

RESPONSE TO
PUBLIC ADVOCATE'S INTERROGATORIES
AND
REQUESTS FOR PRODUCTION OF DOCUMENTS
QUESTIONS 1-21

Dated: March 2025

1 **PA-IV-1.** ON PAGE 2 OF MR. HAYMAN’S TESTIMONY, HE STATES THAT PWD
2 PROVIDES WATER AND WASTEWATER SERVICES IN CERTAIN
3 SUBURBAN MUNICIPALITIES AND MUNICIPAL AUTHORITIES
4 PURSUANT TO WHOLESALE SERVICES CONTRACTS. PLEASE
5 IDENTIFY THESE WHOLESALE CUSTOMERS AND PROVIDE THE
6 ANNUAL CONSUMPTION FOR FY 2022 THROUGH FY 2024.

7
8 **RESPONSE:**

9 Mr. Hayman’s testimony at page 2 refers to the wholesale customers identified in the table
10 below. Historical background data on wholesale customer billed volumes are provided on
11 Customer-9 Page 125 of Exhibit 6 for Aqua and Customer-19 on Pages 143 to 149 of Exhibit
12 6 for wholesale wastewater billed volume. The same information is provided in the
13 electronic versions of the model and further summarized below.

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15 Wholesale Customer Volume (MCF)	FY 2022	FY 2023	FY 2024
16 Aqua PA Water	84,249	71,955	53,752
17 Abington Sewer	90,821	105,127	123,322
18 Bensalem Sewer	146,385	136,509	146,359
19 Bucks County Sewer	907,047	797,464	977,619
20 Cheltenham Sewer	369,830	364,585	403,098
21 Lower Moreland Sewer	64,724	61,110	78,643
22 Lower Southampton Sewer	265,335	232,688	296,105
23 DELCORA Sewer	1,007,810	997,285	1,184,162
24 Lower Merion Sewer	289,764	269,977	294,529
25 Springfield (less Wyndmoor) Sewer	112,117	123,250	144,027
26 Upper Darby Sewer	424,340	421,290	470,541
27 Springfield (Wyndmoor) Sewer	17,047	17,549	18,571

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1 Please also see response to PA-III-1 for additional information regarding wholesale
2 customers.

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4 **RESPONSE PROVIDED BY:** Philadelphia Water Department and Black & Veatch Management
5 Consulting, LLC.

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1 **PA-IV-2.** ON PAGE 3 OF MR. HAYMAN’S TESTIMONY (PWD STATEMENT 1), HE
2 STATES: “[T]HE DEPARTMENT IS WORKING TO EXPAND ASSISTANCE
3 OPTIONS AND TO TAKE ADVANTAGE OF ALL STATE AND FEDERAL
4 FUNDING, AS EXPLAINED BY THE RATE FILING AND TESTIMONY.”

5
6 A. PLEASE EXPLAIN SPECIFICALLY WHAT ASSISTANCE OPTIONS AND
7 WHAT STATE AND FEDERAL FUNDING ARE BEING PURSUED.

8
9 B. IF THE DEPARTMENT RECEIVES ANY OF THE ASSISTANCE OR
10 FUNDING AS DISCUSSED BY MR. HAYMAN, IN WHAT FORM WILL
11 THEY BE OFFERED TO CUSTOMERS?

12 **RESPONSE:**

13 Please see Section 7 of the Quarterly Reports filed with the Philadelphia Water, Sewer and
14 Storm Water Rate Board (“Rate Board”). The table presented in Section 7 identifies the
15 assistance program and amount of funding support received. The Water Department
16 continues to pursue various state and federal funding opportunities.

17
18 In addition, please see Section 9 of the above referenced Quarterly Reports. PWD is
19 evaluating future PENNVEST loan opportunities and will continue to pursue low-interest
20 financing options and grants (where available) to support the CIP.

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22 Please also Statement 2A Schedule FP-1 page FSP-33 for listing of State and Federal
23 assistance.

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25 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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PA-IV-3. REFER TO PWD STATEMENT 2A, PAGE 6.
A. PLEASE EXPLAIN THE CAUSE OF THE \$12.2 MILLION RSF TRANSFER.
B. WHEN DOES THE DEPARTMENT PLAN TO MAKE THIS TRANSFER?

RESPONSE:
Please see PWD Statement 2A at pages 14-16 concerning reasons for the RSF transfer which is scheduled for October 2025.

