

**RESPONSE TO**  
**PUBLIC ADVOCATE'S INTERROGATORIES**  
**AND**  
**REQUESTS FOR PRODUCTION OF DOCUMENTS**  
**QUESTIONS 1-23**

**Dated: April 2025**

1 **PA-IX-1.** REFER TO PAGE 12, LINE 19 OF BLACK & VEATCH'S TESTIMONY (PWD  
2 ST. 7), PLEASE EXPLAIN WHAT EXTRA-STRENGTH SURCHARGES ARE.  
3

4 **RESPONSE:**

5 Please refer to Section 3.4 of the Water Department's Rates and Charges.  
6

7 Extra-strength surcharges are charged to wastewater customers which discharge pollutants  
8 in excess of normal levels into the wastewater system. Surcharges are applied when  
9 wastewater exceeds 250 milligrams per liter of BOD5 and/or forty-five and/or  
10 350 milligrams per liter of SS.  
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12 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC  
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1 **PA-IX-2.** REFER TO PAGE 15, LINES 9 – 12. PLEASE EXPLAIN THE RATIONALE  
2 BEHIND BLACK & VEATCH’S CHOICE TO USE DIFFERENT TIME  
3 PERIODS TO MEASURE THE NON-STORMWATER ONLY COLLECTIONS  
4 FACTORS.

5 A. PLEASE EXPLAIN HOW THE USE OF THE DIFFERENT TIME PERIODS  
6 IS CONSISTENT FROM THE STANDPOINT OF FINANCIAL  
7 FORECASTING AND PROJECTION.

8 B. IF THE “BY NON-STORMWATER ONLY COLLECTION FACTORS”  
9 WERE 1.56% HIGHER FOR THE FY 2021 TO FY 2023 AVERAGE  
10 EXPERIENCE, WOULD BLACK & VEATCH HAVE INCREASED THE  
11 COLLECTION FACTOR BY THE 1.56% RATE? PLEASE FULLY  
12 EXPLAIN YOUR RESPONSE.

13 C. IF THE “BY+1 NON-STORMWATER ONLY COLLECTION FACTORS”  
14 WERE 0.97% LOWER FOR THE FY 2022 TO FY 2024 AVERAGE  
15 EXPERIENCE, WOULD BLACK & VEATCH HAVE DECREASED THE  
16 COLLECTION FACTOR BY THE 0.97% RATE? PLEASE FULLY  
17 EXPLAIN YOUR RESPONSE.

18  
19 **RESPONSE:**

20 A. The proposed adjustments to the collection factors are consistent with the adjustments  
21 proposed and accepted during the 2023 Rate Proceeding. These adjustments are made  
22 to reflect recent trends in the collection factor data. It would be fiscally irresponsible  
23 not to reflect the lower collection factors based upon recent actual experience.

24  
25 B. Black & Veatch cannot provide a response to this question, as the question does not  
26 provide sufficient information to provide an informed response. The proposed  
27 adjustments to the collection factors are based on a complete review of the historical  
28 data available for the complete set of collection factors (Billing Year, Billing Year + 1,

1 and Billing Year + 2) and also considers the current financial position of the  
2 Department. For example, although the recent three-year experience of 67.98% for the  
3 BY Stormwater Collection Factor is 3.41% higher than the long-term average of  
4 64.57%, we did not propose an increase since this experienced increase in the BY  
5 Stormwater Collection Factor is offset by the experienced 3.23% decrease in the BY +  
6 2+ Stormwater Collection Factor.

7  
8 Note that the actual lower revenues experienced during FY 2024 demonstrates the risk  
9 of collection factor assumptions and the importance of adjusting for recent  
10 experienced. If the Non-Stormwater only collection factors in the 2024 rate proceeding  
11 were based on the long-term averages, the FY 2024 and FY 2025 rate determination  
12 would have significantly overstated the FY 2024 collections. With the rate  
13 stabilization balance below the target balance the Department does not have reserves  
14 to continue drawing rate stabilization funds to fund revenue requirements.

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16 C. See response to item B above.

