. Morgan's testimony describes his nonconfidential use of the B&V Model, and Schedules LKM-1 and LKM-2 constitute the nonconfidential product of the use of the B&V Model. The portion of the confidential B&V Model which Mr. Morgan utilized to calculate certain adjustments will be forwarded to PWD's counsel via separate electronic mail in order to ensure continued compliance with the Confidentiality Agreement. To the extent adjustments proposed in Mr. Morgan's testimony are not reflected in the B&V Model, they are described in Mr. Morgan's testimony.

RESPONSE PROVIDED BY: Lafayette Morgan, Robert Ballenger

**PWD-III-2.** With respect to Jerome Mierzwa's testimony (PA Statement 2 at page 15), please explain how the system maximum hour demand is utilized to develop the customer class extra capacity factors, as presented in Schedule JDM-1.

**RESPONSE:**

Only maximum hour demands are used to develop the class extra-capacity factors presented in Schedule JDM-1. The reference to maximum hour demands in PA Statement 2 should be deleted.

RESPONSE PROVIDED BY: Jerry Mierzwa

**PWD-III-3.** With respect to Roger Colton's testimony (PA Statement 3 at pages 97-106), please provide sources and references for each of the following charts: (i) Chart 1 – Household Income by Housing Type; (ii) Chart 2 – Percentage of PWD Customers by Housing Values by Annual Income; (iii) Chart 3 – Percentage of Homeowners and Tenants by HH Income; and Chart 4 – Percentage of PWD Notices of Disconnection for Nonpayment Not Resulting in DNPs.

**RESPONSE:**

- (i) The spreadsheet underlying Chart 1 is attached.
- (ii) The spreadsheet underlying Chart 2 is attached.
- (iii) The spreadsheet underlying Chart 3 is attached.
- (iv) The spreadsheet underlying Chart 4 is attached.

RESPONSE PROVIDED BY: Roger Colton

**PWD-III-4.** With respect to Roger Colton's testimony (PA Statement 3 at page 114), please provide the calculation and source documentation used to develop and derive the "Embedded Lost Revenue Adjustment of 13.1%" as described in Schedule RDC-3.

**RESPONSE:**

Mr. Colton explains in his Direct Testimony that the 13.1% “is the average of the low-income uncollectable rates for PECO and PGW (the other two utilities serving the City of Philadelphia). PGW reports that the gross write-off ratio for its confirmed low-income customers is 21.0%. PECO (electric) reports that the gross write-off ratio for its confirmed low-income customers is 5.1%.” (Colton Direct, page 62). The calculation is as follows:  $(0.21 + 0.051) / 2 = 0.1305$ .

As indicated in Schedule RDC-4, the bad debt rates for PGW and PECO (electric) are reported to the Pennsylvania Public Utility Commission’s Bureau of Consumer Services (“BCS”) and published in the annual BCS report on Universal Service Programs and Collections Performance. The data is for 2016, the most recent year for which data is available. The 2016 BCS report is attached. The data on bad debt for PGW and PECO (electric) can be found at page 39 of this BCS report. The data found at page 39 is also presented in Schedule RDC-4 attached to Mr. Colton’s Direct Testimony.

RESPONSE PROVIDED BY: Roger Colton