RESPONSE PROVIDED BY: Philadelphia Water Department

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PA-IV-4. REFER TO PWD STATEMENT 2A, PAGE 6. PLEASE PROVIDE THE SUPPORTING DOCUMENTATION FOR THE “ROUGHLY \$120 MILLION” RSF BALANCE AT THE END OF FY 2025.

RESPONSE:

Please see PWD Statement 7, Schedule BV-1, Table C-1, C-2.

RESPONSE PROVIDED BY: Philadelphia Water Department

1 **PA-IV-5.** REFER TO PWD STATEMENT 2A, PAGE 9.
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A. WHEN WILL THE \$1,400 SIGNING BONUS BE PAID.

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B. WHAT IS THE TOTAL AMOUNT OF THE SIGNING BONUS.

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C. PLEASE CONFIRM THAT THE SIGNING BONUS IS A ONE-TIME
8 PAYMENT.

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RESPONSE:

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A. DC 47 staff received payments of signing bonuses on 8/30/2024. DC 33 staff received
12 payment on 12/20/24.

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B. \$2,860,200

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C. Confirmed

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RESPONSE PROVIDED BY: Philadelphia Water Department

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1 **PA-IV-6.** PLEASE DESCRIBE, IN DETAIL, ALL EFFORTS MADE BY THE
2 DEPARTMENT TO CONTROL AND REDUCE OPERATING COSTS AND
3 CAPITAL INVESTMENTS DURING FY 2024, FY 2025 AND PLANNED FOR
4 THE RATE YEARS (FY 2026 AND FY 2027).

5 **RESPONSE:**

6 The Department is managing O&M spending in several areas by lowering SMIP/GARP
7 expenditures in FY 2025 and FY 2026, refinancing portions of existing debt, deferring
8 borrowing in FY 2026 (thereby lowering debt service), securing grant funding and
9 calibrating its rate request so as to meet targeted financial metrics by the end of the Rate
10 Period, FY 2027.

11
12 Rate adjustments are needed despite steps taken by the Department to mitigate or partially
13 offset the need for additional revenues. As explained in PWD Statements 3, 4A and 4B,
14 the Department needs to proceed with the activities and projects identified in the above
15 testimony to provide utility services that are safe, reliable, resilient and meet regulatory
16 requirements. See PWD Statement 2A at pages 7-8 and 11 (responses to Questions 9 and
17 15).

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19 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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1 **PA-IV-7.** REFER TO PWD STATEMENT 2A, PAGE 10, LINES 9 TO 10. PLEASE
2 EXPLAIN WHY THERE IS A NEED FOR THE DEPARTMENT TO
3 “MAXIMIZE INVESTMENT” RATHER THAN EXPLORE AVENUES TO
4 MINIMIZE INVESTMENTS.

5
6 **RESPONSE:**

7 PWD must invest in its aging infrastructure (plant upgrades, water conveyance system
8 improvements, collection system improvements) to sustain operations and maintain
9 services to our customers.

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11 Please recall that the Department’s water treatment plants are over 100 years old and need
12 to be constantly upgraded to address structural, mechanical, and electrical issues and
13 incorporate the most recent advancements in technology. PWD Water Pollution Control
14 Plants (“WPCP”) are also aging, and although significantly upgraded in the 1980s, the
15 WPCPs are still over 70 years old and plant expansions may be required to respond to
16 treating additional wet weather flows and more stringent discharge requirements. This
17 subject is addressed by the Operations Panel in PWD Statement 4 at pages 11-12
18 (response to Question 12).

19
20 Also note that the Department’s water conveyance and distribution system is aging with
21 water mains having an average age of 80 years. Given the historic rate of water main
22 breaks, the Department is engaged in a program of main replacement. The mileage targets
23 are explained by the Capital Panel, PWD Statement 3 at pages 12-13 (responses to
24 Questions 14-15) and 14 (response to Question 17).

25
26 Finally, please note that the wastewater and stormwater collector systems are also aging
27 with the average age of its sewers at roughly 86 years. In light of the foregoing, the
28 Department is increasing the miles of sewer inspection to provide actionable information

1 to prioritize the miles of sewers reconstructed/rehabilitated. However, as the system grows
2 older, the frequency of repairs and service interruptions is expected to increase. See, PWD
3 Statement 4 at page 13 (response to Question 12).
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5 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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1 **PA-IV-8.** REFER TO PWD STATEMENT 2A, PAGE 10, LINES 14 TO 19. PLEASE
2 EXPLAIN WHAT DETERMINES WHETHER THE DEPARTMENT PURSUES
3 PENNVEST FUNDS OR PURSUES LONG-TERM DEBT FOR ITS CAPITAL
4 EXPENDITURES.