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18 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC.  
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1 **PA-IX-3.** REFER TO BLACK & VEATCH'S TESTIMONY BEGINNING AT PAGE 15,  
2 LINE 22 TO PAGE 16, LINE 2.

3 A. PLEASE PROVIDE A COPY OF ANY ANALYSIS CONDUCTED BY  
4 PWD EXPLAINING THE CAUSE OF THE \$34.3 MILLION LOWER  
5 REVENUES.

6 B. PLEASE PROVIDE THE CALCULATIONS SHOWING THE  
7 DERIVATION OF THE \$34.3 MILLION LOWER REVENUES IN FY  
8 2024 AND THE \$36.8 MILLION LOWER REVENUES IN FY 2025. IN  
9 YOUR RESPONSE PROVIDE THE SUPPORTING DOCUMENTATION  
10 AND WORKPAPERS.

11  
12 **RESPONSE:**

13 Please refer to PWD Statement 2A Schedule FP-1 Page FSP-4 (FY 2024) and FSP-12  
14 (FY 2025). The figures noted above are a comparison of actual Water Department  
15 revenues in FY 2024, updated projections in FY 2025 and the projections from the  
16 2023 Rate Determination.

17  
18 Please see response to PA-IV-21 for information regarding FY 2024 actual revenues.

19  
20 Please see Statement 7 Schedule BV-1: Table C-1 for the most recent FY 2025  
21 revenue projections.

22  
23 Please refer to the 2023 Rate Determination for FY 2024 and FY 2025 projections.

24  
25 Please also see PWD Statement 7 Schedule BV-2: Cost of Service Report, Section 1.0  
26 for discussion of actual performance.

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

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1 **PA-IX-4.** REFER TO BLACK & VEATCH'S TESTIMONY AT PAGE 16, BEGINNING  
2 AT LINE 5. PLEASE PROVIDE THE HISTORICAL DATA SHOWING THE  
3 TREND IN OVERALL REDUCTION IN BILLED VOLUME AND THE  
4 DECLINE IN THE USAGE PER ACCOUNT.

5  
6 **RESPONSE:**

7 Please refer to page 114 of PWD Exhibit 6 presents the Water Billed Volume and the  
8 Annual Change in the Annual Total Billed Volume.

9  
10 Please refer to pages 115 to 119 of PWD Exhibit 6 present the Water Billed Volume Per  
11 Account, the Annual Growth/Change, 2-Year Average Growth/Change, 3-Year Average  
12 Growth/Change, and 5-Year Average Growth/Change.

13  
14 These calculations are also provided on the Customer sheet of the  
15 FINPLAN25\_26\_ver1.xlsx model file provided in response to PA-I-2.

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17 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC  
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1 **PA-IX-5.** REFER TO BLACK & VEATCH'S TESTIMONY BEGINNING AT PAGE 16,  
2 LINE 10. PLEASE PROVIDE THE CALCULATIONS SHOWING THE  
3 DERIVATION OF THE 2.67% DECLINE IN OVERALL BILLED WATER  
4 VOLUME FROM FY 2023 TO FY 2024. IN YOUR RESPONSE, PROVIDE  
5 THE SUPPORTING DOCUMENTATION AND WORKPAPERS.  
6

7 **RESPONSE:**

8 Please refer to page 114 of PWD Exhibit 6 presents the Total Water Billed Volume for FY  
9 2024 and FY 2023 and presents the Annual Change of 2.67%. These calculations are also  
10 provided on the Customer sheet of the FINPLAN25\_26\_ver1.xlsx model file provided in  
11 response to PA-I-2.  
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13 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC  
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1 **PA-IX-6.** REFER TO BLACK & VEATCH'S TESTIMONY BEGINNING AT PAGE 16,  
2 LINE 12. PLEASE PROVIDE THE CALCULATIONS SHOWING THE  
3 DERIVATION OF THE BILLED USAGE PER ACCOUNT DECREASE OF  
4 1.35% PER YEAR OVER THE MOST RECENT 5-YEARS AND THE 0.50% IN  
5 THE MOST RECENT 3-YEARS. IN YOUR RESPONSE, PROVIDE THE  
6 SUPPORTING DOCUMENTATION AND WORKPAPERS.

