

RESPONSE TO
PUBLIC ADVOCATE'S INTERROGATORIES
AND
REQUESTS FOR PRODUCTION OF DOCUMENTS
QUESTIONS 1-2

Dated: March 2025

1 **PA-V-1.** REFERENCE SCHEDULE BV-2, TABLE 4-11 ON PAGE 4-23, AND THE
2 RESPONSE TO PA-III-21. PLEASE PROVIDED AN ADJUSTED COST OF
3 SERVICE FOR EACH CUSTOMER CLASS INCLUDED IN TABLE 4-11
4 BASED ON A TOTAL SYSTEM WATER REVENUE REQUIREMENT OF
5 \$400,391,000 FOR 2026 AS SHOWN IN THE RESPONSE TO PA-III-21 FOR
6 2026. ALSO EXPLAIN WHY THE TOTAL SYSTEM WATER REVENUE
7 REQUIREMENT IN TABLE 4-11 EXCEEDS THE 2026 REVENUES SHOWN
8 IN THE RESPONSE TO PA-III-21.

9
10 **RESPONSE:**

11 As stated in Schedule BV-2 (page 4-4): “Because the proposed revenue increase will not
12 go into effect until September 1st of each fiscal year, the proposed rates are designed
13 based on annualizing the 10-month period for which rates are effective.” The Total
14 Adjusted Cost of Service (System Water Net Revenue Requirement) in Table 4-11 is
15 based on the annualized Total System Water Net Revenue Requirements presented in
16 Table 4-1 (page 4-5) and Table 4-2 (page 4-6) of Schedule BV-2.

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18 Consistent with prior rate proceedings, the current cost of service and rate design analysis
19 approach establishes cost of service and subsequent rate design based on unit costs
20 utilizing the fiscal year based annual net revenue requirements and the fiscal year based
21 annual units of service. Note that the water system revenues presented in the response to
22 PA-III-21 reflect the projected annual water system revenue based on the September 1
23 implementation of the proposed water rates and only reflects the additional revenue for 10
24 months of FY 2026 (with the first two months of revenue based upon the existing rates).
25 Establishing the cost of service based on the Total Water System Revenue as presented in
26 the response to PA-III-21, as indicated in this interrogatory request, would only reflect the
27 increased revenue for 10 months and understate the annual water system net revenue
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1 requirement necessary to establish unit costs and subsequent rates at a sufficient level to
2 generate the appropriate revenue.

3
4 Note that although the annualized Total Water System Net Revenue Requirement of
5 \$410.247 million reflected in Tables 4-1 (Line 4), 4-2 (Column 3, Line 13), and 4-11
6 (Columns 1 and 5, Line 17) is the basis for the cost of service and rate design, the existing
7 rates and proposed rates effective September 1 are projected to provide \$400.4 million of
8 total water system revenue (as provided in the response to PA-III-21) which is reasonably
9 recovering the annual Total Water System Revenue of \$401.9 million as reflected in Table
10 3-11 (Line 8).

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12 Consistent with PWD's financial reporting, the financial planning and cost of service
13 analyses reflected in PWD Statement 7 and its supporting documents are presented on a
14 fiscal year basis to be consistent with the General Bond Ordinance requirements (Rate
15 Covenant).

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18 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC
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1 **PA-V-2.** PLEASE EXPLAIN WHETHER THE ADJUSTED COST OF SERVICE FOR
2 EACH CUSTOMER CLASS REFLECTED IN SCHEDULE BV-2, TABLE 4-11
3 ON PAGE 4-23 IS BASED ON THE AMI DEMAND STUDY PEAKING
4 FACTORS WITH NO PHASE-IN OR SHIFT AS DISCUSSED ON SCHEDULE
5 BV-4, WP-2, PAGE 7. IF A PHASE-IN OR SHIFT IS INCLUDED IN TABLE 4-
6 23, PLEASE REVISE TABLE 4-11 TO REMOVE THE SHIFT.
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8 **RESPONSE:**

9 The Adjusted Cost of Service reflected in Schedule BV-2, Table 4-11 is based on the
10 proposed shift or phase-in of the AMI Demand Study Peaking Factors as noted in the
11 following statement from page 4-10 of Schedule BV-2: “The customer type extra capacity
12 factors utilized in this [Cost of Service] Study are the Year 1 Factors (25% Shift) and Year
13 2 Factors (50% shift) as presented in Table 2-4 of Schedule BV4: WP-2.”
14

15 Note that the Extra Capacity Factors presented in columns 3 and 4 of Table 4-4 of
16 Schedule BV-2 (page 4-11) are consistent with Year 1 Factors (25% Shift) presented in
17 Table 2-4 of Schedule BV-4: WP-2 (page 6).
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19 Please see response attachment PA-V-2 for the requested version of Table 4-4 and Table
20 4-11 reflecting the application of the AMI Demand Study Peaking Factors (with no phase-
21 in).
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24 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC
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