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6 **RESPONSE:**

7 The Department must consider both PennVest and other long-term debt options to finance
8 its capital program, given the program's size and scope. To the best of the Department's
9 knowledge, PennVest, a state-wide program, does not have the capacity to fully fund the
10 Department's Capital Improvement Program for FY 2026 or FY 2027. The Department
11 utilizes revenue bonds to fill the capital requirements not satisfied by the combination of
12 PennVest, pay-go funding, and other federal grants and loans.

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14 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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1 **PA-IV-9.** REFER TO PWD STATEMENT 2A, PAGE 11, LINES 9 TO 12. PLEASE
2 IDENTIFY THE ACTUAL ANNUAL SAVINGS THAT RESULTED FROM
3 THE TWO NEW MONEY ISSUES AND THE TWO REFUNDINGS SINCE
4 THE 2023 RATE PROCEEDING. IN YOUR RESPONSE, PLEASE PROVIDE
5 SUPPORTING CALCULATIONS FOR THE SAVINGS.
6

7 **RESPONSE:**

8 The Department has completed the following refunding transactions since the 2023
9 general rate proceeding:

10
11 2023

12 PWD refunded \$107 million of existing 2019A and 2020B Bonds yielding \$4.5 million in
13 savings.

14
15 2024

16 PWD refunded \$337.8 million of 2015B, 2016, 2017A, 2017B, 2018A, 2019A, 2020B,
17 and 2021B Bonds yielding \$27.0 million in savings.

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19 Calculations for these savings are provided in response attachment PA-IV-9.
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21 **RESPONSE PROVIDED BY:** Acacia Financial Group Inc and PFM Financial Advisors LLC.
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1 **PA-IV-10.** REFER TO PWD STATEMENT 2A, PAGE 12, LINE 6. PLEASE EXPLAIN
2 HOW ACCUMULATED INTEREST CAN BE CONSIDERED A FUNDING
3 SOURCE FOR CAPITAL FUNDING.
4

5 **RESPONSE:**

6 “Accumulated interest” in PWD Statement 2A, Page 12, Line 6 refers to estimated interest
7 earnings received or accumulated in the PWD construction fund. Together with pay-go
8 funding, PennVest proceeds, Revenue Bond proceeds, WIFIA proceeds and grant
9 proceeds, such interest earnings support the Capital Program.
10

11 See PWD Statement 7 – Direct Testimony of Black & Veatch – Schedule BV-1, Table C-
12 8, Line 14 entitled “Interest Earnings on Construction Fund.”
13

14 Stated differently, interest earnings on amounts held in the construction fund can be used
15 to finance capital projects.
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17 **RESPONSE PROVIDED BY:** Philadelphia Water Department, Acacia Financial Group Inc and
18 PFM Financial Advisors LLC.
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1 **PA-IV-11.** REFER TO PWD STATEMENT 2A, PAGE 15, LINES 16 TO 19.
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3 A. PLEASE PROVIDE THE FY 2025 MID-YEAR REVENUE PROJECTIONS.
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5 B. PLEASE PROVIDE THE CURRENT FORECASTED FY 2025 COSTS AND
6 EXPENSES SHOWING THAT THE COST AND EXPENSES HAVE
7 INCREASED ABOVE THE PROJECTED LEVEL AS STATED IN THAT
8 PARAGRAPH.

9 **RESPONSE:**

10 Please refer to PWD Statement 7, Schedule BV-1, Tables C-1 through C-3 and C-6 to C-9
11 for the most current available projections.
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13 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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1 **PA-IV-12.** REFER TO PWD STATEMENT 2A, PAGE 16, LINES 3 TO 4. ACCORDING
2 TO THE WITNESS PANEL, THE ONLY CLEAR PATH FORWARD TO
3 IMPROVE THE DEPARTMENT FINANCIAL CHALLENGES IS TO
4 REQUEST APPROVAL FOR ADDITIONAL REVENUES. PLEASE ADMIT
5 OR DENY THAT THE DEPARTMENT HAS NOT SOUGHT COST
6 CONTAINMENT MEASURES IN LIEU OF A RATE INCREASE. IF DENIED,
7 PLEASE LIST THE SPECIFIC ACTIONS TAKEN BY THE DEPARTMENT TO
8 REDUCE COSTS AND EXPENSES.