7  
8 **RESPONSE:**

9 Please refer to page 119 of PWD Exhibit 6 presents the FY 2024 5-Year Average  
10 Growth/Change in the Total Water Billed Volume Per Account of (1.35%) per year.

11  
12 Please refer to page 118 of PWD Exhibit 6 presents the FY 2024 3-Year Average  
13 Growth/Change in the Total Water Billed Volume Per Account of 0.5% per year.

14  
15 These calculations are also provided on the Customer sheet of the  
16 FINPLAN25\_26\_ver1.xlsx model file provided in response to PA-I-2.

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18 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC  
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1 **PA-IX-7.** ACCORDING TO BLACK & VEATCH’S TESTIMONY BEGINNING AT  
2 PAGE 16, DELCORA HAS INFORMED THE WATER DEPARTMENT OF ITS  
3 INTENT TO LEAVE THE SYSTEM IN FY 2029. PLEASE EXPLAIN HOW  
4 THE DELCORA REVENUE AND CONSUMPTION WERE DERIVED AS  
5 REFLECTED FOR FY 2026 AND FY 2027.

6  
7 **RESPONSE:**

8 As stated on lines 6 to 8 of page 14 of PWD Statement 7: “To project revenues for  
9 wholesale customers under existing rates, Black & Veatch applied the contracted rates per  
10 the latest agreements to estimated wastewater billed volumes and loadings based on the  
11 historical three-year average for each customer.”

12  
13 Note that this statement is reiterated on lines 19 to 21 of page 16 of PWD Statement 7:  
14 “Black & Veatch applied the contracted rates per the latest agreements to estimated  
15 wastewater billed volumes and loadings based on the historical three-year average for each  
16 customer to project the wholesale customer revenues under existing rates.”

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19 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC  
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1 **PA-IX-8.** ACCORDING TO BLACK & VEATCH'S TESTIMONY AT PAGE 17, OTHER  
2 OPERATING REVENUE CONSISTS OF PENALTIES ON OVERDUE BILLS  
3 FOR RETAIL SERVICE CUSTOMERS AND OTHER INCOME FROM  
4 MISCELLANEOUS FEES, FINES, OPERATING GRANTS, PERMIT FEES,  
5 AND TRANSFERS FROM THE DEBT RESERVE ACCOUNT TO THE  
6 REVENUE FUND.

7 A. PLEASE EXPLAIN THE NATURE OF OPERATING GRANTS. WHERE  
8 DO THE OPERATING GRANTS COME FROM, AND WHAT IS THE  
9 PURPOSE OF EACH OF THE GRANTS?

10 B. PLEASE EXPLAIN, SPECIFICALLY, THE VARIOUS PERMIT FEES  
11 ASSESSED BY PWD AND THE FREQUENCY OF THESE FEES.  
12

13 **RESPONSE:**

14 A. State & Federal Grants amounts areas stated in Schedule BV-1 Table C-3 on Line 9.

15 B. Permit Fees are related to fees collected by the Office of License and Inspections. Fees  
16 are collected during various points in the development/redevelopment/construction  
17 process to cover the costs of City reviews and permit applications. The frequency of  
18 the fees is driven by development activity and can vary.  
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20 **RESPONSE PROVIDED BY:** Philadelphia Water Department and Black & Veatch  
21 Management Consulting, LLC.  
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1 **PA-IX-9.** REFER TO BLACK & VEATCH'S TESTIMONY AT PAGE 18. PLEASE  
2 EXPLAIN WHAT IS THE MARK-TO-MARKET VALUATION THAT THE  
3 CITY/PWD PERFORMS AT THE END OF THE FISCAL YEAR.

4 A. PLEASE PROVIDE SAMPLE JOURNAL ENTRIES THAT MAY RESULT  
5 FROM THE MARK-TO-MARKET VALUATION.

6 B. PLEASE IDENTIFY ANY EFFECTS OF THE MARK TO MARKET  
7 VALUATION THAT IS REFLECTED IN FY 2025 AND THE TEST  
8 YEARS.

9 **RESPONSE:**

10 A. Refer to response attachment PA-IX-9 for a sample of FY 2024 journal entries  
11 associated with the mark-to-market valuation. Note that these journal entry  
12 adjustments can be positive or negative depending on the overall performance of the  
13 investments.

14 B. The Mark-to-Market Valuation informs the interest assumptions included in the  
15 financial projections as portions of PWD's funds in accounts reside in investment  
16 whose earnings are not dictated by a simple interest rate but rather market  
17 performance, which can lead to decrease or increase in available fund balances. A  
18 simplified interest rate assumption is used to capture overall performance of funds  
19 including simple interest earnings and market-based performance over prior years.  
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21 **RESPONSE PROVIDED BY:** Philadelphia Water Department and Black & Veatch  
22 Management Consulting, LLC.  
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1 **PA-IX-10.** PLEASE PROVIDE COPIES OF THE WATER FUND'S ADOPTED FY 2024,  
2 FY 2025 AND FY 2026 OPERATING BUDGETS.

3  
4 **RESPONSE:**

5 The Water Fund Budgets are available at the following website:

6 [Financial reports | City Treasurer's Office | City of Philadelphia](#)

7  
8 Note: In addition to the Water Department, Water Fund Budgets includes services and  
9 activities associated with the following City Departments:

- 10 1. Division of Technology (OIT)
- 11 2. Managing Director Office
- 12 3. Office of Sustainability
- 13 4. Water, Sewer and Storm Water Rate Board
- 14 5. Public Property
- 15 6. Office of Fleet Management
- 16 7. Revenue
- 17 8. Finance
- 18 9. Law
- 19 10. Procurement
- 20 11. City Treasurer
- 21 12. Sinking Fund (Debt Service)

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23 The Water Fund's portion of each department is included in their respective budgets.

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25 **RESPONSE PROVIDED BY:** Philadelphia Water Department  
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1 **PA-IX-11.** ACCORDING TO BLACK & VEATCH’S TESTIMONY AT PAGE 21, IN FY  
2 2024, AN ADDITIONAL COST CENTER FOR SERVICES WAS ADDED TO  
3 THE CITY TREASURER DEPARTMENT’S BUDGET FOR THE WATER  
4 FUND.

5 A. PLEASE DESCRIBE THE NATURE OF THE CHARGES THAT ARE  
6 INCLUDED IN THIS NEW FUNCTION.

7 B. PLEASE IDENTIFY WHERE THESE CHARGES WERE PREVIOUSLY  
8 RECORDED IN PWD’S ACCOUNTING RECORDS.

9  
10 **RESPONSE:**

11 A. Charges are related to financial advisory services, rating agency fees, commercial  
12 paper management fees, as well as bond and disclosure counsel services that are  
13 managed through the Treasurer’s Department.

14 B. These charges were previously part of the Finance Department professional  
15 services operating budget.

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17 **RESPONSE PROVIDED BY:** Philadelphia Water Department  
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1 **PA-IX-12.** ACCORDING TO BLACK & VEATCH’S TESTIMONY AT PAGE 21, BLACK  
2 & VEATCH ASSUMED ESCALATION FACTORS FOR THE VARIOUS COST  
3 CATEGORIES IDENTIFIED IN THE FY 2025 BUDGET BASED UPON THE  
4 WATER DEPARTMENT’S HISTORICAL EXPERIENCE AND RECOGNIZED  
5 COST INDICES; THE ESCALATION FACTORS ARE APPLIED TO THE  
6 PROJECTED FY 2025 EXPENSES (FOR EACH OF THE RESPECTIVE COST  
7 CATEGORIES) BEGINNING IN FY 2026.