9 **RESPONSE:**

10 Denied. See also response to PA-IV-6 and PA Statement 2A at pages 7-8 and 11(responses
11 to Questions 9 and 15).

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13 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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1 **PA-IV-13.** REFER TO PWD STATEMENT 2A, PAGE 17, LINES 19 TO 21. WHAT IS
2 THE REASON FOR THE DECREASE IN THE REVENUE COLLECTION
3 RATE.
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5 **RESPONSE:**

6 The decrease in revenue collection rate referred to in the referenced text from PWD
7 Statement 2A is with respect to the reductions in the billing year collection factors as
8 recently experienced by the City and as shown in Statement 2A: Schedule FP-1 Page FSP-
9 24. The reason for the reduction in collection rates (i.e., collection factors) is likely due to
10 a number of circumstances including but not limited to: current economic conditions,
11 changes in billing and enforcement practices and policies, availability of outside
12 assistance including federal grant assistance for PWD customers, shifts in assistance
13 program enrollment including TAP, among other considerations.
14

15 See also discussion of the collection rate in PWD Statement 7 at pages 14-15 (response to
16 Question 13).
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18 **RESPONSE PROVIDED BY:** Philadelphia Water Department and the Water Revenue
19 Bureau
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1 **PA-IV-14.** REFER TO PWD STATEMENT 2A, PAGE 26, LINES 10 TO 11. THE
2 WITNESS PANEL STATES: “THAT BEING SAID, DUE TO CURRENT
3 CIRCUMSTANCES, THE DEPARTMENT PROPOSES TO GRADUALLY
4 TRANSITION TO MEETING CERTAIN FINANCIAL TARGETS DURING
5 THE RATE PERIOD.” PLEASE EXPLAIN WITH SPECIFICITY WHAT IS
6 MEANT BY “DUE TO CURRENT CIRCUMSTANCES.” IN OTHER WORDS,
7 WHAT ARE THE “CURRENT CIRCUMSTANCES” TO WHICH THE
8 DEPARTMENT IS REFERRING?
9

10 **RESPONSE:**

11 The “due to current circumstances” phrase in the PA Statement 2A at pages 26, refers to
12 the potential additional impact of higher rates on PWD customers if all targeted metrics
13 were met in FY 2026. PWD recognizes that increased rates impact our customers,
14 especially those not enrolled in TAP. Taking this into account, PWD has chosen to forgo
15 meeting certain target financial metrics (e.g., pay-go financing, 1.3x coverage, RSF
16 balance targets), previously approved by the Rate Board, to help manage the requested
17 revenue adjustment. See also, PWD Statement 2A at pages 7-8 (response to Question 9);
18 Schedule FP-1 at FSP pages 19-25, 28-32.
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20 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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1 **PA-IV-15.** REFER TO PWD STATEMENT 2A, PAGE 27, LINES 5 TO 10.
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3 A. PLEASE PROVIDE DOCUMENTATION, EMPIRICAL STUDIES OR
4 OTHER EVIDENCE THAT SHOW BONDHOLDERS REQUIRE AN
5 ADDITIONAL DEBT SERVICE COVERAGE AS “COMFORT” THAT THE
6 DEPARTMENT, OR A UTILITY, WILL MEET ITS DEBT COVENANTS.
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8 B. PLEASE PROVIDE DOCUMENTATION OR OTHER EVIDENCE WHERE
9 A UTILITY REGULATORY COMMISSION AWARDED ADDITIONAL
10 BASIS POINTS TO A UTILITY’S RETURN, OR ADDITIONAL
11 COVERAGE TO DEBT SERVICE, TO PROVIDE COMFORT TO
12 INVESTORS.

13 **RESPONSE:**

14 A. Please see Response Attachment PA-IV-15 for the rating methodologies for
15 revenue backed water and sewer utilities from Moody’s, Fitch and S&P (the three
16 rating agencies that rate the PWD). In each of these methodologies, the importance
17 of coverage is an express and significant component of the determination of the
18 credit rating. Stated plainly, higher coverages provide higher ratings.
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20 B. To be provided.
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22 **RESPONSE PROVIDED BY:** Acacia Financial Group Inc and PFM Financial Advisors LLC.
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1 **PA-IV-16.** DOES THE DEPARTMENT AGREE THAT IF IT DEMONSTRATES A
2 COMMITMENT TO COST CONTROL, INVESTORS WILL GAIN
3 CONFIDENCE IN ITS ABILITY TO RECOVER COSTS AND STABILIZE
4 THE DEPARTMENT'S FINANCES?