8 A. PLEASE EXPLAIN HOW THE FY 2025 BUDGET AMOUNTS WERE  
9 DETERMINED.

10 B. IN YOUR RESPONSE PROVIDE THE INSTRUCTION LETTER/MEMO  
11 PROVIDED TO ASSIST MANAGERS WITH DEVELOPING THEIR  
12 BUDGETS.

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15 **RESPONSE:**

16 A. Proposed budget amounts for FY 2025 are based on the FY 2024 budget with  
17 adjustments made for significant changes in spending (i.e. under or over prior  
18 budget levels)in FY 2022 to FY 2023.

19 B. Please see Response Attachment PA-IX-12.

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21 **RESPONSE PROVIDED BY:** Philadelphia Water Department  
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1 **PA-IX-13.** PLEASE PROVIDE PWD'S UNDERSTANDING OF ZERO-BASED  
2 BUDGETING OR BOTTOM-UP BUDGETING.

3  
4 **RESPONSE:**

5 Our understanding of Zero-Based Budgeting is a budgeting methodology wherein all  
6 expenditures for a period must be justified. This is opposite to Incremental Budgeting  
7 which assumes that past expenditures are justified if there has been no material change  
8 in programs thereby avoiding starting the budget from scratch.

9  
10 Bottom-Up budgeting is where the budgets are developed at the lower levels of the  
11 organizations and these budgets are aggregated for the organization.

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14 **RESPONSE PROVIDED BY:** Philadelphia Water Department  
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1 **PA-IX-14.** PLEASE EXPLAIN WHETHER PWD USES ZERO-BASED BUDGETING OR  
2 BOTTOM-UP BUDGETING FOR ITS OPERATING BUDGETS.

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4 **RESPONSE:**

5 Please see Response Attachment PA-IX-12.

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7 **RESPONSE PROVIDED BY:** Philadelphia Water Department

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1 **PA-IX-15.** PLEASE PROVIDE THE ACTUAL FY 2022 AND FY 2023 FINANCIAL  
2 OPERATING RESULTS IN A FORMAT COMPARABLE TO SCHEDULE BV-  
3 1, TABLES C-1 TO C-3, C-6, C-7, C-8 AND C-9.  
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5  
6 **RESPONSE:**

7 The response is being prepared and will be provided when available.  
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9 **RESPONSE PROVIDED BY:** Philadelphia Water Department  
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1 **PA-IX-16.** ACCORDING TO BLACK & VEATCH’S TESTIMONY AT PAGE 21, PWD  
2 DEVELOPED “PLANNED BUDGET INCREASES” FOR FY 2026 FOR  
3 OBJECT CLASSES.

4 A. PLEASE PROVIDE EACH SPECIFIC LINE ITEM, EXPENSE OR COST  
5 ELEMENT FOR WHICH A PLANNED BUDGET INCREASE WAS  
6 DEVELOPED FOR FY 2026.

7 B. PLEASE PROVIDE THE CAUSE OF EACH PROJECTED INCREASE OR  
8 THE RATIONALE FOR EACH PLANNED INCREASE.

9 C. FOR EACH OF THESE COSTS, IDENTIFY THE COST INCREASE,  
10 PROVIDE THE SUPPORTING DOCUMENTATION SHOWING THE  
11 DERIVATION OF THE INCREASE.

12 D. PLEASE PROVIDE THE FY 2024 AMOUNTS FOR EACH SPECIFIC LINE  
13 ITEM, EXPENSE OR COST ELEMENT FOR WHICH PLANNED BUDGET  
14 INCREASES FOR FY 2026 WERE DEVELOPED.

15  
16 **RESPONSE:**

17 A. Please refer to Table 1-8 on pages 1-18 and 1-19 of Schedule BV-2. These adjustments  
18 are presented by adjustment, cost center and object code on pages 283 to 373 of PWD  
19 Exhibit 6 and summarized by cost center and object code on pages 218, 219, and 266  
20 to 268 of PWD Exhibit 6. Adjustments 3 (Contract Services), 4 (Equipment), 5  
21 (Materials & Supplies), 8 (FY 2026 Additional Staffing Needs) and 9 (Additional  
22 Transfers) are adjustments to reflect planned FY 2026 budget increases. Note that the  
23 referenced pages in PWD Exhibit 6 are included in the O&M Adjustments, Direct  
24 O&M, and Other Dept O&M worksheets of the FINPLAN25\_26\_ver1.xlsx model file  
25 provided in response to PA-I-2.

26  
27 B. Please refer to Table 1-8 on pages 1-18 and 1-19 of Schedule BV-2.  
28

1 C. Please refer to the following pages in PWD Exhibit 6:

- 2 • Adjustment 3 (Contract Services) – 293 to 295 and 330 to 333
- 3 • Adjustment 4 (Equipment) – 296 to 298 and 334 to 338
- 4 • Adjustment 5 (Materials & Supplies) – 299 to 301 and 339 to 342
- 5 • Adjustment 8 (FY 2026 Additional Staffing Needs) – 308 to 310 and 353 to
- 6 357
- 7 • Adjustment 9 (Additional Transfers) – 311 to 313 and 358 to 362

8 Note that the referenced pages in PWD Exhibit 6 are included in the O&M  
9 Adjustments worksheet of the FINPLAN25\_26\_ver1.xlsx model file provided in  
10 response to PA-I-2.

11  
12 D. The actual FY 2024 amounts for each corresponding cost center and object codes  
13 associated with these adjustments can be identified on pages 216 to 217 and 262 to  
14 263 of PWD Exhibit 6. The referenced pages in PWD Exhibit 6 are included in the  
15 Direct O&M and Other Dept O&M worksheets of the FINPLAN25\_26\_ver1.xlsx  
16 model file provided in response to PA-I-2.

17  
18 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC

1 **PA-IX-17.** According to Black & Veatch’s testimony at page 22, the recently announced  
2 agreement with District Council 33 (“DC33”) will provide a 5% salary increase in  
3 FY 2025. This increase will apply retroactively to the beginning of the fiscal year  
4 and staff will also receive one-time bonuses. Black and Veatch explains that, to  
5 account for the increase, it has adjusted FY 2025 labor (i.e., salary) expense to  
6 “align with the 5% increase and the one-time bonuses.”

7 A. Please provide the supporting workpapers showing how the 5% increase was  
8 applied to the FY 2025 payroll.

9 B. Please provide the supporting workpapers showing how the 5% increase was  
10 applied to the FY 2026 payroll.

11 C. Please provide the supporting workpapers identifying the percentage increase  
12 applied to the FY 2027 payroll and provide the support for the percentage  
13 increase.

14 D. Please explain how the FY 2025 payroll expense was adjusted to remove  
15 employees who are no longer employed by PWD.

16 E. Please provide the supporting workpapers identifying the amount of the one-  
17 time bonus and how it was included in the FY 2025 cost of service.

18 F. Please show how and where in the cost of service the one-time bonus was  
19 removed from the FY 2026 and FY 2027 cost of service.

20 **RESPONSE:**

21 A. Please refer to response attachment PA-IX-17 which provides the calculations  
22 supporting the adjustment to the projected class 100 costs to reflect the FY 2025 Labor  
23 Agreement which was reached after the adoption of the FY 2025 budget. This  
24 adjustment includes (1) an adjustment for the increase to the annual salaries over the  
25 amount reflected in the FY 2025 budget and (2) an adjustment for the one-time bonus.  
26 Since the approved FY 2025 budget reflected a 3.25% salary increase, component (1)  
27 of this adjustment was added to the projected annual salaries to account for the balance  
28 of the 5.0% increase provided by the labor agreement.

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B. Please refer to response attachment PA-XI-17. As stated in part (A) of this response, component (1) of the adjustment to reflect the FY 2025 Labor Agreement accounted for the increased annual salary costs in FY 2025 and was inflated to account for the increased annual salary costs during subsequent years including FY 2026.