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6 **RESPONSE:**

7 The Department exercises cost control to sustain its operations. Consistent with its
8 mission, PWD plans for, operates, and maintains both the infrastructure and the
9 organization necessary to purvey high quality drinking water, to provide an adequate and
10 reliable water supply for all household, commercial, and community needs, and to sustain
11 and enhance the region's watersheds and quality of life by managing wastewater and
12 stormwater effectively. In fulfilling its mission, PWD seeks to be customer-focused,
13 delivering services in a fair, equitable, and cost-effective manner, with a commitment to
14 public involvement. Cost control supports the delivery of these services in a cost-effective
15 manner.

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17 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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PA-IV-17. REFER TO SCHEDULE FP-1, PAGES FSP - 4 & 5. PLEASE EXPLAIN WHAT THE PRELIMINARY FINANCIAL AMOUNTS REPRESENT. ARE THESE ESSENTIALLY UNAUDITED AMOUNTS OR ARE THEY AMOUNTS BEFORE THE FISCAL YEAR BOOKS ARE CLOSED?

RESPONSE:

The amounts shown on FP-1 at pages 4 and 5 are unaudited.

RESPONSE PROVIDED BY: Philadelphia Water Department

1 **PA-IV-18.** REFER TO SCHEDULE FP-1, PAGES FSP - 6.
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A. WHAT WAS THE CAUSE OF THE LOWER WORKFORCE COST?

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B. WHAT WAS THE CAUSE OF THE LOWER CAPITAL PROGRAM - DEBT
6 SERVICE PAYMENTS?

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C. WHAT WAS THE CAUSE OF THE INCREASE IN THE GENERAL FUND
9 REIMBURSEMENT?

10

RESPONSE:

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A. Delayed hiring of staff.

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B. Debt service payments are lower as a result of the Water Department's refunding efforts
13 which lowered overall payments.

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C. Updates to Cost Allocation Plan (CAP) charges for services provided to the Water
15 Department by other City Departments in order to reflect more current costs.

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RESPONSE PROVIDED BY: Philadelphia Water Department

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1 **PA-IV-19.** REFER TO SCHEDULE FP-1, PAGES FSP - 7. WHAT WAS THE CAUSE OF
2 THE LOWER CAPITAL EXPENDITURE COMPARED TO PROJECTIONS?
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4 **RESPONSE:**

5 The lower capital expenditure is due to several factors. Delays in bidding and procurement
6 have slowed the pace of construction spending for the Department. In addition, the
7 introduction of new regulatory requirements, such as those requiring the treatment of per-
8 and polyfluoroalkyl substances (PFAS), prompted the Department to revisit capital projects
9 to incorporate additional technologies and treatment processes, requiring an adjustment to
10 overall project design and construction schedules. In addition, contractor capacity has been
11 an issuer recently. The Department has encountered instances of receiving limited bids on
12 construction contracts and had to re-bid.
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14 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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1 **PA-IV-20.** REFER TO SCHEDULE FP-1, PAGES FSP - 14.
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A. WHAT WAS THE CAUSE OF THE LOWER WORKFORCE COST?

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B. WHAT WAS THE CAUSE OF THE LOWER CAPITAL PROGRAM - DEBT
6 SERVICE PAYMENTS?
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RESPONSE:

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A. See Response to Item A to PA-IV-18. Please note the reduction in more current
10 projections of workforce costs are offset by service costs.

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B. See Response to Item B to PA-IV-18.
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RESPONSE PROVIDED BY: Philadelphia Water Department
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1 **PA-IV-21.** PLEASE PROVIDE THE FY 2024 FINANCIAL OPERATING RESULTS IN A
2 FORMAT COMPARABLE TO SCHEDULE BV-1, TABLES C-1 TO C-3, C-6,
3 C-7, C-8 AND C-9.
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5 **RESPONSE:**

6 To be provided.
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8 **RESPONSE PROVIDED BY:** Philadelphia Water Department
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