C. As presented in Table 1-7 on page 1-17 of Schedule BV-2 identifies the FY 2027 class 100 escalation factor of 3.50%. As noted in the text on page 1-17, the escalation factor for FY 2027 and thereafter is based upon the average annual increases for FY 2022 to FY 2025 as included in the District Council 33 (“DC33”) labor agreement. This escalation factor is also presented on page 44 of PWD Exhibit 6, which represents Assumptions-15 on the Assumptions# worksheet of the FINPLAN25\_26\_ver1.xlsx workbook provided in response to request PA-I-2.

Table 18 on page III-52 of PWD Exhibit 5 provides the FY 2022 to FY 2024 annual increases included in the DC 33 labor agreements: 2.50% in FY 2022, 3.25% in FY 2023, and 3.25% in FY 2024. The average of 2.5%, 3.25%, 3.25%, and 5.0% is 3.5%.

D. Consistent with prior rate proceedings, projected level expenses are reduced from budget level based on the three-year average actual spending levels during FY 2022 to FY 2024. For rate making purposes, projections based on average prior spending levels assume maintaining recent staffing levels relative to the budget to maintain sufficient funding of staffing to sustain current service levels. Note that the FY 2025 one-time bonus is estimated based on actual FY 2025 staffing levels.

E. The FY 2025 Cost of Service resulting from the 2023 Rate Determination which is the basis for current FY 2025 rates did not include the FY 2025 one-time bonus.

1 As noted in the response to item (A) above, response attachment PA-XI-17 provides  
2 the supporting workpapers for how the FY 2025 one-time bonus was included in the  
3 current COS Study for test years 2026 and 2027 which includes a projection of FY  
4 2025 for the purposes of projecting FY 2025 financial performance and FY 2026  
5 beginning fund balances.

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7 F. As noted in the response to item (A) above, response attachment PA-XI-17 provides  
8 the supporting workpapers for the two components of the FY 2025 labor agreement  
9 adjustment. Component (2) associated with the FY 2025 one-time bonuses adjusts the  
10 salary expenses in FY 2025 only which eliminates the need to remove it from FY 2026  
11 and FY 2027.

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14 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC  
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1 **PA-IX-18.** PLEASE PROVIDE A COPY OF THE AGREEMENT WITH DISTRICT  
2 COUNCIL 33.  
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4 **RESPONSE:**

5 See response attachment PA-IX-18.  
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7 **RESPONSE PROVIDED BY:** Philadelphia Water Department  
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**PA-IX-19.** ACCORDING TO BLACK & VEATCH’S TESTIMONY AT PAGE 22,  
“THEREAFTER, AN ANNUAL ESCALATION FACTOR OF 3.5% IS APPLIED  
BASED UPON THE AVERAGE HISTORICAL ANNUAL INCREASES FOR  
FY 2022 TO FY 2025 AS INCLUDED IN THE DC33 LABOR AGREEMENTS.”  
PLEASE PROVIDE THE SUPPORTING DOCUMENTATION THAT SETS  
THE BASIS OF THE 3.5%.

**RESPONSE:**

See response to item (C) of PA-IX-17.

**RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC

1 **PA-IX-20.** REFER TO BLACK & VEATCH’S TESTIMONY AT PAGE 23. PENSION  
2 AND BENEFITS EXPENSES ARE ESTIMATED TO INCREASE FROM \$151.4  
3 MILLION IN FY 2025 TO \$175.8 MILLION IN FY 2030.

4 A. PLEASE PROVIDE THE SUPPORTING DOCUMENTATION FOR THE  
5 INCREASES DURING THIS PERIOD FOR PENSION AND EACH TYPE  
6 OF BENEFIT.

7 B. PLEASE PROVIDE THE ANNUAL INCREASES FOR FY 2025, FY 2026  
8 AND FY 2027 FOR PENSION AND EACH BENEFIT.

9  
10 **RESPONSE:**

11 A. Please refer to response attachment PA-IX-20A which provides the City Finance  
12 projection of FY 2025 to FY 2029 Pension and Benefits prior to projected staffing  
13 additions. Please refer to response attachment PA-IX-20B which provides the  
14 adjustment to the City Finance projection of pension and benefit costs associated with  
15 projected staffing additions. This projection methodology is consistent with that used  
16 in prior rate proceedings.

17 B. Please refer to response attachment PA-IX-20B.

18  
19 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC  
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1 **PA-IX-21.** PLEASE PROVIDE THE BACKUP DOCUMENTATION AND SUPPORTING  
2 CALCULATIONS (THE SUPPORTING CALCULATIONS FOR THE  
3 PROJECTED INCREASE AMOUNTS) FOR THE FOLLOWING CITY OFFICE  
4 OF SUSTAINABILITY, DIVISION OF ENERGY & CLIMATE SOLUTIONS  
5 ESTIMATES:

- 6 A. POWER INCREASE OF 6.5% IN FY 2026 AND 2.7% IN FY 2027. PLEASE  
7 PROVIDE AN EXPLANATION FOR WHY FY 2026 POWER INCREASE  
8 IS SIGNIFICANTLY HIGHER THAN THE SUBSEQUENT YEARS.  
9 B. GAS INCREASE OF 1.7% IN FY 2026 AND 4.7% IN FY 2027. PLEASE  
10 PROVIDE AN EXPLANATION FOR WHY FY 2027 GAS INCREASE IS  
11 SIGNIFICANTLY HIGHER THAN THE OTHER YEARS PROVIDED.  
12

13 **RESPONSE:**

14 Please see response attachment PA-IX-21.

- 15 A. Between FY25 and FY26, capacity costs will rise significantly due to changes in the  
16 PJM capacity market auction, with prices increasing 378% between the two years.  
17 Subsequent years include estimated increases as there were no known rate cases or  
18 other scheduled increases affecting FY27 and future years at the time the City Office  
19 of Sustainability Report was prepared.  
20 B. Rates in FY27 and forward include a modest escalation factor to account for the  
21 volatility in gas costs caused by geopolitical disruptions that impact global oil and gas  
22 markets. They also include an estimated cost to account for the difference between the  
23 market reported forward basis prices and the actual basis cost to deliver to the PGW  
24 City Gate. Rates in FY25 and FY26 were lower due to lower commodity costs for  
25 natural gas. FY26 also did not include an estimated difference in basis cost as this  
26 portion of the cost was already locked in through hedges.  
27

28 **RESPONSE PROVIDED BY:** Philadelphia Water Department

1 **PA-IX-22.** PLEASE PROVIDE THE ACTUAL ANNUAL INCREASE IN POWER COSTS  
2 FOR FY 2022, FY 2023 AND FY 2024 FOR THE CITY/ PWD, AS MEASURED  
3 BY THE CITY’S OFFICE OF SUSTAINABILITY, DIVISION OF ENERGY &  
4 CLIMATE SOLUTIONS.

5  
6 **RESPONSE:**

7 The actual annual increases in power costs for FY 2022, FY 2023 and FY 2024 for PWD  
8 as measured by PWD are provided on page 217 of PWD Exhibit 6. Note that the  
9 referenced page of PWD Exhibit 6 is included in the Direct O&M worksheet of the  
10 FINPLAN25\_26\_ver1.xlsx model file provided in response to PA-I-2.

11  
12 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC  
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1 **PA-IX-23.** PLEASE PROVIDE THE ACTUAL ANNUAL INCREASE IN GAS COSTS  
2 FOR FY 2022, FY 2023 AND FY 2024 FOR THE CITY/ PWD, AS MEASURED  
3 BY THE CITY’S OFFICE OF SUSTAINABILITY, DIVISION OF ENERGY &  
4 CLIMATE SOLUTIONS.

5  
6 **RESPONSE:**

7 The actual annual increases in gas costs for FY 2022, FY 2023 and FY 2024 for PWD as  
8 measured by PWD are provided on page 217 of PWD Exhibit 6. Note that the referenced  
9 page of PWD Exhibit 6 is included in the Direct O&M worksheet of the  
10 FINPLAN25\_26\_ver1.xlsx model file provided in response to PA-I-2.

11  
12 **RESPONSE PROVIDED BY:** Black & Veatch Management Consulting, LLC  
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